

from politics and limit the "spontaneity" of the average citizen's participation in election activity is worth thinking about, but hardly seems supported by current data. For example, there is no evidence that the number of candidates for federal office has declined since the passage of the reform laws in 1972. And as of early July 1978 political committees filing with the commission had reported the receipt of \$47 million in contributions of more than \$100 in 1977 and 1978. Some of these contributions will end up funding campaigns for state and not federal office, but, even so, the \$47 million figure hardly reflects apathy among the giving public.

Moreover, one must ask whether the initiation of this regulatory system could conceivably have worse ramifications for John Q. Citizen's interest in political involvement than did the unregulated development of the political process in the decade prior to the 1974 amendments. In 1974, according to University of Michigan research included in the *Buckley* record, nearly 70 percent of the people polled thought government was run largely "by a few big interests looking out for themselves," while only 21 percent thought it was run "for the benefit of all." This result is hardly surprising: in 1974, according to the agreed findings in *Buckley*, just 1 percent of the contributors gave 90 percent of the money received by federal candidates, parties, and political committees, and 2 to 3 percent, "the wealthiest people in the country" (to quote the United States Court of Appeals opinion in *Buckley*) provides about 95 percent of the financing for congressional elections. Of course, prior to 1972 all of this had been largely secret, although that hardly alleviated the chilling effect experienced by the average citizen, who had to know that his few dollars or few hours of volunteer work did not amount to a damn in the larger picture of millions contributed by wealthy individuals and by business, labor, health, farm, and other interest groups. The inadequacies of the law and the FEC since 1974, and even the inhibitions on political participation arguably flowing therefrom, pale in comparison to the threat of functional oligarchy that faced the nation in the days before. Measuring that threat carefully, I am prepared to suffer the experiment of the election law and the commission for some substantial additional time. Bolton is good to remind us not to suffer in silence. ■

# Regulation and Household Moving Costs

Denis A. Breen

**S**UPPOSE a family were to move its household goods from Baltimore or the Maryland suburbs of Washington, D.C., to a point some 125 miles away. How much would it cost?

It turns out there are two quite different answers, depending on whether the family moves to a point inside Maryland or beyond the state's borders. It also turns out that the reason for the difference appears to lie in the fact that rates for moving household goods inside Maryland are set by competition, whereas rates for moving the same goods from one state to another are arrived at collusively in rate bureaus and then approved by the anything but competition-minded Interstate Commerce Commission (ICC).

## Setting Moving Rates: Maryland and Interstate

Geographically Maryland is the largest remaining unregulated market for household goods movers in the United States. Under a state law passed in 1932, the Public Service Commission of Maryland regulates certain classes of intrastate motor carriers (truckers operating with-

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in its borders), but not others. The group of truckers exempted from state regulations includes those that move household goods.

Not only are these movers not regulated, but their industry has many of the characteristics of a truly competitive market. Some 175 firms are engaged in moving household goods in intrastate operations in Maryland. This includes (1) firms that also hold interstate authority from the ICC, (2) those that serve as agents for large interstate carriers, and (3) independent companies that perform intrastate (including local) service. Some of the intrastate moving companies are tiny, consisting of no more than an office, a truck, an owner-driver, a bookkeeper, and a few helpers—which implies that the costs of entering the business are not high. The 175 firms are concentrated in the two major population centers of the state, Baltimore and the Maryland suburbs of Washington, D.C. Indeed, the number of potential competitors for a shipment from (say) a Maryland suburb of Washington to (say) Hagerstown, Maryland, could be as high as fifty.

Rates for intrastate service are established competitively by each company. (Although there is a Movers' and Warehousemen's Association of Maryland, to which about sixty of these movers belong, that association is *not* involved in establishing rates on a collusive basis.) In contrast, the rates charged by carriers in (ICC-regulated) interstate service are usually the product of legalized collusion. Under the Interstate Commerce Act, the ICC can grant limited antitrust immunity for carriers to get together in rate bureaus to discuss and propose rates for ICC approval. The rates are published by the bureaus and filed with the ICC. If no one protests them and if the ICC finds nothing wrong with them, they go into effect automatically. Because the ICC rejects only a minute portion of the rates proposed by rate bureaus and because it suspends or finds unlawful a large portion of the rates disapproved by the bureaus, these bureaus largely "set" the rates charged by interstate movers.

Thus, the question naturally arises: is there any significant difference between the rates charged by intrastate carriers, which are set competitively, and the rates charged by interstate carriers, which are set under regulated collusion. This is the question I consider here.

### The Competitive (Maryland) Rates

Rates for moving household goods within the state of Maryland are not published. Therefore, in order to obtain rate quotations, I made two telephone surveys of movers in the Baltimore area and the Maryland suburbs of Washington, D.C. Included were all three kinds of movers—firms without authority to carry goods across the state line (intrastate movers), firms with that authority (interstate movers), and firms that are agents for the latter. Most of the companies I called wanted to examine the shipment before making a final estimate, but they were not reluctant to make preliminary estimates when given a telephone description of the household goods to be moved.

When talking with the Maryland movers, I identified myself as a customer planning to move 7,000 pounds a distance of 125 miles within Maryland, either from College Park to Cumberland or from the west side of Baltimore to Cumberland. (A 7,000-pound shipment falls within the ICC's most common weight bracket for household goods shipments—4,000 to 7,999 pounds—and a 125-mile shipment falls within the ICC's most common mileage block for such shipments—0 to 499 miles.) The 7,000-pound figure was arrived at by inventorying the contents of a particular, small, three-bedroom ranch-style house with no basement. Each item in the house was converted to a measurement in cubic feet, using the conversion factors from the moving industry's standard estimating form. Cubic feet were then converted into pounds, using the industry conversion factor of seven pounds per cubic foot. With this inventory, I could give standardized answers when estimators asked about the actual contents of the shipment.

My two telephone surveys were about six months apart. The first was conducted on September 13 and 14, 1973, and yielded ten rate quotations from movers in the Baltimore area and thirteen from movers in the Maryland suburbs of Washington. It proved necessary to call about two movers for every quotation obtained, because estimators were not always available, because some movers were only local (not intercity), and so on. The second survey was conducted on March 21, 22, and 24, 1974. It included eight of the ten Baltimore-area movers I spoke to in September, along with

four new ones, and ten of the original Washington-suburb movers, along with six new ones.

Averages of the rate quotations obtained are shown in the first column of the table. The rates listed are for loading, transporting, and unloading the specified shipment. The only adjustment made in the quotations was for the purpose of standardizing the insurance coverage of 60¢ per pound per article, this being the minimum insurance coverage required for interstate movers.

### Collusive Regulated (Interstate) Rates

The collusively determined interstate rates were obtained directly from a major rate bureau—the Household Goods Carriers' Bureau in Washington, D.C.—and from the rate revisions on file at the ICC. This, essentially, is what the moving companies do. The rate bureau distributes copies of the tariff to the trucking firms, and they use the tariff (in this case, an 8½-by-11 inch paperback of some 150 pages) to determine what they will charge.

I began by discovering that, although my shipment was 7,000 pounds, it would actually be cheaper to pay for 8,000 pounds. (This holds true for any amount between 6,667 and 8,000 pounds.) The relevant tariff for 125 miles from Baltimore in September 1973 (Section III, Tariff No. 143-A, Supplement No. 31) took effect on April 9, 1973, was increased June 30, 1973, and was subject to a surcharge (under Section I). Then on February 2, 1974, a new tariff (Tariff No. 155-A, Supplement No. 1) took effect, raising the basic rates from both Baltimore and the Washington suburbs. The basic surcharges were the same, but an additional 6 percent fuel surcharge had been granted as a result of the oil embargo.

These calculations are, of course, generally made by the movers, not by the family moving its household goods. In any case, the interstate (tariff) rates for September 1973 and March 1974, duly adjusted and surcharged, are given in the second column of the table.

### The Rate Comparison

The table compares the averages of the competitively determined intrastate rates (for all movers and for interstate movers carrying goods intrastate) with the collusively deter-

mined regulated rates applying on interstate shipments. As can easily be seen, the regulated interstate rates are substantially higher than the competitive intrastate rates. They are, for example, from 39.5 percent to 67.2 percent higher than the intrastate rates for all movers (top of the table), and from 26.6 percent to 41.8 percent higher than the intrastate rates charged by interstate movers (bottom of the table). For identical shipments, the very same interstate movers that would charge the (required) higher noncompetitive rates for moving between states quoted lower competitive rates for moving within the state of Maryland. At the very least, this suggests that if competition were allowed in the interstate market, we could expect to see substantially lower rates on interstate shipments of household goods—since it is highly unlikely that any service differential is large enough to account for the difference in rates.

Some might argue that the lower rates quoted by the intrastate movers simply reflect "low-balling"—the practice of deliberately underestimating what the total shipping charge would be in order to win the business. Experience with ICC-regulated interstate movers indicates that 10 percent might be a reasonable figure for the amount by which shipping charges within Maryland might have been underestimated. (Note that low-balling by ICC-regulated movers would not affect my estimates of *interstate* rates since I took these

INTRASTATE AND INTERSTATE MOVING COSTS FOR 7,000-POUND 125-MILE SHIPMENT

	Intrastate Rates* (averages)	Interstate Rates	Difference
<i>All Movers</i>			
From Baltimore—			
September 1973	\$319	\$461	+44.5%
March 1974	382	533	+39.5%
From Maryland suburbs of Washington, D.C.—			
September 1973	351	552	+57.3%
March 1974	381	637	+67.2%
<i>Interstate Movers Only</i>			
From Baltimore—			
September 1973	\$325	\$461	+41.8%
March 1974	421	533	+26.6%
From Maryland suburbs of Washington, D.C.—			
September 1973	395	552	+39.7%
March 1974	468	637	+36.1%

\*For Maryland; see text.

from the tariffs themselves and did not rely on trucking company estimates.) Even with this adjustment, however, the figures for interstate rates were still substantially above the rates quoted for moving within Maryland. Moreover, it is not clear that the adjustment should be made: several firms providing intrastate moving service told me they would be willing to be bound by their estimates—a practice the ICC prohibits for interstate moving.

I have heard it said that shippers of household goods prefer a single rate in the market—that they are confused by the multiplicity of rates quoted in a market like Maryland's. In an unregulated market, where there are no rate bureaus setting rates, the customer has to go to the trouble of "shopping around" to find the lowest rate. But the argument ignores an obvious point. Unregulated markets benefit both those who want to shop around *and* those who do not. The latter will still be better off without collective rate-making and its accompanying ICC regulation because, on average, the individually set rates will be lower than collectively set rates. Indeed, the highest intrastate rate quoted by any one of the fifty-one movers covered in my survey was still one dollar *less* than the interstate rate.

The difference between regulated collusive rates and Maryland's unregulated rates provides an indication of the general effect of rate bureaus and the ICC. If, as I believe, this effect is felt nationwide, then the \$1.2 billion spent annually for interstate moving of household goods is, I would conservatively estimate, 25 percent greater than it need be. Or to put it another way, American families are spending at least \$240 million more than they need to every year because of ICC regulation.

This assumes, of course, that there is no quality difference in the services provided for moving interstate and for moving within Maryland. This we cannot be sure of. But any quality difference would have to be substantial in order to justify the significant difference in rates. And there is no evidence that it is. ■

The research embodied in this article was carried out as part of the author's Ph.D. dissertation (Ohio State University, 1975). For fuller detail, see "Statement of Denis A. Breen, July 1978," in *United States of America before the Interstate Commerce Commission* (Ex Parte No. 297, Sub-No. 4), Answer of the Federal Trade Commission.

## A Book Review

# Antitrust: A Form of Regulation

Thomas E. Kauper

**T**he *Antitrust Paradox* (Basic Books, 1978) represents the culmination of Robert H. Bork's thinking on the development of substantive antitrust doctrine, its impact on the legal system and the economy, and the need for reform. Because Bork, a dominant figure in the antitrust world for many years, has long been building through a series of articles to this volume, the analyses seem familiar, the conclusions those we would have predicted, and the recommendations perhaps less dramatic than they really are. But this is more a tribute to Bork's earlier writings than a defect in this impressive work. In fact the analysis now set forth goes well beyond what Bork has done before. He believes antitrust doctrine has gone seriously wrong and devotes much of his book to proving that point. But he goes on to ask why and at what cost, questions of import not only to reforming antitrust doctrine, but also to understanding judicial and government enforcement processes as a whole.

Bork's specific recommendations are dramatic. Vertical and conglomerate mergers, vertical price maintenance and territorial restraints, tying arrangements, exclusive dealing contracts, and price discrimination—all these should be deemed lawful. Antitrust law should

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