

<p>The Grange and the Railroads Farmers were especially disturbed by what they viewed as railroad corruption. The Grangers—members of the Grange, a farmers’ organization founded in 1867—began demanding governmental control over the railroad industry.</p>	
<p>RAILROAD ABUSES Farmers were angry with railroad companies for a host of reasons. They were upset by misuse of government land grants, which the railroads sold to other businesses rather than to settlers, as the government intended. The railroads also entered into formal agreements to fix prices, which helped keep farmers in their debt. In addition, they charged different customers different rates, often demanding more for short hauls—for which there was no alternative carrier—than they did for long hauls.</p>	
<p>GRANGER LAWS In response to these abuses by the railroads, the Grangers took political action. They sponsored state and local political candidates, elected legislators, and successfully pressed for laws to protect their interests. In 1871 Illinois authorized a commission “to establish maximum freight and passenger rates and prohibit discrimination.” Grangers throughout the West, Midwest, and Southeast convinced state legislators to pass similar laws, called Granger laws. The railroads fought back, challenging the constitutionality of the regulatory laws.</p> <p>In 1877, however, in the case of <i>Munn v. Illinois</i>, the Supreme Court upheld the Granger laws by a vote of seven to two. The states thus won the right to regulate the railroads for the benefit of farmers and consumers. The Grangers also helped establish an important principle—the federal government’s right to</p>	

regulate private industry to serve the public interest.	
<p>INTERSTATE COMMERCE ACT The Grangers' triumph was short-lived, however. In 1886, the Supreme Court ruled that a state could not set rates on interstate commerce—railroad traffic that either came from or was going to another state. In response to public outrage, Congress passed the Interstate Commerce Act in 1887. This act reestablished the right of the federal government to supervise railroad activities and established a five-member Interstate Commerce Commission (ICC) for that purpose. The ICC had difficulty regulating railroad rates because of a long legal process and resistance from the railroads. The final blow to the commission came in 1897, when the Supreme Court ruled that it could not set maximum railroad rates. Not until 1906, under President Theodore Roosevelt, did the ICC gain the power it needed to be effective.</p>	
<p>PANIC AND CONSOLIDATION Although the ICC presented few problems for the railroads, corporate abuses, mismanagement, overbuilding, and competition pushed many railroads to the brink of bankruptcy. Their financial problems played a major role in a nationwide economic collapse. The panic of 1893 was the worst depression up to that time: by the end of 1893, around 600 banks and 15,000 businesses had failed, and by 1895, 4 million people had lost their jobs. By the middle of 1894, a quarter of the nation's railroads had been taken over by financial companies. Large investment firms such as J. P. Morgan & Company reorganized the railroads. As the 20th century dawned, seven powerful companies held sway over two-thirds of the nation's railroad tracks.</p>	