

THE PROGRESS REPORT

Traffic Decongestants Needed

By Fred E. Foldvary

Those of us living in big cities are familiar with traffic congestion. During rush hour especially, the freeways and turnpikes and thoroughfares and expressways are clogged with cars just sitting there spewing exhaust.

In Los Angeles, motorists spend about 82 hours per year in gridlock. Washington, DC, commuters have it almost as bad, with 76 hours in gridlock. Motorists in the 20 most congested areas spend more than 40 hours per year waiting in traffic, wasting 4 extra tankfuls of gasoline. Some 6 billion gallons of gasoline are lost to congestion in the USA every year, according to USA Today, Nov. 17, 1999).

City streets are also jammed, entrances to freeways backed up, and red lights keep back the mob of cars wanting to cross bridges. The response of government is to build more freeways and to widen them where possible, but that is a slow process and can't keep up with the demand for road space. Governments also install special carpool lanes, but that makes the congestion in the other lanes that much worse.

This absurd situation is what economists call a "disequilibrium." The quantity of road and street space demanded far exceeds the quantity supplied, resulting in a severe shortage of vehicle transit space. If this was a private market, the owners of the thoroughfares would put in tolls just high enough to remove the congestion. The market, and the roads, would clear the shortage.

The use of a freeway is free of user charge, but the usage is not free. Users pay for it in time, gasoline, and wear on the cars. The millions of person-hours lost to traffic congestion represents lost productivity and loss of quality leisure time, a burden to the economy, plus the psychological damage of road rage.

There are two policy decongestants that would clear the traffic, one short term and the other longer term. The short-term solution is to install tolls so the cars would have to pay for each mile or kilometer used. The tolls would vary during the day, being just high enough to clear away the congestion. Today, the tolls can be measured and collected electronically.

If drivers had to pay a few dollars to make the expressway truly an express service, many will shift to public transit. So government then also has to either expand bus and train service or allow private enterprise to fill the gap. Public transit should use marginal-cost pricing, making a passenger pay only the cost of adding one more rider.

This marginal cost of public transit is usually low, less than the cost of collecting the charge, so that the ideal charge is often zero, free. Private enterprise follows this practice of providing transit free of charge - elevators and escalators in hotels, offices, and shopping centers are free of

charge. Private transit such as taxis and jitneys and commuting and airport vans can then supplement the public transit with special and premium service.

Where will the money come from to pay for basic public transit if it is free to the user? The funding can come from the hidden beneficiary. There are two beneficiaries from public transit. The visible one is the user. The hidden one is the landowner whose rental income and land value rises because of the service. That land rent generated by the transit should be used to pay for the service, making it self-financing.

Rent-based public finance would also infill the city, making more productive use of city centers and reducing the outlying sprawl, thus reducing also the traffic coming in from the suburbs. So the second, longer-term, traffic decongestant would be a shift in taxes from income, sales, and buildings, to site rents, which would both pay for public transit and make cities more compact.

Decongestant policy would be the opposite of what is done today. Policy now makes the freeways "free" and charges for public transit. Policy taxes workers and lets landowners keep the rents generated by public transit. Workers pay in taxes, lost time, and extra rent. With decongestant policy, workers would be taxed less, not waste so much time, and there would also be less pollution.

So why do people put up with the traffic mess? The public is ignorant. Big real-estate interests want to keep land taxes low, and car makers want to keep demand for cars high. Special interests get subsidized at the expense of an apathetic public. Someone should make an audio tape explaining the problem and the remedy, so that harried commuters can play this while they wait in traffic. Then, with righteous indignation, the commuters would contact their government representatives and demand the effective remedies.