

Outline Lecture 7
Transportation
Wednesday, September 27, 2006

I. Introduction: Transportation & public goods

II. Urban Transportation

1. Introduction: the general character of the collective action problem in urban transportation
2. The destruction of the LA public transportation system

III. What can be done about urban traffic congestion?

1. Social costs of congestion

- a. Pollution
- b. Long commute times

2. Solutions

- a. Charge people the true costs of driving & parking
- b. Foster genuine competition between alternative modes of transportation
- c. Factor in the *positive* externalities of public transportation in the price: requires public subsidies

IV. Airline Deregulation

1. **Rationale for regulation:** airlines are a kind of public utility.
2. **Method of regulation:** prices were controlled.
3. **Criticisms of regulation**
4. **1980s Deregulation:** removed most of these controls.
5. **Actual results:** a failed experiment