Lecture 7

Wednesday, September 27

Transportation

A couple of issues from the last lecture

1. **The "Affirmative State":** An affirmative state is a state that plays an active affirmative role in solving social and economic problems, rather than simply staying on the sidelines and enforcing rules.

2. **How do corporations use their power to block regulations:**

   - Contributions to politicians: to block legislation

   - Lobbying: to influence administrative rules and implementation

   - Court cases: to bottle up regulations

The Public Transportation Free Riding Problem:
Busses vs. Cars

YOUR CHOICE

		BUS	PRIVATE CAR
EVERYONE ELSE'S CHOICE	**BUS**	A 25 minutes	B 10 minutes
	PRIVATE CAR	C 1.5 hours	D 45 minutes

Free-riding preferences: B > A > D > C

Free riding gain: 15 Minutes (A minus B)

Sucker penalty: 45 minutes (C minus D)

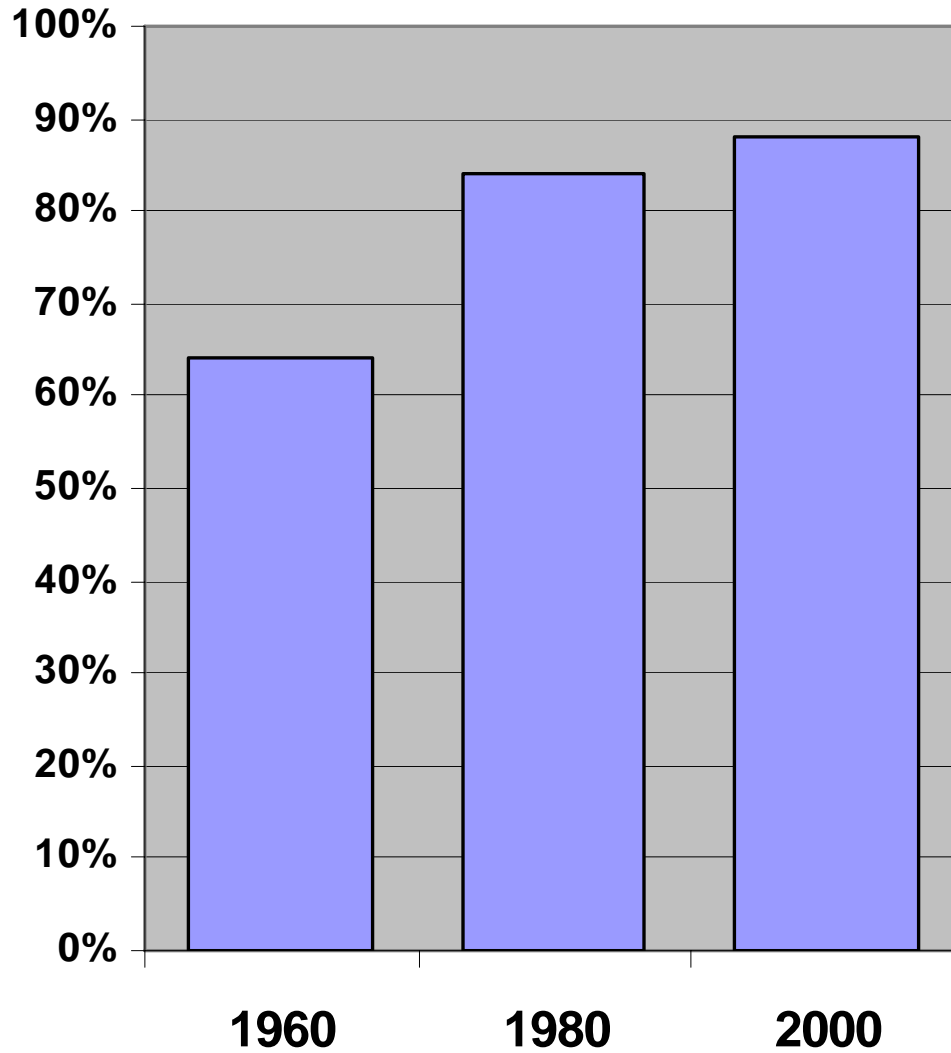# The Public Transportation Free Riding Problem:
Light Rail vs. Cars

YOUR CHOICE

		RAIL	PRIVATE CAR
EVERYONE ELSE'S CHOICE	RAIL	A 15 minutes	B 10 minutes
	PRIVATE CAR	C 25 minutes	D 45 minutes

Free riding gain: 5 Minutes (A minus B)

"Sucker penalty": There is no sucker penalty!

% of people communting by Car

What are the positive externalities of good public transportation?

What are the <u>positive</u> externalities of good public transportation?

1. Quicker commuting times, less congestion

2. Saving on private car infrastructure (parking ramps, street repairs, etc.)

3. Less pollution: less frequent house painting

4. Health benefits (asthma especially)

5. More efficient labor market, especially for poor (easier to get to jobs), therefore less need for welfare

6. Less need for multiple cars in a family

7. Energy savings

Question: What would be the *efficient price* to charge people to ride on public transportation *if you take into consideration the value of all of the positive externalities*?