Alternative Route: Toward Efficient Urban Transportation. By Clifford Winston and Chad Shirley. Washington, D.C.: Brookings Institution Press, 1998.

This book is one of many recent works dealing with issues of transportation and the prospects for privatization. In particular, this volume emphasizes the losses and wastes generated by public intervention. Winston and Shirley give an overview of the present dismal situation (chap. 1). Public authorities manage most bus and railway companies, while those managed by private enterprise are hindered by subsidized and fixed fares and political pressure over the location of routes (chap. 2).

Public transport is indeed a socialized system that generates a great deal of inefficiencies (chap. 4). Government regulators, by subsidizing low user fares, extending route coverage, and increasing service frequency, are the real reason for wasteful public expenses and sporadic overutilization of resources (p. 78). These interventions reflect special-interest concerns even as local political authorities push for other policy priorities.

The authors argue that it is hugely difficult for regulators to administer a consistent transport policy. The problem of public management is too complicated: the price of fares, frequency of service, route coverage, and the density of the means of transport vary according to the importance some populations place on various policy goals (p. 81). Globally, the authors estimate, $6 billion are wasted each year to promote an inefficient policy in urban transit system.

The authors' proposed solutions are interesting but ultimately disappointing. Laudably, they do call for what they believe to be the privatization of urban transit. They call for an increase of fares, as well as reductions in the frequency of service and route coverage. They argue that with competition, the bus will replace the rail, and that automobile transportation will increase. New modes of transport would appear, they believe. They also propose a complete deregulation of the taxi market.

When it comes to political strategy, however, they blink. They argue that the privatization of roads, though necessary, is premature (p. 103). Waiting for the right time to privatize is the perfect bureaucratic excuse. Moreover, Winston and Shirley are confused about the meaning of privatization. They equate toll roads with private roads, for example. In fact, toll roads are public pieces of land, managed by pseudo-private companies, ultimately controlled by the State. Managers are only specific bureaucrats

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(Mises 1983). On the other hand, a private road can be free-access, or the owner can charge the price yielded by the interactions on the market.

In short, private roads without complete ownership of the land are not actually privatized (Rothbard 1983). Thus does the authors' use of the term "privatization" constitute a semantic abuse and a misinterpretation. The complete absence of reflection about this topic reflects the limits of the analysis. Indeed, it is meaningless to speak of the privatization of transport equipment but not land. Without private land, all aspects of transportation will be subject to manipulation and political influence. There is no way of knowing whether the structure of the industry will reflect the desires of consumers. Using an analogy, it would be as if we proposed competition among workers and managers even as firms continued to be owned by the State. We could suggest that the wage be fixed at its competitive level (of this particular market), but it is impossible to say that the allocation would be efficient among the different industries. Government alone could decide the level of production, and, hence, it is not obvious that the allocation of the workers would be the one yielded by a free market.

In reality, if regulators control infrastructure, tolls, and fares, they will manage the entire industry. The proposals of the authors are only a means of contracting out, of delegating, the management of some part of business. But ultimately, the government remains in charge. The damaging effect of such proposals is that they mislead people into believing that this constitutes true privatization, and, indeed, the authors believe that they are proposing complete privatization.

The authors' entire study rests on an empirical and econometric approach. They use an aggregate joint choice model (chap. 3). Their sample represents only 20 percent of the total trips (p. 31), but they assume it is representative of the other 80 percent. The authors recognize that their analysis is sensitive to this problem. Their predictions concerning the expected gains from the proposed reforms can vary from $15 billion to $8 billion.

More problematic is the inconsistency of their assumptions. Winston and Shirley try to show how roads can solve the problem of congestion, but they assume no relationship between income and travel time (pp. 35–36, n. 21). Obviously, this assumption is important. Even their results rely on this relationship, first on the speculative determination of the value of time between peak time and off-peak time, and second by the ratio between work trips and leisure trips (table 3.3, p. 43 and table 4.6, p. 63).

More interesting is Winston and Shirley's claim that they are able to define the optimal market share for different modes of transport (table 4.2, p. 58). They even claim that they can define the correct tolls for the use of roads, fares for bus and rail trips, frequency of service, and route coverage.

In undertaking these exercises, they suppose that they can do more than the market (table 6.1, p. 93). They claim that the so-called bus and rail privatization combined with optimal auto tolls could bring a net benefit of $10.8 billion. By using their econometric model (by which they determine fares for urban transit, tolls for roads, and the shares of different modes of transportation), they valued the gains to $11.5 billion. Their process of optimization shows higher gains. Consequently, Winston and Shirley are placed in an inconsistent position of defending privatization, while the solution amounts, not to privatization, but to control by a big centralized organization or a kind of Soviet plan. How can they conclude privatization is the solution while assuming that they already know the solution that the market would yield?

Moreover, the authors' estimates of optimal fares and prices rely on data derived from experiences in a hampered market. But these data reflect a particular historical state of the market, from which it is impossible to deduce the potential actions of a free market. The actions of the drivers and other users actually reflect only a situation characterized by different interventions, subsidies, and regulation. Consequently, there is no way of establishing a model with these data to predict evolutions for a world without these interventions. It is impossible, because these data are not available.

This volume tries to define an alternative route to the present hampered markets. This should be considered progress, even radical progress. The trouble is that the authors' solutions do not go far enough to address the most fundamental problem, and thus they cannot defend the transportation reforms we truly need.

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