



The Traffic Jam

Highway congestion charges make sense economically, but are they too risky politically?

AT FIRST SIGHT, CONGESTION PRICING SEEMS TO BE A good idea. It is already in use in London and Singapore, but the most sophisticated form has just been the object of a seven-month trial in Stockholm, Sweden: each car passing under one of 23 tolling points is identified either through an on-board transponder or with a photograph of its licence plate, and its owner is assessed a charge depending on the time and location. Rush hour charges are higher.

Those for whom travelling at rush hour time is most valuable will pay; those for whom it is less valuable will change their travel means or habits, including by leaving the office later. Prices ration demand. Just like parking is more easily available where there are parking meters and charges, so congestion pricing reduces quantity demanded and, thus, congestion. In Stockholm, traffic decreased by 22 per cent.

However, the economic validity of this argument is not as obvious as it appears. Government intervention has complex consequences that favour some individuals and harm others. In this case, the favoured groups comprise cyclists, local residents, people who would have been the victims of an accident (whose numbers go down with less traffic) and individuals whose time is most valuable. Harmed individuals include, for example, parents of young children who want to be at home early, or anybody whose work schedule may be difficult to adjust.

To grasp the diversity and complexity of consequences of intervention, just think about the recent study suggesting that hypertension correlates directly with the number of hours at work: thus, staying late in the office to avoid higher congestion charges may increase hypertension. Or perhaps it doesn't, if one considers the stress of being stuck in traffic jams in the absence of a congestion charge. Cost-benefit analysis counts corpses, or their equivalent in other sorts of cost, but whatever net figure comes out of the number crunching implies the advantages of life have been redistributed among groups.

Yet, pricing for the use of streets could still be justified as a co-ordination device. Consider what would happen

if all city streets were private—just like streets in a gated community or in a shopping complex. Since time and space are scarce and valued resources, the streets' owners may want to set positive prices for their use. On congested private streets, a private Stockholm-style system may develop, with lots of private street owners recording the identities of passing (or parking) cars.

However, a special problem arises when the whole system is operated by a single supplier who not only has a monopoly of the streets (as in Stockholm) but is also part of the state monopoly of force (delinquent Swedish drivers have their files transferred to the tax department). The political authorities then obtain a cheap way to know who has been where at what time. This surveillance state is already becoming a reality in the U.K. with the co-ordination by police of the

thousands of government cameras covering the landscape (not counting the millions of private ones): every car's travel is monitored by government computers in real time.

The problem with cheap surveillance of everybody by the state is that there will be more of it. Just as people use streets more when the price is lower, statocrats will use surveillance more

when it's cheaper. They will impose new laws, the enforcement of which would otherwise have been too costly. The sinful minorities of the day will be monitored.

This is also economics, and the cost of oppression is a real cost—at least for those individuals who are not in the ruling groups, or those who don't like to be bossed around like children.

In his classic 1962 book, *Capitalism and Freedom*, Nobel Prize-winning economist Milton Friedman noted that we ought to “enter on the liability side of any proposed government intervention, its neighbourhood effect in threatening freedom, and give this considerable weight ... This is an important reason why many earlier liberals ... writing at a time when government was small by today's standards, were willing to have government undertake activities that today's [classical] liberals would not accept now that government has become so overgrown.” Such are congestion charges today. **WS**

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