



Solutions

Marco Ponti

Income distribution, rents and transport.

Land rents are strictly related to accessibility. In turn, accessibility is higher in well- served (by roads or by public transport) locations. The money-time trade-off operates in such a way, that many low income workers are able to find affordable houses only in locations that require them long driving hours.

Rising car users' costs therefore may indeed have a perverse distribution impact, even if this policy is fully justified by the environment-congestion problem (see the American resistance even from the left to gasoline taxes, and the further perverse distribution impact of subsidies to downtown-directed public transport, used mainly by white-collars, medium-income workers).



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CBA and “Option values”.

If two projects show the same costs and the same benefits, and even if the probability distribution of the benefits is the same, their actual economic values can be quite different. If one is based on a rigid, non-reversible technology its “option value” is lower than that of a flexible one (the more dispersed the possible benefits, the larger the difference).

This is specially dangerous for capital-intensive transport solutions (railways etc), versus cheap, technology-oriented ones (low-emission hybrid motors).



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CBA and monopoly.

The observation that wherever prices are above marginal costs, standard CBA underestimates the benefits of generated traffic (even in terms of increased travel distance), fully explains also the extra-benefits of increased competition allowed by increased mobility. In fact, space-base competition is always explained by land rents, that, coeteris paribus, “capture” all the other monopoly rents.

Land rents are an outstanding example of prices well above marginal costs of production.



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CBA and macroeconomics 1 (*MOCPF versus added value analysis and the Bonnafus WCTR paper*).

The main macroeconomic European issue is at present whether we can assume or not a Keynesian context (the well-known “golden rule” argument).

From this issue, well-defined microeconomic consequences do follow, and have to be made always explicit. A Keynesian assumption means that an added –value analysis (Leontiev-based) is justified on top of a standard cost-benefit one (i.e., assuming an implicit zero opportunity cost for both labour and capital).



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CBA and macroeconomics 2 (*MOCPF versus added value analysis and the Bonnafus WCTR paper*).

If a non-Keynesian context is assumed (Maastricht-constraints based), the implicit shadow price of the constraint has to be assumed, i.e. a definite marginal opportunity cost of public funds (that in turn generates lower returns for subsidized projects).

Bonnafus et al. at the WCTR have presented a different approach reaching similar conclusions: if a budget constraint exists, it will lead to a surplus-maximizing ranking of projects, if their economic net present values are substituted by their financial net present value (due to the fact that so more projects with a positive economic return will become feasible).



Equity and “club externalities”.

Congestion is a “club externality” in the sense that, contrary to air pollution, no third party is affected. Revenues from congestion charges, for this reason, have to be given back to road users. This makes the use of these revenues for road improvements equitable, besides being efficient for traffic allocation.

Using these revenues for public transport may benefit people that are located in less dispersed areas.



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Causality and travel distances.

If rising incomes have a direct impact on travel demand, it will be (at least for passengers) in terms of a reduction in the distance travelled. In fact, a higher income implies a higher value of time related to monetary values; this in turn makes higher-cost, nearer locations (for housing, retail etc.) more convenient compared with cheaper, far-away locations.

Since the contrary happens, a reverse causal explanation seems the only possible one: reduced travel costs generate longer distances travelled.