Magical Thinking, Addiction, and Market Failures*  
* and Social Capital

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“Wedges” to stabilize climate
(Pacala & Socolow 2004)

- Reduce vehicle CO2 by half
- Double world nuclear power
- 50x wind energy (now 25x)
- + four more like those
Magical thinking:
Ethanol, or PHEVs, or Hydrogen, will let us keep on driving!
We can halt global warming through technology with no actual heavy lifting!

- Fuel policy: 10% improvements (eg, CA LCFS) but crop biofuels are looking shaky, others distant and/or expensive

- Vehicle efficiency: 25% for new vehicles by 2020 (and six mfrs are paying penalties instead of meeting CAFE now).

- We have to drive a lot less.
Figure 1: Physical discharge of GHG and land use change. Values rounded from Searchinger et al.
…let’s be grownup and realistic about this:

*Americans will never give up an automobile-intensive lifestyle.*

*The Chinese and Indians will not be denied an automobile century.*

If men do not beat their wives, children, and servants, civilization will collapse in chaos.

If smoking is banned in bars and restaurants, the economy of [New York, France, Italy, Ireland…] will wither away.

Women cannot supervise men, or competently own property, or vote. Their biology precludes it.

The right of a hereditary nobility to order the affairs of society is part of God’s plan for the universe.

Massachusetts Sec. of Transportation, about bicycles, 1982: “Basically, they just interfere with traffic, right?”
Addiction

- Initial use is cheap, net beneficial
- Costs are long delayed
- As use continues, benefit of use compared to nonuse gets larger.

_Typical addictive product:_

_**High social status, long-delayed cost, immediate benefits, withdrawal costs increasing with use.**_

_Some addictions are beneficial (art)._
<table>
<thead>
<tr>
<th></th>
<th>Cigarettes 1968</th>
<th>Cars 2008</th>
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<tbody>
<tr>
<td><strong>Fixed cost</strong></td>
<td>Low</td>
<td>Low (easy credit)</td>
</tr>
<tr>
<td><strong>Benefit from first use</strong></td>
<td>High</td>
<td>Very high</td>
</tr>
<tr>
<td><strong>Marginal spot price of single use</strong></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Availability</strong></td>
<td>Pervasive (vending machines!)</td>
<td>Pervasive (streets)</td>
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<tr>
<td><strong>Complements</strong></td>
<td>Cheap (ashtrays)</td>
<td>Cheap</td>
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<tr>
<td></td>
<td></td>
<td>--Insurance (pay later)</td>
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<tr>
<td></td>
<td></td>
<td>--Gas (credit card)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>--Parking (free to cheap)</td>
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<tr>
<td><strong>Social status</strong></td>
<td>High (especially for youth)</td>
<td>High (especially for youth)</td>
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<tr>
<td><strong>Advertising</strong></td>
<td>Pervasive</td>
<td>Pervasive</td>
</tr>
<tr>
<td></td>
<td>Glamorous, sexy</td>
<td>Glamorous, sexy</td>
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<tr>
<td><strong>TV and movies</strong></td>
<td>Pervasive, admirable</td>
<td>Pervasive, admirable</td>
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<tr>
<td><strong>Alternatives to use</strong></td>
<td>Miserable withdrawal</td>
<td>Transit: slow, distant, expensive</td>
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<tr>
<td></td>
<td></td>
<td>Bicycle: scary, weather</td>
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<tr>
<td></td>
<td></td>
<td>Feet: slow, boring, weather</td>
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<tr>
<td><strong>Costs</strong></td>
<td>Later, shifted to others</td>
<td>Later, shifted to others, remote</td>
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<tr>
<td><strong>Flywheel</strong></td>
<td>Enormous industry, tax dependency</td>
<td>Enormous industries, tax dependency</td>
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<tr>
<td><strong>Social Support for Nonusers</strong></td>
<td>None to scarce</td>
<td>None to scarce</td>
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</table>
• Nobody decides to spend an eighth of his life driving a car, just to drive down to the 7-11 tonight (it’s raining, it’s late, I have to carry purchases home, I’m tired, etc)

• Nobody decides to smoke for life, just to have one more cigarette now (I’m upset/late, I’ll stop next week, I work better when I smoke, etc.)
Smoking policy history

- Good science (personal and external costs)
- Regulation despite predictions of disaster and whining about rights
- Entertainment industry ("Actors need to smoke!")
- Health providers allied and cooperating
- High taxes/prices
- Rationing access
- Supportive programs and alternatives

A coordinated, multi-pronged campaign
The critical complements of not driving are not market goods!
Complements of not driving (why is gasoline so price-inelastic?)

- Bike paths
- Interesting, populated streets (new urbanism/’live over the store’)
- Density (short trips)
- Transit priced at marginal cost (net of external benefits)

Very expensive, public goods, and worth it.
Decreasing marginal cost goods
…it’s not ideology!

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<th>Cost</th>
<th>Benefit</th>
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<thead>
<tr>
<th>Supply</th>
<th>Social benefits</th>
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<th>Private Demand</th>
<th>Total Demand</th>
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<table>
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<th>Quantity</th>
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Pricing transit

• It is cheaper for two couples to drive from the East Bay to San Francisco for a show, including parking, than to take the BART
  
  – Even including “hidden” private cost of driving
  – Especially if a bus is needed
  – BART stops at midnight, so no post-show supper

This is simply nuts!
External costs of driving

• Local pollution
• Congestion
• Accidents
• Global warming
  – Yadda, yadda, we know…
• Destruction of social capital, identity politics, fear and loathing
  – What?
Global Warming
Petroleum dependency

Fuel improvement only reduces these costs

Wasted time
Accidents
Land use
Health and fitness

Social isolation
Unbalanced wealth portfolio
Fear and insecurity
Costly (retail) recreation
Lost family time
Enslavement of parents as chauffeurs
Stupefying environment

Driving less reduces these
We are hard wired for prejudice

• You don’t “have to be taught to hate…”
• The only way to learn not to fear strangers who are different is to come upon them in situations where they could hurt you, and they don’t.
• The only such situation for adults is a pedestrian street.
• More important as schools segregate.
Driving builds fear

- Angelenos won’t get off the 15mph 405 to go 40 on Sepulveda
- If you wear a car, any contact with any other person is trouble

***

Driving is inhumane

- Driving from a socially homogeneous unwalkable suburb to an office park or a demographically targeted mall is social dynamite. People who only meet people like themselves are afraid of people who are not.
- Affordable (2-hr) self-driving commutes are an arrow aimed at the heart of family relationships, and we can’t lane-mile ourselves closer to destinations
- Using a human brain to keep a car between two white lines is substance abuse
- Socially segregated suburbs are deadly to good public finance policy
Can we make it rude and déclassé to drive?
Learning from nicotine (the most addictive drug)

• Good science (GW, externalities, private costs)
• Very high taxes: cars, parking, fuel
• Social pressure (advertising, entertainment, etc.): deglamorized (FDR had a famous cigarette holder; Obama is never seen smoking; Arnold has ditched his SUV)
• ‘Expert’ prophecy of failure is usually wrong

Plus:
• Develop the anti-driving interest group

• Enormous public investment in alternatives.
  Now is the time: ROW will never be cheaper, nor construction costs, nor conjunction of different policy objectives and payoff