

TEACHER INSTRUCTIONS/KEY

Purpose

This article discusses the favorable outcomes that would likely result from privatizing roads.

Prep

Print this instruction page and Pages 2 & 3 (front to back if possible) for each student.

Time

15-20 minutes

Instructions

Have students read the article and answer the questions together in pairs/groups, then as a class.

Key

1. Roads owned by “everyone” are owned by no one. How does this illustrate the concept of private property and incentives? Why might privately owned roads be managed more efficiently than government roads?

When no individual owns a resource, no one has a strong incentive to maintain or improve it. Private owners would have a financial incentive to keep roads safe and efficient because their income would depend on attracting drivers.

2. The author suggests charging higher prices for roads during rush hour, like surge pricing in Uber or peak subway fares. How does this show that prices act as signals that help distribute scarce resources (like gas stations charging more during a hurricane)?

Higher prices during peak times signal that road space is scarce. Some drivers will choose different travel times or routes, reducing congestion and helping limited road space be used more efficiently.

3. Many people object to higher road prices because they see only the cost to drivers. Using Bastiat’s idea of “the seen and the unseen,” what hidden benefits might congestion pricing produce?

The seen effect is that drivers pay more. The unseen effects may include less congestion, shorter travel times, fewer accidents, and stronger incentives for entrepreneurs to improve or expand roads.

4. Higher prices during busy times might encourage people to travel later or use other transportation. How does this illustrate the principle that people respond to incentives?

When the cost of traveling at rush hour rises, some people change their behavior by traveling at different times or using other routes. This shows that people adjust their choices when incentives change.

5. The author argues that private road owners could profit by improving and managing roads. Why does the possibility of profit motivate entrepreneurs to solve problems like congestion or maintenance?

Profit rewards entrepreneurs who provide services people value. If improving roads attracts more drivers and revenue, entrepreneurs have a strong incentive to invest in better maintenance, technology, or traffic solutions.

6. Several Biblical passages describe humans as naturally self-interested. How might this explain why entrepreneurs would build or improve roads—not from charity, but because they expect to earn profits?

Because people naturally seek their own benefit, entrepreneurs will pursue opportunities to earn profits. Improving roads would attract customers and generate income, so self-interest motivates them to solve transportation problems.

Privately Owned Roads Would End Congestion

Thursday, February 24, 2011

By Matt Cover

On an ill-timed and ill-fated trip during rush hour today, I was reminded of something I've wanted to write about: one of most practical reasons for having private ownership of roads. Moral and ethical reasons aside—and it could be strongly argued that using forcibly appropriated funds (i.e. taxation) to build infrastructure is unethical and morally indefensible—government management of roads is just ridiculously inefficient.

There is a simple way to diminish rush hour congestion: charge people more to use the roads at those times....This is exactly the reason why subway systems (like the London Underground) charge significantly higher rates during “peak times,” and why Uber institutes “surge prices” during excessively busy times.

This entices people to arrange their schedules or commute so that they are not traveling during the busiest times, thereby reducing traffic. In the case of Uber, the surge prices also serve to incentivize as many drivers as possible to work.

Higher prices reduce traffic by encouraging those who don't have to be traveling at that time to travel later, or to use other means of transportation. This leaves only those who have no other options available using the train or Uber. This same principle could be easily applied to freeways and all roads.

Tolls and Taxes

The usual answer is: tolls. But tolls are not market prices. They do sometimes work to ration road space, but they aren't necessarily rational. They end up serving not economics, but politics; just another way to extract money from the people.

Also, roads are considered “publicly owned” (which in reality just means they are coercively controlled by the government). People could, correctly, argue that they pay for the roads through their taxes, and so they have as much right to use them as everyone else. They could further argue that these “surge prices” bar them access to the roads, and so they shouldn't have to pay taxes for them at all....

These are the problems that arise when things are effectively owned by no one (as is the case with public ownership) and when people do not have control over where their dollars are spent. People shouldn't have to pay taxes for roads that additional charges effectively prevent them from using. Additionally, when something is touted as being owned by “everyone,” then no one really has the right to prevent some of that group from using it.

So the arguments against having higher prices for road use during rush hour are completely valid—so long as the roads are coercively controlled and operated by the state.

A Multiplicity of Forms

These problems would be solved, however, were the roads made private. Since roads have already been built, some method would have to be established for turning them over to private hands. Whether that would be through some sort of auctioning or homesteading is debatable.

Highways and major roads would probably end up being owned in sections (or in entirety, but that may be prohibitively expensive) by private companies. The companies would make money off them by charging prices or membership fees. They could also collect maintenance fees from major businesses on their route.

When there is money to be made in something, entrepreneurs figure out a way to make it a reality. Residential roads, on the other hand, could be owned collectively, with each resident owning a stake and having a say in the operation. I could also imagine many, if not most, non-highway roads being owned and maintained by the businesses they service. For example, a Wal-Mart would pay for the local roads leading to it because they want their customers to have safe and easy access to their store.

Nor would it necessarily be the case that roads would be priced at all. Think of the Google search engine: it is unpriced, free for everyone. It is a revenue generator through advertising. It is even possible that road entrepreneurs would pay drivers through coupons or other incentives, as a way a boosting ad revenue, just as websites do.

...[P]rivate roads could take many forms, but we can rest assured that spontaneous order will take care of it. Well-maintained roads are a necessity for modern society, which means that there is money to be made in providing them. When there is money to be made...entrepreneurs figure out a way to make it a reality....

If we eliminate paradoxes and contradictions like public or government “ownership,” then we will allow people to fix problems associated with those things. Let the market and economics reign supreme and let entrepreneurs solve the issues that present themselves. Freedom will always win.

(See article here: <https://fee.org/articles/privately-owned-roads-would-end-congestion/>)

(Questions for review are on the back of this page.)

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4. Higher prices during busy times might encourage people to travel later or use other transportation. How does this illustrate the principle that people respond to incentives?
5. The author argues that private road owners could profit by improving and managing roads. Why does the possibility of profit motivate entrepreneurs to solve problems like congestion or maintenance?
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