

# INTERPRETATION OF THE BENEFITS OF PRIVATE TRANSPORT

## *A Comment*

By Douglas Wood

Dr. Mishan is to be congratulated on developing such a neat and ingenious model\* to demonstrate some of the dangers inherent in a mixed public and private transport system. I should like to point out, however, that the welfare conclusions he draws seem to be based on an implicit and unsubstantiated assumption that both the direction and length of journeys remain unaltered by the change in the transport system.

In Dr. Mishan's analysis commuters, deprived of all public transport, are struggling as best they can into the urban centre. Compared with the initial situation where everyone used public transport, a clear welfare loss seems to have occurred. However, this does not seem to be the obvious point at which to make a welfare comparison, since Dr. Mishan has introduced a change in an equilibrium situation and has then compared the initial position favourably with the ensuing confusion – clearly on this basis almost no change could be justified. The relevant comparison is with the situation after full absorption of the change.

The course that adaptation would take is a matter of observation. Where public transport has ceased to be of significance the centre of the urban area declines in importance. It is, after all, only the public transport system, with its radial network and necessity for central interchange, that makes the centre so important. Once this pressure declines employers, shopkeepers and others become much freer in their choice of location, confident that the flexibility of private transport will give to their operations the elasticity that only a central location gave before.

Once the probability of this change is admitted, it follows that Dr. Mishan's welfare conclusions are invalidated. If transport patterns have changed, then, even if congestion occurs and social costs go above private costs, it is quite possible that enough people are making shorter journeys or faster journeys to off-centre locations to compensate for those harmed by the decline in the effectiveness of public transport.

If Dr. Mishan doubts the logic of this he might consider reversing the sequence of his arguments. Suppose he were to compel the population of Los Angeles to travel only by public transport. It is clear that an immediate and substantial welfare loss would occur. Whether after full adaptation a gain or loss in welfare occurs is a matter of fact rather than one of conjecture.

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\**Journal of Transport Economics and Policy*, May 1967, vol. I, pages 184-9.

*Reply*

By E. J. Mishan

Like most economic models, mine was based on constancy of tastes and consistency. One does not have to move out of the familiar framework to demonstrate the conditions under which indexes of net social benefit, based on the consumer's surplus concept, give the perverse results indicated.

True, when an existing opportunity is withdrawn people will adapt themselves in a variety of ways to the remaining options still open in order to minimise their loss of welfare. Constancy of tastes and consistency of choice implies, however, that they choose to return to their original plan if the withdrawn opportunity is restored. Obviously if, in the process of adaptation, tastes change my conclusions are invalid – and, indeed, any result becomes “quite possible”.

Finally, and with respect to Mr. Wood's last paragraph, I do not doubt the logic of his position as made explicit in the above remarks. But it is not in any way demonstrated by his suggestion of “reversing the sequence” of my argument, which would give exactly the same results allocatively – provided income effects were zero. Incidentally, *compulsion* to use one form of transport rather than another does not feature in my model. Any effective compulsion necessarily entails a withdrawal of choice and makes the individual affected worse off – unless, again, we want to conceive of people's tastes changing under the new policy. Nor will Mr. Wood's robust empiricism be of much help once constancy of tastes goes by the board. If as effective choices are withdrawn, and in adaptation to this, people's tastes become increasingly “philistine”, is a gain or loss of welfare a matter of fact or of conjecture?

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