

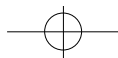
An aerial, high-angle photograph of a complex highway interchange with multiple lanes and overpasses. Numerous cars are visible on the roads, creating a sense of traffic flow and congestion. The image is in black and white, with a slightly grainy texture.

# The Politics of Automobility

BY JAMES A. DUNN, JR.

THE AUTOMOBILE is the solution to most Americans' transportation needs. But its very success has generated serious problems—most notably, congestion, pollution, and energy inefficiency—that need to be addressed by public policy.

Transportation policy discussions feature many vocal “enemies” of the automobile who believe that the remedy for every car-related problem is less automobility. They want to “get people out of their cars.” Their aim is to reduce auto travel by making it more expensive and less convenient. They want people to take public transit, to bicycle, to walk, and to eschew the suburbs. But as policymakers seek solutions to the problems generated by mass auto use, they must acknowledge the enormous benefits Americans derive from the convenience, mobility, and privacy of their cars. Crafting practical and politically effective remedies to the auto's problems begins by recognizing the indispensability of automobility.



# FEWER TRIPS OR BETTER CARS?

## Fuel Efficiency and Emissions

One of the most promising paths for policymakers to pursue in tackling the problems of the automobile is technology. As Daniel Sperling, a transportation energy use analyst, has noted: "Given . . . the huge promise of new technologies, the focus of any effort to create a more environmentally benign transportation system should be technical innovation." In fact, the United States has been the world leader in "technology-forcing" automobile regulations. The federal government adopted exhaust emissions standards nearly 20 years before most European countries, and American standards are still stricter than those of any European country. The same is true for fuel efficiency standards.

Will resuming progress toward enhanced fuel efficiency and lower emissions rekindle adversarialism between the government and the auto industry? Left to its own devices, Detroit will prefer to indulge consumer preferences for large, powerful cars rather than undertake the risk and expense of introducing fuel-efficient new vehicles. Thus Detroit cannot be simply left alone. But both politicians and auto executives have learned something from the past 30 years. Detroit does not want to cause a second coming of Ralph Nader. Nor is Congress the fertile ground for political entrepreneurialism on automobile issues it once was.

The automakers strongly oppose further increases in the corporate average fuel economy (CAFE) standards. A hike, they note, would raise production costs,

increase the price of their cars to consumers, and lower total sales, especially sales of their profitable sport utility vehicles and large luxury vehicles. They also oppose state-level requirements to manufacture and sell significant numbers of electric vehicles, arguing that "If electric vehicles are desirable and can be marketed and sold at a fair price . . . mandates are not needed. . . . If electric vehicles are not marketable, mandates could create distorted markets with severe adverse unintended consequences." Automakers fear such mandates would result in having to sell subsidized electrics far below their cost, driving up the cost of gasoline-powered cars and lowering total revenues and profits.

But politically astute leaders of the auto industry today realize that, in the face of an upsurge of public concern over greenhouse gases and global warming, they cannot stand pat and refuse to cooperate. The technology for improving fuel efficiency and reducing emissions is available, and Detroit's executives are aware that the government knows it. In return for less punitive and more flexible regulations, they would be willing to offer some cooperation. Indeed, in 1998 automakers publicly promised to produce "superclean" cars (low-emis-

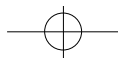
sion vehicles) in return for assurances that other states would not follow California's lead and demand zero-emission vehicles.

Likewise, Congress has learned that dealing with Detroit requires both carrots and sticks. If the stick is higher federal fuel-economy standards, the carrot must be flexibility in meeting the standards and perhaps a chance to participate in designing the new regulations.

How high could the new negotiated standards be? Increases in CAFE standards up to 36 miles per gallon for passenger cars and 27.5 miles per gallon for light trucks would be cost effective under most fuel price assumptions. But automakers would likely be willing to go that far only if they are permitted to continue marketing their profitable lines of sport utility vehicles and minivans while making steady progress toward improved overall fuel efficiency.

One simple strategy would be to give auto manufacturers "carryover" credits: if they exceeded the standards in their automobile fleet, they could use the credits on their light truck fleet. A more complex possibility might be "carryover" between emissions standards and fuel economy. Perhaps companies that received credits for meeting a zero-emissions vehicle (ZEV) quota could use them to offset fuel economy shortfalls in their conventional car or light truck fleets. For example, for every ZEV unit sold, an automaker could count the sale of a 17.5 miles per gallon sport utility vehicle as if it were a 27.5 miles per gallon vehicle. Or a trading system

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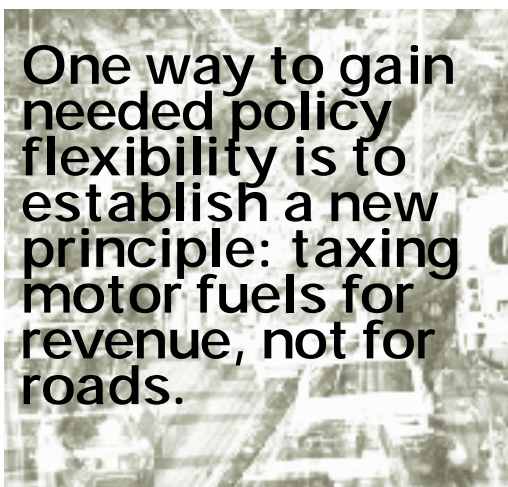
could be instituted whereby a small new company that manufactures electric ZEVs would receive a transferable credit that it could then sell to a full-line manufacturer to be counted toward the large company's ZEV quota. GM might find it initially cheaper to buy such credits than to incur the cost of building electric cars. And small electric vehicle makers would be encouraged by the extra source of income that the scheme offered them. Later General Motors could simply buy a successful electric vehicle manufacturing company and use its established sales to meet its own quota.

Many more possibilities for innovative combinations of incentives and regulations exist. But the key is to rely on broad performance criteria that can be met by a range of technologies involving different propulsion systems. Designing specifications only for battery-powered electric vehicles, for example, might inhibit the development of hybrid-electric or hydrogen-fueled vehicles. Broad criteria will allow as much room as possible for market forces and consumer preferences to operate and avoid the pitfall of prematurely picking a technology that turns out to be less valuable than originally thought.

### **Taxes and the Highway Trust Fund**

Detroit has always said it prefers higher gasoline taxes to higher CAFE standards as a strategy to reduce automotive energy consumption. One industry-sponsored study concluded that higher gas taxes could reduce petroleum consumption just as well as new CAFE standards—and at 40 percent less cost. Paul McCarthy, a research economist at Ford Motor Company in the mid-1990s, called higher fuel taxes “the great underexplored conservation policy in the United States.”

Some may regard Detroit's support of gas tax hikes as a cynical public relations gimmick—the political chances of major increases are, after all, exceedingly slim. But why not take the industry at its word and give it an incentive to work for gas tax increases? Why not explicitly link



**One way to gain needed policy flexibility is to establish a new principle: taxing motor fuels for revenue, not for roads.**

progress up the ladder toward higher CAFE standards to progress on increasing motor fuel taxes? Former Transportation Secretary Elizabeth Dole set just such a precedent in airbag regulations in the mid-1980s. If two-thirds of the states adopted mandatory seat belt laws, auto manufacturers would not have to install airbags. With that incentive, Detroit lobbied hard for seat belt laws in state legislatures across the country.

A promise to postpone a scheduled increase in CAFE standards if gas taxes rise to a certain level would encourage car manufacturers to “put their money where their mouth is.” They could lobby federal and state legislatures in support of gas tax increases that have the equivalent effect of the scheduled hike in CAFE. If the gas taxes go up, the standards do not.

Once the gas tax is increased, the next crucial question is whether to pour the resulting revenues into the highway trust fund. The trust fund regime, wonderfully useful in building highways in the interstate era, has become a political and administrative straitjacket.

The best way to gain needed policy flexibility is to establish a new principle: taxing motor fuels for revenue, not for roads. Making gasoline taxes into an accepted source of general government revenues will gradually result in the automobile paying more of its true costs. Pressures for adequate general revenues succeeded, temporarily, in producing the modest hikes of 2.5 cents and 4.3 cents per gallon in the Bush

budget deal and the Clinton program of 1993. Those revenues were subsequently restored to the trust fund, but the precedent for “diversion” has been set.

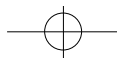
Establishing the principle of motor fuel taxation for general revenue will probably require political compromises with the still powerful interests benefiting from the trust fund regime. It will also probably be necessary to “grandfather” or guarantee the existing level of appropriations to highway and transit programs to reassure their stakeholders that they will not face abrupt declines

in federal support.

In the long run, the question may be settled by technology. Technical advances may put an end to the era of funding highway programs through dedicated taxation of motor fuels. As internal combustion engine cars become more efficient under pressure from new propulsion technologies such as the electric, hybrid-electric, and fuel-cell-powered vehicles, gasoline consumption will level off and begin to decline, and so will gas tax revenues. To maintain highway funding, taxes on the shrinking base of petroleum fuels will have to escalate sharply, or new revenue streams will have to be brought on line, perhaps opening the door to road-use charges by means of electronic fare collection. It is conceivable, indeed likely, that before the middle of the new century the issue of dedicating gasoline taxes to highway trust funds will have been superseded by the issue of electronic road-use charges. What kinds of road-use fees should be imposed? Who should collect them? How should they be spent?

### **Public Transportation and Automobility**

Despite more than \$140 billion in federal, state, and local subsidies since 1964, public transit continues to lose market share to the automobile. Although supporters of public transit contend that it could make a comeback if only more public subsidies were provided, in fact public policy cannot recreate the past. As long as people are free enough and



wealthy enough to own automobiles, no amount of public investment in transit can reverse mass transit's decline. Even if new rail transit investments attract some additional riders to the transit system, revenue from the new riders will almost certainly not be enough to pay for the system's operating cost (not to mention the capital costs), and it will probably not even be enough to increase transit's modal split of passenger miles vis-à-vis the automobile.

In May 1997 transit industry leaders and transportation professionals met for three days under the auspices of the Transit Cooperative Research Program to "search for new paradigms" for public transportation. Their report, *Reinventing Public Transportation*, called for the transit industry "to break out of its entrenched practices...to consider bold, new services and innovations." The report recommended that transit agencies become "mobility managers," overseeing customer-friendly delivery of transportation services, including jitneys and car pools, which could be operated by public organizations, private contractors, cooperatives, or voluntary organizations. The report concluded that transit must draw on advanced information technologies to become "at least as smart, if not smarter, than its chief competitor, the private car."

That recommendation ultimately points toward a solution to the transportation problems of poor Americans isolated in urban ghettos and cut off from suburban economic opportunities. Many of the urban poor cannot afford to own cars, and existing transit service connects them to the new jobs in the "edge cities" poorly if at all.

As a practical matter, the solution to the problems of the carless poor is not to build expensive new rail systems from the ghetto to the urban fringe, but to make automobile-based mobility alternatives more widely available and to provide "mobility subsidies" for the truly needy.

The most automobile-like public transit mode, taxicabs, already carries more passengers than all other kinds of public transit in the nation put together. Taxis provide service that is superior to

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regular public transit for most destinations for the elderly, the handicapped, business persons, and tourists. The main drawback of taxis for poor people is cost—the fare averages about five times higher per mile than transit. Transportation economists have argued that existing regulations limit competition in the taxi industry enough to peg fares at artificially high levels. Restrictions on entry into the taxi business have given rise to a black market in so-called "gypsy" cab service. Illegal taxis often flourish in low-income black neighborhoods that legal cab companies serve poorly or not at all.

Deregulating taxi service and permitting more private jitneys, paratransit vans, and express shuttle buses to compete in the market for urban transit services could significantly increase transportation services available in low-income neighborhoods. If deregulation were accompanied by user-side mobility vouchers provided by social service agencies, it would give the carless access to a level of urban mobility that is closer to automobile quality than to conventional transit. Targeting public subsidies directly to those who most need them avoids the problem of subsidizing rail service for high-income commuters. It would cost the public treasury much less than attempting to run conventional rail or bus transit to the myriad dispersed destinations in today's vast urban areas.

### Preserving Automobility, Improving Automobiles

Federal efforts to promote innovations in the management of roads and highways, rail lines and buses, should rely less on new national spending programs and new regulations laid down in Washington. The money (what little there is) gets spread too thinly across this vast continent, and the regulations impede local innovation and experimentation. A more useful federal role would be to offer incentives for innovations in the context of a genuine policy experiment. Washington should provide matching funds and seed money for

limited local initiatives in congestion pricing and deregulation of transit and paratransit. The intent of the legislation would be true demonstration programs, not pork barrel projects. The federal government also should ensure that these jointly funded experiments are carefully and independently evaluated. Then the information on notable successes can be widely disseminated to states and communities to be implemented, adapted, or rejected according to their own needs. It is cheaper to experiment and evaluate than to fund nationwide programs or to mandate that local governments and private businesses fund programs.

Though there are those who would solve the problems of automobility by dramatically reducing auto usage, the most effective policy responses to pressing auto-related problems do not attempt to discourage people from using their cars. Rather, they encourage improvement in the technology of the auto itself. The American people do not want restrictions on their ability to use their cars. They want the kinds of new automobiles that will meet their personal need for mobility and their collective need for a cleaner environment. From the creation of the jeep in World War II to the airbag-equipped, CAFE-conforming fleet of passenger cars today, the U.S. auto industry has proved that it can meet its customers' and its country's needs. ■

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