# Decision Making

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Why is it that the governmental process seems to act so frequently in such perverse ways, at least from the standpoint of an economist who is concerned about economic rationality and efficiency? In an article on the ecology of micromotives, Thomas Shilling, an economist at Harvard, described the way in which governmental systems in the pursuit of certain overarching public interest objectives often create an ecological system within which individuals making their own specific decisions act in ways contrary to the public interest. He stated that the greatest challenge to those who would devise governmental systems is to devise systems that not only are conducive to the public interest in the overall but create an ecology in which the micromotives lead individuals by their actions to serve the public interest.

The particular example he gave was the system of traffic signals whereby there are certain public objectives of sorting out traffic, achieving safety, and getting people to stop and be courteous to one another at intersections. But unless there are some rules, one cannot do it; and the system of traffic controls is one in which the micromotives lead one to obey the rules. One rule is that you drive on the right side of the street, and if you decide to drive on the left side of the street you are likely to pay a high price for that choice. If there is a red signal and you choose to go through it even if there is no police officer, you are likely to pay a high price if another car runs into you. So, the self-interest of the individuals regulated tends to reinforce and bring about self-enforcement of the system.

I think that we tend to place more and more of a burden on government despite substantial evidence that government is an enemy of efficiency. There are a number of reasons why we place this burden on government, and an exploration of some of them may be of value in the design of systems in which the micromotives of decision makers perhaps lead them to do this somewhat less. I will discuss three of these reasons.

First, we are increasingly aware of the complex relations among things, and we are increasingly and exceedingly ambitious to deal with these relations in a comprehensive fashion. We have a remarkable thrust, particularly in transportation, toward a more and more overarching comprehensive perspective that all of the side effects, all of the modes, all of the values potentially impacted by transportation policy may be not only considered but controlled in the system and that only a general body like government has jurisdiction to bring so many values under control.

Second, as the government rises in dealing with more and more of these values, it increasingly bears a significant part of the blame for each new crisis. If the northeast rails are in trouble, we find that regulatory policy, highway-building policy, and a variety of other policies by which government discriminated against the railroads in the twentieth century are largely responsible for that crisis. Inasmuch as politicians almost never have the heart to reverse or undo an old program, they try to solve problems by adding new programs, for example, nationalizing the northeast rail system. Indeed by continuing most of the old policies in existence, they are today guaranteeing that the entire American railroad system will have to be brought within the northeast rail framework within the next 15 to 20 years. Even the apparently profitable railroads are today profitable because, with very few exceptions around the country, they are eating up their capital in one fashion or another. The process of the transit fiscal crisis, which started in the Northeast in a relatively few big cities and gradually spread to the entire country, is the same process we are deeply into in the rail situation today.

Similarly, when we have a transit problem, we can look back into the history of transit and see a whole series of government actions that led to the problem. In Boston, for example, the MBTA has been in bankruptcy since World War I and was brought to bankruptcy by regulation to maintain the nickel fare in the face of rising costs.

In part the utility holding company act, which got the electric utilities out of the transit business, played a tremendous role in eliminating a major source of cross subsidization for transit in later years. The highway program and a variety of other public programs in housing and continuing regulatory problems during the early postwar years contributed to a demise in transit. So it became natural that, when the transit crisis became sufficiently severe, government should try to solve the problem.

Third, government is much less ruthless than the marketplace. Government cannot bear to alienate powerful interest groups because votes are needed and also because governing inevitably forces choices among groups and perceives failures in doing so. That is, there are always a variety of choices among competing claims for resources. The result is that politicians always see their political support eroding over time, so there is an intense competition to try to make as few enemies as possible.

A politician faced with a crisis or a constituent demand will try to disturb the overall policy framework as little as possible as he or she responds to that crisis or demand. In other words, the politician will try to adjust the system incrementally to accommodate the demand or to solve the immediate problem because to remake the whole system would arouse and bring into direct conflict with one another a tremendous variety of groups that are the constituencies of all the other policies in the system. Therefore, to avoid gratuitously creating fantastically turbulent conflict all around oneself is to let all the sleeping dogs lie and to try to solve the immediate problem in the narrowest possible way. If we have traffic congestion in the 1950s, let us build some highways to deal with it. If we have a transit crisis in the 1960s and 1970s, let us build some transit systems to deal with that.

The idea of trying to remake housing policies, tax policies, or fuel price policies to create a different ecology of micromotives for developers, for travelers, or for people making their industrial and residential location decisions throughout society is a much too difficult problem for the system as it operates.

On the other hand, another way of characterizing government is as a lumbering, sentimental, overly ambitious old fool. The government responds to innumerable pleas for help often without asking whether today's response will not generate three more pleas for help tomorrow or whether today's solutions will create tomorrow's problems. People become more and more accustomed to making a plea to government for help when they have problems. Once the barriers are down, each group demands benefits paid by the taxpayers if they require money or sustained by public power if they involve regulatory protection.

If the truckers want regulation from new entrance into the trucking industry, they rely on government to provide it to them. If the taxi companies want protection against new taxi companies or jitneys, they rely on government to provide it. Likewise, if the people of Boston or New York are faced with severe transit problems, they turn to the state and to the nation to provide the money. I say this not in a condemnatory way but

rather to elucidate the way the system operates. The larger the government role becomes, the less does economic efficiency or economic dynamism seem to be an important consideration.

The fact is that social, environmental, and political considerations increasingly predominate in the system. And when one is concerned with the problems of the poor and the handicapped, with preserving the environment, and with getting re-elected, considerations of efficiency mean relatively little.

When government operates institutions, it tends to do so with extraordinary inefficiency. When it regulates it tends to protect obsolete ways of organizing activities because these obsolete ways have developed political support—for example, the phenomenal resistance to curtailment of rail service for lightly used transit service, the branch-line controversy, the resistance to intermodal integration among truck, barge, and rail lines, the resistance to pooled taxi service in many areas, and the resistance to the evolution of taxi systems into demand-responsive systems.

How does it end up when there is public operation over a period of time? One critical element is that labor power grows to an extraordinary degree not only because a set of laborers can paralyze the local economy but also because government is oriented toward the votes of the employees who are on the other side of the bargaining table. A former colleague of mine wrote a paper in which he called the public service labor unions the new political machines, pointing out that, with the decline of the old machines, politicians were looking for organizations that care intensely about state and local politics and that can deliver a substantial number of votes. The people who care most about public affairs are, of course, the people who earn their living in public affairs; and, since they have been mobilized into powerful labor unions in recent decades, they have become the most important organizations in state and local elections.

Often the people who do the bargaining, although they are not directly affected by the settlements that they make, have come out of the labor unions that they are now bargaining with and can expect a percentage increase from management identical to whatever they negotiate for labor. In the Boston area, for example, the normal pattern for the MBTA system during the last dozen years has been for top management to be allied with organized labor against the board of directors and the governor in trying to hold down the tax cost. The board of directors and the governor never pursued it too far because of their need for public support of organized labor and indeed for top management as well.

The pressure to hold down fares is overwhelming. Last year when there was a 35 percent increase in gasoline prices across the country, a 12 percent increase in consumer prices, and roughly a 20 percent increase in wholesale prices, transit fares nationally declined by 1 percent, primarily as a result of large fare-reduction programs in 2 cities and off-peak fare reductions in other cities.

Transit authorities, created to bring some sense out of the chaos of dying, competing transit companies and to provide the strength to build grand fixed guideway systems, feel that any competition is a threat to them. Therefore, they move as quickly as they can to buy up all the private operators and are never oriented toward recreating some private initiative in the transit field by spurring either van pools or jitney systems. Their business is operating conventional transit and getting rid of private sectors.

The drive is toward monopoly, grand construction, and satisfying local constituencies with money drawn from elsewhere. What could be more ideal for a local official than to come up with a grand monument from a transit project for which the federal government paid 80 percent and the state paid another 10 percent? There is an increasing drive to get state and national governments to pay for labor and low fares as well.

In a democratic system, can the most important public needs and constituent demands be satisfied in ways that are less harmful to the entrepreneurial figure, private initiative, and to a free enterprise system, in short, the economic efficiency of the system? I think it is important to keep in mind that our forebears centuries ago were comprehensive planners of sorts, different from those who are in regional planning commissions around the country, but comprehensive planners nonetheless. They did not pursue as many values as we try to in government, but they did seek a system that might combine democracy, liberty, and economic dynamism. They thought those were ambitious values to try to maximize in the same system, and the virtue of capitalism,

as they saw it, was that it permitted decisions to be made quickly, to be made without a lot of red tape or political pressure, and to be made outside the political arena.

By deliberately limiting the scope of government, they sought to confine the inherent tendencies of government toward inefficiency, economic irrationality, and autocracy. They knew that, by getting government to worry about all these values and to try to solve every problem, an enormous amount of power would inevitably be concentrated in government. Thus, the price paid would be not only in terms of inefficiency but also in terms potentially of the decline of democracy and liberty, which were the other key values they were concerned about.

Our approach now is quite different. In modern America, we try to perceive and to retain democracy and liberty and to avoid autocracy through comprehensive planning, participatory democracy, and what I have come to call consensual federalism, that is, the federalism in which everybody has to agree before anything can be done. We have piled qualifier upon qualifier on the commission definitions of agencies, particularly those that have development mandates. If one considers that numerous qualifiers with respect to the nature of comprehensive planning, environmental protection, and eminent domain proceedings have been placed on the development mission of an agency like the Federal Highway Administration or the Urban Mass Transportation Administration and that any member of the public has been given the right to sue if he or she feels that any one of those qualifiers has not been adequately respected, then one should not be surprised when the courts decide against proposal after proposal because nobody has really said that the development mission ought to outweigh the other missions.

This does tend to confine autocracy, but it does not do much for economic dynamism, efficiency, or rationality. All this leads me to a set of themes that I would like to state as brief propositions.

1. Comprehensiveness and participation tend to be highly conservative forces. Why are they highly conservative?

First, they require enormous amounts of time to understand all the implications of many options and to develop something approaching consensus among all the affected groups. They should, in principle, take an infinite amount of time, and only by severely compromising at some point on our lust for comprehensiveness are we ever able to do anything at all. But in any event we are approaching a standard of infinite length of study before making decisions.

Second, from a truly comprehensive perspective, there generally seems to be no more reason to do something than not to do it. There are so many arguments pro and con that, from a totally comprehensive point of view, it is not clear whether one ought to get up in the morning. We have a certain internal drive that makes us want to, but that does not mean that it is rational in a way that could be proved with an environmental impact statement.

Third, participatory mechanisms tend to oppose any disruption. I am struck by the sense to which participation by economic interest groups means that when government makes decisions it does not threaten any of the economic interest groups by new technologies or by new regulatory mechanisms. If one is concerned about a national energy crisis in a society that will not let any highways be built in urban areas and one thinks about disrupting people's current patterns of living by restraining the availability of gasoline, the more participatory the process is, the less possible it is to consider restraining the availability of gasoline.

So, anything that disrupts existing behavioral patterns tends to be resisted by the participatory process. Again, this means not that people should not participate but that for the most part people participate to resist inconvenience and disruption to their lives.

2. Participation and political reform in a nonorganized sort of politics in which parties and traditional political organizations do not play a significant role tend to go with a desire for widespread public participation. Such a system tends to produce public outputs that minimize disruption but that are also costly. In public systems that have such characteristics, there are no small payoffs. There are only big payoffs. Let me give an example. Some political scientists in the last few years compared the cost of government in Chicago and in New York City. They found that service-for-

service New York City fairly consistently costs about twice as much as Chicago to run.

The reason for this appears to be that Chicago is a system in which authority is concentrated by a lot of little payoffs. I mean this not in an illegal sense, necessarily, but in the sense that people are getting what they want out of the system in a way that organizes enough power for the government to stay in power.

In New York City, by contrast, the political parties have essentially withered away and politicians cannot be slated by parties and win elections but must go out and raise millions of dollars to fight primary campaigns, build name familiarity in the media, and then seek to win in a general election. What happens is that the politicians have to go after powerful interest groups that make large claims on government. The result is fantastically generous labor settlements. That is what I mean when I say that there are no small payoffs in a reformed participatory system. To a significant degree the transit system is in this category today in that those who are aiming for the support of the transit constituencies feel that expensive ways of winning that support are necessary.

The resistance to change and the high expenditure patterns build support by spending money instead of by restructuring the system in any substantial way or even allowing it to be restructured by technological developments and by natural economic forces. Consider some of the current contradictions in urban transportation policy. You cannot build roads, you cannot restrict energy availability, you cannot take highway lanes out of service on a substantial scale so as to let transit vehicles ride over them, and you cannot deregulate the taxi industry so as to allow it to perform transit functions more effectively. The only thing that is possible to do in the system is to spend lots of money.

In Atlanta a few months ago, someone asked me what I thought of spending a couple of billion dollars for a fixed guideway system in Atlanta, which has a density of population a little more than 3,000 per square mile (the density is about 14,000 per square mile in the central city of Boston, 16,000 per square mile in San Francisco, and 24,000 per square mile in New York). I responded that in looking around I could see a farily low-density metropolitan area and a good highway system but, judging from my Boston experience, I suspected that, if one tried to solve the transit problem in Atlanta by taking some of those highway lanes out of general purpose service and turning them into exclusive bus lanes and by taking some of the streets in downtown Atlanta and creating exclusive bus lanes through them with priority signal systems and if one came up with a system that for maybe $50 million could provide people with at least as fast service and as good downtown distribution, one would probably face a tougher political fight than if one tried to create a $2 billion new system (particularly since the federal government would pay 80 percent of the cost) because motorists would have something taken away that they had gotten used to in those highway lanes. The person who introduced me got up after I finished and said, "The chief planner for MARTA happens to be sitting out there. Could we get a comment on what Mr. Altshuler has just said?" The planner said, "Mr. Altshuler is exactly right."

We face some of the same things in Boston. Everybody was terribly agitated about the traffic congestion problem and desperate to decongest the highways; it was feasible to build transit systems. We could not build highways because of the disruption, but we could not possibly imagine managing the highway system we had in ways that would reduce the congestion to a substantial degree. In short, we can spend money, thereby increasing the government role over time, but we cannot engage in efforts that will inconvenience anyone.

It seems to me that transit has peaked and that the transit boom has been a product of a set of preoccupations that existed in a given time period. No program that I know of has sustained a growth rate similar to the recent transit program growth rate for more than 5 or 10 years. This has been sustained primarily by the fact that Congress is in a special situation right now and the transit officials were vulnerable because they could not explain why over time voters further and further away from where the benefits are accruing should pay a larger and larger share of the cost and, until some kind of philosophy developed along those lines, were going to continue to be highly vulnerable, particularly since transit costs were rising so fast.

But in examining why it has been possible in recent years, one has to recognize that Congress has been freed of a couple of important restraints. It was freed from the

balanced budget philosophy in the 1960s that produced a restraint on government spending. It was freed in the 1930s from the idea that government should not meddle too much in economy, and we are now in a period when government is beginning to recognize that acting as though there were no restraints at all—printing money indefinitely, raising all the spending programs and cutting taxes at the same time, producing $75 to $100 billion deficits—is an absolute dream if the economists say that it is also responsible when it does that. But if too high an inflationary price is paid and the economy goes to pot, new economic philosophies are going to emerge that place new restraints on government.

3. We tend to underestimate the need for authority in our governmental system even as we overestimate the role that government ought to play. We tend to define both the government system and the planning system in terms of how to check them. That is, our Constitution, our political theories, and all the regulations coming out of Washington on how the planning systems ought to run are all oriented toward who ought to check on whom.

This can work in a relatively simple era when a governmental system really has the authority to do some simple things or some things that everybody agrees government has to do. But in an atmosphere of an extremely ambitious approach to comprehensiveness in which people expect government to solve all the problems and blame government for all the misfortunes in life, it cannot work.

We have this extremely ambitious approach to comprehensiveness and an atmosphere of participatory democracy, with federalism complicating the issue. So many governments have to agree with one another that it is not surprising that they are led to paralysis most of the time and are unable to act at all.

In Boston, when we began the development of the Boston Transportation Planning Review, which in its day was a pioneering effort in participatory urban planning, we said that there was going to be participation. We were going to look at all the modes. We were going to consider all the values, but we were going to have deadlines and we were going to have power in the governor to make decisions at the end of the process. And we did it. At the end of the process the governor said, "This is the way it is going to be," but the trouble was that within the system of consensual federalism that was not good enough.

It turned out to be good enough in terms of our state legislature, but in terms of the federal process we had not prepared adequate environmental documents and we had not complied with all the federal requirements that had come out during and after the study. The result is that it is now 2½ years later and not a single project has gotten beyond the environmental impact statement stage yet, although in late 1972 we thought we had completed environmental impact statements for them in accord with the guidelines available when we began doing the study.

We have clearly made progress in recent years from the extreme narrowness of the highway program mentality of the 1960s and the Interstate Commerce Commission perspective on railroad and truck regulation of the 1950s and 1960s, but I sometimes feel that we have traded narrow activism for comprehensive paralysis.

4. We have some fundamental challenges as decision makers. We are not going to go back to Hilton's nirvana of the competitive marketplace resolving and solving all of our transportation problems. We know too much. We are too concerned. The populace is too demanding of control of externalities and of some approach to comprehensiveness. But the populace also wants rapid economic growth, rising services without tax increases, and so on. It wants a thriving, dynamic economy. The problem for transportation officials and indeed for all public officials in today's economy and society is how can we make use of some of the insights of economists like Hilton while also being significantly responsive to larger public policy imperatives that a modern democratic system has to respond to.

# DISCUSSION

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Many of the things that Altshuler mentioned are realities in Los Angeles. One of the most important things we are attempting to do in Los Angeles is restructure institutions to respond in a much more positive fashion to transit needs. Issues faced by Mayor Bradley and to a lesser degree by some other political supporters of transit are important. The ways these issues are confronted are greatly influenced by institutional arrangements. Historically transportation in southern California has been a state function; the state division of highways builds the freeways and the Southern California Rapid Transit District, an agency created by the state legislature without the direct accountability to the voters, operates transit. Therefore, it is difficult to bring about a major change in automobile use and in turn transit use.

One of the most important things that Altshuler said concerned the issue of authority versus checks and balances in transit decision making. It is difficult to resist the major public capital improvement program that is inherent in the implementation of a fixed guideway system. Attempts to meet transit needs in an incremental fashion and to examine the public policy implications of those decisions that can support increased transit patronage brought about by automobile management and disincentives and land use controls have not been the priority of major transit authorities. Transit agencies could obviously benefit from traffic management programs, but they do not have the responsibility to implement the restraints or the automobile management program.

In southern California we are attempting to centralize the authority of transit decision making with elected officials. Legislation was introduced in the state legislature to separate transit operation from major policy decisions—to allow the transit operator to operate a system and to provide the elected officials with the authority to make major policy decisions, such as allocation of funds and resolution of conflicts among agencies. In addition, this will facilitate decisions by elected officials on the interrelation of transit service and automobile management.

The congressional Office of Technology Assessment is evaluating how decisions were made on fixed guideway systems in a number of major urban areas throughout the country. The study is in response to a request from Congress to see how UMTA funds are being spent. In its preliminary report, OTA examines about 10 different areas and identifies many circumstances that the city of Los Angeles or southern California was faced with during our recent debate on rapid transit. The report states, "Although agreement may be reached over the selection of the forum, the designation of participants to act within the forum is also vital to a responsive planning and programming process. In order to satisfy federal requirements, the decision makers must have consulted the elected officials." The report mentions that among appointed decision makers priority differences exist, depending on whether the appointment is made by the elected officials or by the governor, and concludes that federal directives have not yet addressed these issues, particularly relating to the authority of the decision maker.

In addition, the comment is made that, "while [there are] responsibilities for decision making at each end of the process, there are rivalries over decisions midway, especially over the charged setting of priorities and agency budgets for transit improvements." The importance of the relation of these various decision-making responsibilities is often overlooked during the debate over which agency should ultimately decide on the setting of priorities. The report concludes:

> Competition exists over programming and to a lesser degree project design and environmental analysis, and while the decision-making forum for the programming is to be established by the governor and the state legislature and certified by UMTA, this cutting edge authority must be tied to other complementary implementation authorities for effective decision making to occur. These complementary authorities will vary, but in each case the programming responsibility must be associated with equally hard-nosed implementation responsibility, whether it is for land use decisions and development, transit implementation or highway programming and implementation.

If Congress attempts to respond to these conclusions, it will begin to take a look at how decisions are made at the local level and the decision process that Altshuler outlined in terms of how local elected officials can avoid being placed in a situation where the only resolution to a major transit problem is to promise a 260-mile fixed guideway system.

The role of the technician and the technologist in the decision-making process is also important. In the early transit debate, the Mayor of Los Angeles made a statement that I think is relevant to decision making and programming:

> Technicians are needed to tell us something of what options are available, how these options might work, and roughly what they might cost. But the technicians cannot judge for us the amount of dollars we should spend or exactly how we should spend them, the technological or patronage risk we should take, what our implementation priority should be or how we should balance a competing need, such as community level transit service and regional connecting links or exclusive transit guideways in city streets.

In Los Angeles we are attempting to establish a mechanism and institutional arrangement with the corresponding authority to enable local officials to make the appropriate programming decisions and to allow us within the near future to incrementally implement a fixed guideway system program and at the same time to come to grips with low-capital programs interrelated with traffic management programs to bring about a comprehensive transportation program for southern California.