

# TRF 2005: Research Needs in Transportation Economics

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# Goal: Efficient Transportation Systems



# Classic Economic Analyses

- Beckman et al. (1956) – Equilibrium
- Meyer et al. (1958) – Statistical Costing
- Walters (1961) – Highway Costs
- Warner (1962) – Modal Split
- Vickery (1963) – Pricing and Investment
- Solow & Vickery (1971) – Land Use
- McFadden (1974) – Demand Estimates

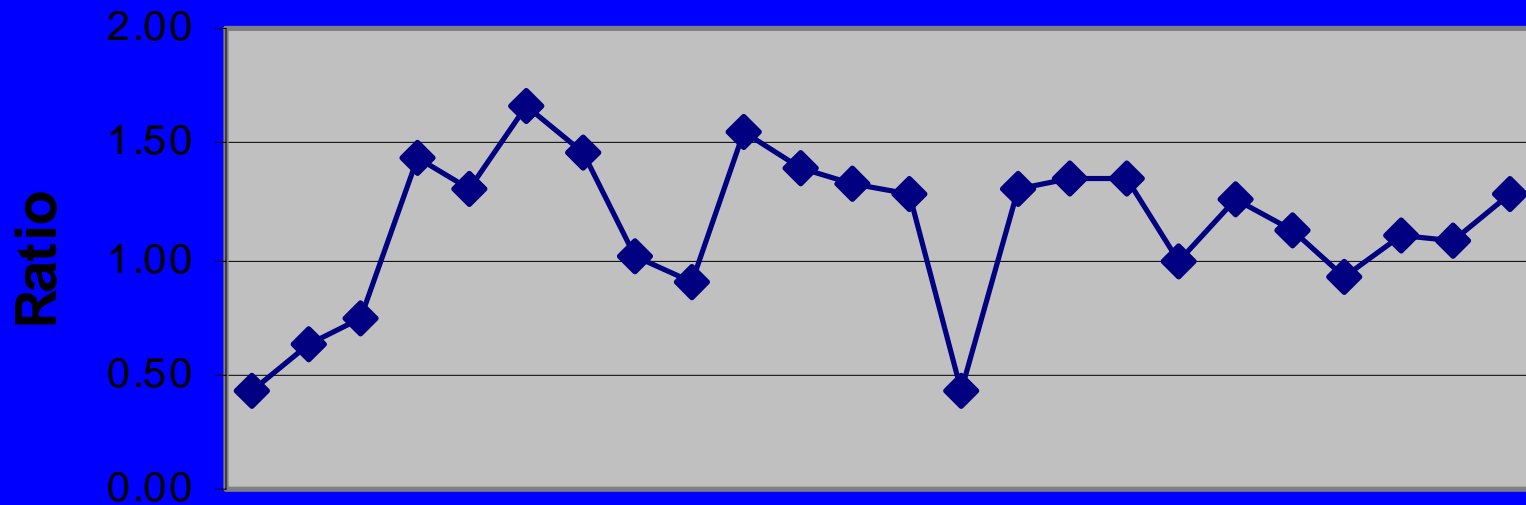
# Classic Legislation

- Airline Deregulation Act of 1978
- Motor Carrier Act of 1980
- Staggers Rail Act of 1980
- Intermodal Surface Transportation Efficiency Act of 1991

# What we knew in 1980

- Modal decisions are based on comparative internal costs to users.
- Autos and trucks have significant cost advantages in many markets—despite externalities.
- Excess regulation may have caused many problems in intercity freight and passenger.
- Eliminating all subsidies (including highway subsidies) is better than giving countervailing subsidies.

If deregulation and ISTEA were so good,  
why is there still a stone in my shoe?



**Example: Cash Flow/Capital Spending  
US RRs 78-01**

# What we did not know in 1980

- Extent to which railroads (and perhaps other modes) really were natural monopolies.
- Effect of contracts on rate and service levels in freight markets.
- Political economy of transport pricing and investment (especially highways).
- How exactly should government intervene in transportation markets –regulation, procurement, antitrust.

## What Is TRF Investigating in 2005?

- Oster and Strong – Evolution of U.S. Domestic Airline Route Networks
- Huneke – Game Theory Approach to Railroad-Shipper Negotiations
- Button & Thibault – Political Economy of Maritime Container Security
- Senguttuvan – Airport Regulation and Competition

# Summary of Needs

- Traditional Industrial Organization Studies
  - Demand Functions
  - Cost Functions
  - Pricing
  - Market Failure
- *New* Industrial Organization Studies
  - Contracting
  - Political Economy
  - Regulatory Design
  - Structural Merger Analysis

# There may be other issues...

