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Free Parking versus Free Markets

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DANIEL B. KLEIN

Donald Shoup is a professor of urban planning at the University of California, Los Angeles. He holds a doctorate in economics from Yale. He has spent several decades researching parking, a subject on which he has long been known as the authority within transportation and planning fields. Now he has poured his learning into a massive book, *The High Cost of Free Parking* (Chicago: Planners Press of the American Planning Association, 2005).

The book persuades me that the impact of parking policies is much greater than I thought. Fundamentally, the policies in question are these two: city governments, first, mismanage curb parking and, second, require developers to provide extensive off-street parking.

Pesky policy wonkery? Shoup shows that the magnitudes are huge. Approximately 87 percent of all trips in the United States are made by personal motor vehicles, and parking is free for 99 percent of these trips (p. 590). Free parking is not, however, a spontaneous outcome. The required parking lot at a restaurant usually occupies at least three times as much land as the restaurant itself. Shoup reckons this excessive set-aside a *subsidy* to parking, and he estimates the U.S. total of this subsidy to be between \$127 billion and \$374 billion a year. “If we also count the subsidy for free and underpriced *curb* parking, the total subsidy for parking would be far higher. . . . Do we really want to spend as much to subsidize parking as we spend for Medicare or national defense?” (p. 591)

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Like freeways and free schooling, free parking is not free. “We don’t pay for parking in our role as motorists, but in all our other roles—as consumers, investors, workers, residents, and taxpayers—we pay a high price” (p. 2). Meanwhile, when motorists drive downtown and cannot find a parking spot, they curse and increase congestion, exactly as they do on freeways.

The extent of free parking is so enormous and so normal that people think of it as nature’s endowment, like air. Everyone feels entitled to free air and free parking. Hence, “most people do not see it as being any subsidy at all” (p. 591). The upshot, however, is that “[b]ecause parking costs so much and motorists pay so little for it, the hidden subsidy is truly gigantic” (p. 591). Yet scholars hardly notice parking at all. Having surveyed various leading textbooks and sources, Shoup concludes: “Somehow, the urban land use with the biggest footprint and a profound effect on the transportation system has been invisible to scholars in every discipline” (p. 25).

Parking requirements “increase traffic congestion and air pollution, distort urban form, degrade urban design, increase housing costs, limit homeownership, damage the urban economy, harm the central business district, and penalize poor families” (p. 592). Mandated on-site parking “skews travel choices toward cars and away from public transit, cycling, and walking” (pp. 2–3).

Shoup’s book is marvelous and wonderful. It explains that parking policy is stuck in a self-feeding cycle. It brilliantly criticizes the culture of parking policy-makers. It tells all facets of the history. It provides theoretical underpinnings. It displays rich empirical evidence. It makes novel connections and illuminates old issues. It bubbles with illustrations, cultural allusions, and ripe quotations. And its 734 pages are gracefully written. It is one of the best policy books I know. The book represents a life’s work in understanding the problem and enlightening the public.

Spontaneous Order Forsaken

The main thrust of Shoup’s analysis is that parking should be left to the invisible hand. He wants to remove zoning requirements for off-street parking. As for the street, he does not propose full-fledged privatization, but something in that direction. The government should create local districts that receive the revenue of paid street parking and use that revenue for district improvements. Thus, Shoup advocates a radically decentralized form of government control and residual claimancy. The virtues he describes are precisely the virtues of private ownership. Why not just privatize? (More on that question later.)

Shoup explains that parking requirements are “a disastrous substitute for million of individual decisions—by developers, merchants, employers, and drivers—about how much a parking space is worth” (p. 497). In the proposed arrangement, parking will be a spontaneous order:

- “Parking will increasingly become unbundled from other transactions, and professional operators will manage more of the parking supply” (p. 496).
- “Emancipation from parking requirements will especially encourage adaptive reuse and infill development in older areas where providing more parking is difficult and will also favor development at locations with good public transit” (p. 498).
- “If cities charge market prices for curbside parking, drivers will usually be able to find an available space near their destination” (pp. 14–15).
- “To solve the curbside parking commons problems without imposing inept land-use regulations, cities can instead let the market do some work for the public good” (p. 594).

Binding Minimums

Perhaps the surest way to know if parking requirements are distorting the decisions of developers is to consult revealed preference: Do developers often decide to build *more* than the minimum? Studies show that they rarely do so. Moreover, Shoup tells of his own experience on the design review board of the Los Angeles City Planning Department: “I reviewed the plans of all development in Westwood between 1994 and 2003. I saw many projects where the parking requirements limited the floor space of a building, prevented changing its use, or disfigured its design. But I never saw a project with significantly more parking than the zoning requires” (p. 90).

Most of the time when you go to the shopping mall or supermarket, there is a superabundance of empty spaces. It may not seem this way, because you focus on the area near to the entrance. Shoup tells of a study of suburban office developments in ten Southern California cities, which found “that the peak parking occupancy averaged only 56 percent of capacity” (p. 82). Investigate the top floor of office-park parking structures: not only are there no cars, there are few oil spots.

Parking requirements do not require that parking be free. The regulatee may charge for parking. However, as Shoup reports, citing the results of Urban Land Institute’s 1999 survey of shopping centers: “Only 2 percent of the centers charged for parking, and they validated it for customers. Only 1 percent charged employees for parking.” *Free* parking is a matter of supply and demand: “if there are more than enough spaces to satisfy the peak demand at a zero price, why charge for them?” (p. 87).

The Intervention Dynamic

At the heart of the parking mess is an intervention dynamic. Motorists park on the street and fill the spaces. Tight parking is a great aggravation, so when people hear that a new building is planned, they fear even greater aggravation—an “externality.” But a large part of the aggravation arises from open access at the curb, as well as from failure to use better technology. Parking requirements then seem to be a reasonable

imposition. “Planners set off-street parking requirements because the government fails to charge fair-market prices for curb parking, not because the market fails to provide enough off-street parking” (p. 498).

Then the situation is misconstrued: “Planners have identified the source of the problem not as the city’s failure to charge market prices for curb parking, but as the market’s failure to supply enough off-street parking” (p. 8). By setting parking requirements, they save us from the vagaries of the marketplace. Less beneficent souls also find parking requirements useful. For example, the opponents of a large development usually invoke parking requirements as a reason to reject it or to scale it back (p. 495).

Quack Professional Culture

Shoup explores how planners set requirements. Mainly, they copy each other. “[T]wo surveys suggest that planners set requirements close to the average of other cities” (p. 31). No matter how defective, professional standards become self-validating. The other method is to consult the manuals of the Institute of Transportation Engineers (ITE), which produces the documents *Parking Generation* and *Trip Generation*. These authorities estimate “demand” as peak utilization. Price is not a variable. “The maximum observed demand thus becomes the minimum required supply” (p. 24). Shoup explores the ITE in depth and makes clear its quackish nature, yet this institute’s numbers constitute the professional convention. “As a result, *Parking Generation* directly governs many of the cities’ parking requirements” (p. 53). The presupposition of free parking becomes self-fulfilling: “[U]rban planners who use these parking generation rates to set minimum parking requirements are shaping a city where almost everyone will drive wherever they go and park free when they get there” (p. 32).

The amount of parking generated by a site depends on many variables, including the price of parking, so it is hard to predict or control. Moreover, if the planners tried to fine-tune the requirement, the developer would simply provide misleading information and projections. “To avoid these problems cities usually require parking in proportion to something known when a building permit is granted, is difficult to change without another permit, and can be measured easily to verify compliance. For this reason, cities usually require parking in proportion to the built floor space at a site, even if this is a poor prediction of parking demand” (p. 78). These foolish practices are cemented in by legal considerations: “Admitting the flimsy basis of the parking and trip generation rates would expose land-use decisions to countless lawsuits from developers, neighborhood groups, and property-rights advocates, all of whom could rightly question the legitimacy of the ‘science’ used to establish parking requirements and could argue for either more or less parking” (p. 53).

Shoup’s analysis of the professional culture is powerful, though always rounded at the tip. Consider this bit of language analysis: “Even the phrase ‘set a parking requirement’ is humbug. The word ‘set’ suggests the possession of special expertise

or technical ability to calibrate a finely tuned instrument. But urban planners have no special expertise or technical ability to predict parking demand, and parking requirements are not finely tuned instruments. Planning for parking is a skill learned on the job, and it is more a political than a professional activity. Perhaps planners merely ‘impose’ parking requirements” (p. 88). Shoup is on the edge of saying that the establishment of parking requirements involves vanity plus coercive power. He notes that “parking requirements result from democratic decision making” (p. 22) and that “[u]rban planners who establish off-street parking requirements . . . have no financial incentive to get things right” (p. 497).

Technology Neglected

Technology is an important part of the story. Before the days of electronic technologies, paying for curb parking involved unsightly parking meters and the handling of coins. With new devices, the motorist need not have coins, need not pay for unused minutes, and need not confront the spectacle of metering posts. One type of device is the multispace pay-and-display meter—you display the printed permit after paying for a selected number of minutes. Another is the multispace “pay-by-space” meter, which eliminates “meter anxiety” (that is, worrying about not getting back before your paid time is up). The most significant development, however, is the in-vehicle parking meter. The meter ticks away visibly inside the vehicle as the vehicle sits in the rented parking space. It is like paying for long-distance telephone calls with a prepaid calling card. These developments are not pie-in-the-sky ideas, but rather tangible and off-the-shelf technologies. The in-vehicle system is used successfully in Aspen, Colorado, and other U.S. cities. Shoup tells of coming developments that use satellite technology, global positioning, and payment by mobile phone. Just as electronic toll technology eradicates any argument for freeways, electronic metering technologies undermine arguments for free curb parking. The government’s mismanagement of curb parking, then, amounts not merely to not charging for it, but to a more general failure to keep current with technology. Awareness of the new technologies helps one to envision how parking will work in Shoup’s proposed arrangement.

The Parking Benefit District

Again, the core of Shoup’s reform package comprises, first, the removal of parking requirements and, second, the semiproprietization of curbside parking capacity as a resource of the newly created “parking benefit district” (PBD). Shoup’s arguments for proprietization are superb. He writes that the rents “need the right recipients who will demand price reforms, and these right recipients are those for whom the benefits of efficient management are concentrated rather than dispersed” (p. 528). PBDs, he says, “provide an excellent example of how a neighborhood can capture the economic and social benefits from cooperative use of a scarce urban resource” (p. 598). Shoup

envisions the PBD as being not only the residual claimant, but also the authority over parking decisions: “Shifting the decisions about parking to the neighborhood level will thus create the great advantage of a superior interest in the results. In each neighborhood, the residents, businesses, and property owners will see the results every day” (pp. 598–99).

Shoup makes a strong case that PBD propretization will improve resource management. This reform strategy also has a second important advantage, however, as a political strategy: “Unless the revenue benefits a group who can insist drivers should pay market prices for curb parking, the politics of parking will not change. . . . [R]eturning revenue to the metered neighborhoods will create a countervailing interest and incite a passion to charge for parking” (p. 522). PBDs will “create place-based voting blocs of residents who want revenue to improve their neighborhoods” (p. 525).

“Not Privatization”

The issue, says Shoup, is not government property versus private property, but rather open access versus enclosure. “With curb parking, public property is not the problem, and private ownership is not the solution” (p. 596). “[T]he enclosure of curb parking does not imply private ownership of the curb space. Rather, I am using the term ‘enclosure’ to mean charging market prices for curb parking and then spending the resulting revenue for local public improvements” (p. 595).

He insists that “[c]ity life requires common ownership of much land (such as streets, sidewalks, and parks)” (p. 7), but all of his reasoning and argumentation really favor more thoroughgoing privatization. Why not fuse residual claimancy with decisive authority more completely? Why not allow divestiture and recombination in ways more flexible than in the PBD plan? For example, suppose reforms held that along designated government streets, the property owners obtain transferable prescriptive rights to the curb parking capacity along the abutting curb. Property owners could then combine to set up associations to manage the resources, or, even better, they could sell the rights to entrepreneurs who would own the prescriptive rights and professionally manage the resources. There would be freedom of exit, better fusion of residual claimancy and authority, better utilization of local knowledge, and ongoing marketization of the resources. This system, if we could get there, would be less politicized than the PBD plan, which might create the sort of perpetual democratic fecklessness typical of homeowners’ associations. Shoup never makes arguments against more radical privatization of prescriptive rights or against the outright privatization of the street, but he makes reference to Fred Foldvary’s classic work on private community (*Public Goods and Private Communities: The Market Provision of Social Services* [Aldershot, U.K.: Edward Elgar, 1994]) and so surely is aware of such theories.

In addition, technological developments might recommend a different reform strategy. In-vehicle meters might be easily adapted so that the driver punches in a parking-merchant code, which the meter then displays. This system could operate

nationwide among all who wanted to participate. Call it the Acme system. For example, if you wanted to rent out space in your own personal driveway as parking space, you simply put up a sign announcing the rates and saying that the customer must have an Acme system meter and punch in the merchant code (provided by the sign). You then monitor parked vehicles for compliance. A car without an in-vehicle meter or with the wrong merchant code or perhaps with the wrong rate code displayed would be a trespasser, and it could be booted or otherwise held to account. You then collect your payments from the Acme system, which, like American Express, takes a cut. With such an Acme system, we will easily be able to imagine a reform movement in favor of capturing the potential revenues of parking supply.

Esoteric Writing and Bargaining

Leo Strauss famously developed theories of esoteric writing whereby authors put much of what they have to say between the lines or in various beards and disguises. They write this way for strategic reasons specific to the discourse situation, such as placating censors or gatekeepers. It is tempting to read parts of Shoup's book in such a light. The book is admirable not merely in its wisdom and learning, but in its success in discourse where such wisdom and learning are crucial. The book is published by the American Planning Association. Imagine if Ludwig von Mises's 1922 work *Socialism* (translated by J. Kahane [Indianapolis: Liberty Fund, 1981]) had been published by the Soviet Politburo. That circumstance would have made the book and the author even greater. But what if such an achievement requires some fudging? Surely we ought to favor some fudging to advance enlightenment where it is of great consequence.

Shoup says time and again that his proposal preserves public property, but all of his argumentation makes a case for private property. He often quotes others who point to private property, and he remains silent about why not to privatize (pp. 594–600). Likewise, some stinging criticisms of government come by way of quotation (for example, on p. 483).

Shoup is bargaining with planners, and he must be careful not to insult them or impugn their motives. “[M]ost planners who implement off-street parking requirements are public-minded people trying to do what is best for their communities” (p. 596), he states. Although he points out the greed of construction companies and others in rigging forecasts (p. 61), he absolves planners: “[D]oes the systematic upward bias in the estimated parking and trip generation rates stem from any economic interest in the results? I think the answer is definitely *no*. . . . Mistakes are not being made to advance anyone's private interest” (p. 62). For planners, it is a case of honest error.

One must read Shoup's book through strategic lenses, which may help us to see and understand the sheer size of his work. The comprehensive nature of the work makes it impossible to ignore or overlook. Anyone who pretends to be a scholar or

a professional dealing with parking policy will simply have to contend with Shoup's book. Shoup packs it with powerful criticism, but also with caresses and assurances. For example, he assures planners that reform can be introduced gradually (p. 495) and that cities and planners should regulate parking *quality*, but without really making a case for doing so (pp. 101ff., 602).

Other Strategic Sacrifices

Shoup's strategic writing involves sacrifice, however. Where he uses spontaneous-order insights—that is, the importance of particularism, local knowledge, ownership, freedom, entrepreneurship, incentives, and market forces—he writes only of how these principles narrowly relate to parking. He eschews the connection to the broader body of spontaneous-order learning. This strategy may be to the good. Had he developed his book in the more scientific way—for example, “here are principles, and now I will apply them to parking”—the planners would have been embarrassed and unfriendly in their response. Still, some readers may regret his failure to connect directly and openly to the great train of liberal social theory.

Shoup's parking analysis eschews not only invisible-hand theory, but also the application of the insights that illuminate parking to issues directly related to parking. He does apply these insights to one related issue, highway congestion, and he makes the case for tolling highway usage and remitting the revenue to local highway benefit districts. However, he completely neglects the application of spontaneous-order principles to the issue of transit, including buses, shuttle vans, jitneys, taxis, and on-the-spot carpools. This omission is significant for two reasons. First, because the same set of principles applies so straightforwardly. Shoup explains that “[e]very transport system has three elements: vehicles, rights-of-way, and terminal capacity” (p. 9). For the personal motor-vehicle system, he analyzes the breakdown in terminal capacity: parking. Likewise, urban route-based transit (buses, jitneys, vans) fails miserably because of the same breakdown in the terminal capacity of that system—namely, the bus stops, bus stations, and pick-up areas, which generally are government owned (this insight is the gist of Daniel B. Klein, Adrian T. Moore, and Binyam Reja, *Curb Rights: A Foundation for Free Enterprise in Urban Transit* [Washington, D.C.: Brookings Institution Press, 1997]).

Moreover, in transit, restrictions on private freedom—the government barriers to entry and restrictions on operation in the would-be private bus, van, jitney, taxi, and car-pool markets—play a big role, just as parking requirements do in Shoup's story. These transit-policy issues are not only theoretical parallels to Shoup's parking analysis, but also important to Shoup's vision. Shoup's reforms will lead to more paid parking. Treating parking space as a scarce resource will produce an increase in the demand for transportation modes that do not necessitate that you park at your destination—notably buses, vans, taxis, and so forth. But this new demand cannot be well served if those services are tightly bound, as they are now, by government restrictions. Although Shoup notes repeatedly that better parking policy would increase transit usage, he never deals with

the inadequacy of transit services and the need for parallel reforms there. Besides the transit application, other parallel applications, such as the property-rights approach to automobile emissions made possible by remote sensing, are important to Shoup's vision. These omissions, again, are due not to a lack of insight, but to strategic considerations. Shoup is picking his battles. If the book called for decontrol and property rights not just in parking, but across the range of transportation policy, then it clearly would be a libertarian book and hence less effective with the planners, engineers, academics, bureaucrats, politicians, and environmentalists.

The appeals Shoup makes to planners and others' ideological sensibilities are a final aspect of his strategic sacrifices. Characterizing the current parking policies as subsidies to the private automobile, he often appeals to the antiautomobile frame of mind. He writes about how parking subsidies degrade the environment, increase global warming, increase energy consumption, create suburban sprawl, reduce the usage of public transit, reduce walking and cycling, and so on. He is probably mostly right in all this, but the tenor of this argument sometimes comes across as too tender toward those hostile to the dominance of automobility and dispersed development. Shoup never lets on that automobile dominance is quite ineluctable, and for good reasons, and that in many respects his policies would actually make driving more attractive relative to other travel modes.

All in all, however, I tend to see the various shortcomings as strategic sacrifices and hence not as flaws. They are necessary to the book's great achievements, so they are redeemed.