



MARKETPLACE: Shlomo Maital

Hurrah For Public Goods!

WHAT A WEEK! ISRAEL'S choked and lethal roads again took their toll. On Highway 25, a Volvo truck veers into the oncoming lane, smashes head-on into a tiny Hyundai Getz, and wipes out a family of five, including an infant, on their way to a wedding in Haifa. On the Jerusalem-Tel Aviv highway, a truck catches on fire near Harel Junction and creates a massive traffic jam. And a few days earlier, a truck overturns on the coastal road and blocks all southbound traffic for six hours!

Bad drivers? Overtired truck drivers? Lack of crash barriers? Poor roads? Blame all the above. But most of all, blame the root cause – economists. Since I am one, I can say it – we have met the enemy, and it is us economists. Here is why.

Israel has about 18 million meters of roads, of all kinds. And it has 2.4 million vehicles, of which 1.9 million are private cars. Divide 18 by 2.4, and you get about 7.5 meters (about 25 feet), the average length of road per vehicle. An average car is about 4.7 meters long. That means, if every single motorist decided to get onto the road at once, it would almost be bumper-to-bumper. Since the number of cars is growing faster than the roads available, soon Israel's roads will be parking lots. Often, they already are, as we saw during the week of February 21.

The solution is public transportation, specifically railroads. Prime Minister Benjamin Netanyahu and the Prime Minister's Office have proposed a massive 50 billion shekel (\$13.4 billion) plan to construct railroads from Kiryat Shmona in the north to Eilat in the south, linking Ofakim, Sderot and Netivot to Beersheba, and Karmiel to Haifa, by 2020. Their vision is clear: Eliminate the periphery by providing fast cheap access for all Israelis, wherever they are, to and from central Israel.

Finance Minister Yuval Steinitz and his Budget Branch economists oppose the plan. So does Israel's eminent transportation expert, Hebrew University Prof. Reuben Gronau.

The economists say Netanyahu has failed to show where he will find the revenue to

fund 50 billion shekels. True.

The economists (including Gronau) also say that the Kiryat Shmona-to-Eilat railroad flunks the cost-benefit test. It is cheaper to buy a fleet of buses. True. Let's put a fleet of buses onto roads already choked and pollute the air with more diesel fumes.

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defined a cynic as someone who knows the cost of everything and the value of nothing. Sometimes we economists are cynical. We know the cost of the railroad plan. But do we know the intangible benefits? When suddenly, everyone, old and young, can go from anywhere in Israel to anywhere else quickly and cheaply? What enormous unimagined benefits could result, from businesses, schools, and housing springing up in places that once weren't even considered places? The redistribution of land value alone, from Tel Aviv to outlying areas, from well off to less well off, is a massive benefit.

The late economist Paul Samuelson should be heeded. Unlike many of his colleagues, he believed that a wide variety of public goods (a concept he helped create and define) should be provided by governments, including health care, defense, some parts of education and "access" (public transportation). Such goods are undersupplied when provided by for-profit companies seeking high profit margins.

Proof? Does anyone believe that

America's system for providing health insurance through private employers contracting with for-profit insurers is a great system? Many Americans are terrified of losing their jobs, fearing not unemployment but loss of health insurance. Many Americans cannot afford health insurance at all.

Netanyahu is a firm believer in privatization. He and his Likud party dismantled state monopolies (Bezeq, the phone company, and the sea ports) and privatized El Al and Bank Leumi. Yet apparently he has seen the light. His sweeping railroad plan "publicizes" transportation. Frankly, there is no choice. Sooner rather than later, the Hadera to Gadera part of Israel will be choked with cars. It already is. Railroads are our only solution.

Economists, step aside. Finance Ministry, get with the program. Listen closely to Samuelson's words.

"My belief," he once said, "is that every good cause is worth some inefficiency." Eliminating the periphery, creating affordable access, untangling endless traffic jams, those are good causes, good public goods.

Is Netanyahu's program moving ahead? It is very hard to tell. Watching the Cabinet debate it is like viewing the Winter Olympics zigzag ski slalom. On February 19, the business daily The Marker reports, "Netanyahu reform shelved." On February 21, "Steinitz shreds railway plan." On February 24, the freebie Israel Today says, "Program approved" (but Kiryat Shmona and Eilat are eliminated). On February 26 Haaretz says, "Eilat and Kiryat Shmona back on planning track." And now a Chinese company offers to build the Eilat railroad BOT (build, operate, transfer). It seems the only thing worse than Israel's roads is the Cabinet's decision-making process.

Public goods are good for the public. We need more of them. If Israel's greatest all-time cheerleader for free markets, Netanyahu, supports public railroads, why not believe him? ●

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