

August 14, 2010

# Free Parking Comes at a Price

By TYLER COWEN

In our society, cars receive considerable attention and study — whether the subject is buying and selling them, the traffic congestion they cause or the dangerous things we do in them, like texting and talking on cell phones while driving. But we haven't devoted nearly enough thought to how cars are usually deployed — namely, by sitting in parking spaces.

Is this a serious economic issue? In fact, it's a classic tale of how subsidies, use restrictions, and price controls can steer an economy in wrong directions. Car owners may not want to hear this, but we have way too much free parking.

Higher charges for parking spaces would limit our trips by car. That would cut emissions, alleviate congestion and, as a side effect, improve land use. [Donald C. Shoup](#), professor of urban planning at the [University of California, Los Angeles](#), has made this idea a cause, as presented in his 733-page book, "The High Cost of Free Parking."

Many suburbanites take free parking for granted, whether it's in the lot of a big-box store or at home in the driveway. Yet the presence of so many parking spaces is an artifact of regulation and serves as a powerful subsidy to cars and car trips. Legally mandated parking lowers the market price of parking spaces, often to zero. Zoning and development restrictions often require a large number of parking spaces attached to a store or a smaller number of spaces attached to a house or apartment block.

If developers were allowed to face directly the high land costs of providing so much parking, the number of spaces would be a result of a careful economic calculation rather than a matter of satisfying a legal requirement. Parking would be scarcer, and more likely to have a price — or a higher one than it does now — and people would be more careful about when and where they drove.

The subsidies are largely invisible to drivers who park their cars — and thus free or cheap parking spaces feel like natural outcomes of the market, or perhaps even an entitlement. Yet the law is allocating this land rather than letting market prices adjudicate whether we need more parking, and whether that parking should be free. We end up overusing land for cars — and overusing cars too. You don't have to hate sprawl, or automobiles, to want to stop subsidizing that way of life.

As Professor Shoup wrote, "Minimum parking requirements act like a fertility drug for cars."

Under a more sensible policy, a parking space that is currently free could cost at least \$100 a month — and maybe much more — in many American cities and suburbs. At the bottom end of that estimate, if a commuter drives to work 20 days a month, current parking policy offers a subsidy of \$5 a day — which is more than the gas and wear-and-tear costs of many round-trip

commutes. In essence, the parking subsidy outweighs many of the other costs of driving, including the [gasoline tax](#).

In densely populated cities like New York, people are accustomed to paying high prices for parking, which has helped to encourage a relatively efficient, high-density use of space. Yet even New York is reluctant to enact the full social cost of the automobile into policy. Proposals to impose congestion fees have failed politically, and on-street parking is priced artificially low.

Manhattan streets are full of cars cruising around, looking for cheaper on-street parking, rather than pulling into a lot. The waste includes drivers' lost time and the costs of running those engines. By contrast, [San Francisco has just instituted a pioneering program](#) to connect parking meter prices to supply and demand, with prices being adjusted, over time, within a general range of 25 cents to \$6 an hour.

Another common practice in many cities is to restrict on-street parking to residents or to short-term parkers by imposing a limit of, say, two hours for transients. That makes parking artificially easy for residents and for people who are running quick errands. Higher fees and permit prices would help shore up the ailing budgets of local governments.

Many parking spaces are extremely valuable, even if that's not reflected in current market prices. In fact, Professor Shoup estimates that many American parking spaces have a higher economic value than the cars sitting in them. For instance, after including construction and land costs, he measures the value of a Los Angeles parking space at over \$31,000 — much more than the worth of many cars, especially when considering their rapid depreciation. If we don't give away cars, why give away parking spaces?

Yet 99 percent of all automobile trips in the United States end in a free parking space, rather than a parking space with a market price. In his book, Professor Shoup estimated that the value of the free-parking subsidy to cars was at least \$127 billion in 2002, and possibly much more.

PERHAPS most important, if we're going to wean ourselves away from excess use of fossil fuels, we need to remove current subsidies to energy-unfriendly ways of life. Imposing a [cap-and-trade](#) system or a direct carbon tax doesn't seem politically acceptable right now. But we can start on alternative paths that may take us far.

Imposing higher fees for parking may make further changes more palatable by helping to promote higher residential density and support for mass transit.

As Professor Shoup puts it: "Who pays for free parking? Everyone but the motorist."

Tyler Cowen is a professor of economics at George Mason University.