

Free Parking at Christmas Is Not a Tragedy of the Commons

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Abstract: In his famous 1968 article, Garrett Hardin used the municipal practice of suspending the use of parking meters for Christmas shoppers as an example of how short-sighted politicians create a “Tragedy of the Commons.” I argue that this example was not well chosen. Because shoppers spend more time in stores during December and because conventional parking meters are not easily recalibrated, free parking and the nonprice rationing that downtown organizations adopt are actually efficient responses to seasonal demand shifts.

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The late Garrett Hardin's 1968 article, "The Tragedy of the Commons," is among the most famous statements of the problem of establishing property rights. Without the ability to exclude strangers from grazing their cattle on a meadow, pumping oil from a common pool, or harvesting fish from the sea, unlimited entry will result in wasteful use of the resource and, usually, premature exhaustion of the stock. This is a "tragedy" in the classical Greek sense because each of the participants in the extraction of resources may foresee the unhappy consequences but none can forebear from his or her actions without some external force.

One reason for the fame of Hardin's article is that, unlike the economists who had earlier analyzed the problem (Gordon 1954), Hardin adopted an expansive view of the commons. Population growth was his primary target — "freedom to breed is intolerable" was one heading in his 1968 article — but he also included general degradation of environmental assets in which property rights cannot be easily established.

Part of the success of his article was that it used pithy, nontechnical examples. One of Hardin's claims about the source of the "tragedy" is that there is a natural, populist tendency to undermine solutions to commons problems. He gave an example that surely resonated with many readers who had been frustrated by the scarcity of parking spaces:

Education can counteract the natural tendency to do the wrong thing, but the inexorable succession of generations requires that the basis for this knowledge be constantly refreshed. A simple incident that occurred a few years ago in Leominster, Massachusetts, shows how perishable the knowledge is. During the Christmas shopping season the parking meters downtown were covered with plastic bags that bore tags reading: "Do not open until after Christmas. Free parking courtesy of the mayor and city council." In other words, facing the prospect of an increased demand for already scarce space, the city fathers reinstated the system of the commons. (Cynically, we suspect that they gained more votes than they lost by this retrogressive act.)

This anecdote reinforces Hardin's pessimism about political attempts to forestall the tragedy of the commons. The mayor and council of Leominster are seen as pandering for populist acclaim by undermining the proper pricing of on-street parking exactly in the season when parking spaces are most scarce. More than one academic has sadly nodded his or her head in agreement. The message is clear. Politicians subject to the popular will, such as those in local governments,

cannot be trusted to maintain, let alone adopt, institutional measures to overcome the tragedy of the commons.

The only problem with this story is that it is wrong. Not factually wrong; Leominster did declare a parking-meter holiday around Christmas, as hundreds of cities did before and as many continue to do to this day. (More about Leominster at the end of this note.) What is wrong is Hardin's assumption that this policy was a suboptimal use of the resource, scarce street parking.

Parking meters establish hourly prices for downtown spaces. The optimal amount of meter time varies with use to which the space is expected to be put. (Parking-meter technology and pricing are described in Shoup [2003].) If the space is expected to be used by nine-to-five employees, the optimal maximum time is eight hours or so. But for most spaces in a retail business district, the optimal time for the meter is relatively brief, about an hour or less. People drive downtown, go into a pharmacy for a prescription, perhaps get a cup of coffee, and then go on their way. Merchants want these customers to move out of their parking spaces after their business is done. If the customer wants to walk the dog or spend several hours in the library, she should move out of the business-district space and let another paying customer use the parking space.

In the month before Christmas, the retail experience changes. Most retailers get at least half of their revenue during this month. The valued customers are not just ducking in to pick up a paint brush. They are doing their Christmas shopping, and that will take longer than an hour. Merchants and the people who depend on them for their prosperity (especially the city government) want to make it easier for such customers to stay longer than an hour in the downtown area.

The technical problem is that the most commonly used parking meters are not easily recalibrated to reflect seasonal demands. The meter that in July limits parking to one hour or less cannot be easily reprogrammed for a two- or three-hour maximum in December. The parking-meter holiday is the answer that many cities have adopted in response to this inflexibility. Their calculation is that the meter revenue foregone will be more than offset by the increased profits from Christmas season sales. Thus the motive for the Christmas parking-meter holiday is not populist pandering, but the maximization of the value of business property.

But a meter holiday does bring an obvious problem. How should the city manage the excess demand that free parking will generate? It is this excess demand that economists and Garrett Hardin properly worried about, and their instincts were to condemn the abandonment of the price system. But there are well-developed local institutions that have a stake in the parking situation. Nearly every community has a voluntary institution such as the Chamber of Commerce or

Downtown Retailers Association that represent store owners before the city council. They are usually the ones requesting the parking-meter holiday.

The store owners want the meter holiday to encourage Christmas shoppers to spend extra time (and dollars) downtown. They know that those free spaces can also be used by nonshoppers, who fall into two categories. One is the employees of the stores themselves. They are tempted to use the newly free and convenient spaces instead having to park at a more remote location. The other group consists of people who want to use downtown parking but have no institutional connection with the retailers.

The first group — employees of the businesses themselves — are more easily dealt with. The problem is not trivial, though. A business owner might tell his own employees not to park on the nearby streets in December and complain to them if he sees their cars out front, but parking in front of other businesses is difficult to detect. Nonetheless, when the stakes are as high as they are in December, businesses have an incentive to submit to collective restraints by the Chamber of Commerce and use various means to assure that their own employees do not upset the plans. A December 4, 1998, editorial from the St. Johnsbury, Vermont, *Caledonian Record*, suggests that in a small town, moral suasion may supplement more direct disciplines:

Free To Shop Downtown St. Johnsbury

Credit St. Johnsbury officials for extending their season's greetings in the form of free downtown parking.

Beginning Tuesday and lasting until Jan. 4, there will be no need to feed the parking meters. The parking spaces are free.

The vast selection of merchandise found in the many shops in downtown St. Johnsbury makes for the perfect one (parking) spot shopping experience. And this holiday season, with the gift of free parking, shoppers can ignore the meters and focus on gift-buying.

With the month-long free parking comes a responsibility to not abuse the privilege. The free spots are not for shop owners and employees. The spaces they leave open could be used by several people who just might stop into their store and spend money. The spaces are also not for tenants of downtown apartments.

The shoppers themselves also need to realize that as they take advantage of the free parking and array of shops they can patronize without a parking time limit, another shopper also needs a place to park. Take your time, but

move along when your shopping is done. So gift-seekers, shop away. The meter isn't running.

The second group whose moral hazard is a problem is not so easily dealt with. Car-parkers without ties to the retail business are unlikely to be told by their boss not to park in the best spaces. A large and diverse downtown may residents who live in above-store apartments, students who park for daytime classes, employees of nonretail firms, and state-government workers, all of whom are unlikely to be subject to local discipline.

When the latter group is an important component of downtown demand for parking, alternative means of managing excess demand must be adopted. One of the easiest (though obviously less than ideal) is to limit the “free parking” times to Saturdays and Sundays before Christmas, when non-retail firms, schools, and state offices usually do not operate. Another is to institute the free parking hours later in the morning, after most employees have had to be at work (and parked their cars) but before most Christmas shoppers would arrive. A third way of managing the commons is to have the meter-minders chalk tires instead of collecting meter revenues at the “bagged” meters and issue overtime tickets only after two or three hours have elapsed.

My on-line searches indicated that all of these methods have been adopted in one place or another. It is evident, however, that the vast majority of parking-meter holidays are conducted in relatively small cities. City-council minutes from larger cities that experimented with meter holidays, such as Newark, New Jersey, did mention the problems that come from diversity of purposes in their downtowns, which in Newark’s case largely frustrated the merchants’ purposes.

The final question concerns the meter revenue foregone by the city when the free parking program is in effect. One might reasonably ask why, if longer shopping hours in December are important, the business community does not pay for the meter holiday. The issue does come up, but I found only one instance in which a private merchant group actually paid the city for estimated foregone revenues. The Laguna Beach [California] Visitors & Conference Bureau donated money to the city to “to provide free parking in the downtown at on-street parking meters from December 17-24, 2004.”

In most other meter holidays, however, the city absorbed the cost. There were sometimes references to the increased sales taxes that the free parking would generate, but sales taxes are not common for most cities. And in one instance where it was mentioned, it was concluded that the additional sales tax revenue would not replace the meter revenues. When cost was discussed by city councils, the free-meter program was most often justified as a means of helping downtown

merchants deal with competition from shopping malls in other jurisdictions. In other cases, council members expressed a desire to maintain property values in the downtown area or offer reciprocal benefits to retail firms for their support of community activities at other times of the year.

It is important to understand the role of downtown business districts for the municipalities that have them. For most towns, business districts contribute more in property-tax revenues than they pay in services, largely because they do not house school children. They are also an important source of the municipality's identity and its social capital. Local business owners are often the mainstay of volunteer government, but their businesses also indirectly promote the city's interests. Residents who shop or dine or attend meetings in the business district will run into other residents. This promotes the network of acquaintances that makes running a community on a voluntary basis easier (Fischel 2005). Aside from schools and school events, most residents of a community would have few occasions to casually meet their fellow citizens, since residence and employment are often in different jurisdictions. Subsidizing a parking-meter holiday in order to keep downtown businesses viable may be a rational city investment even if the returns are difficult to compute with much precision.

In one sense, though, it does not matter whether the merchants pay the city government for the spaces or not. In either case, the decision maker (the city council) perceives an opportunity cost (foregone revenues) and decides that having the spaces be free is worth that cost. One could actually agree with Garrett Hardin that this action "gained more votes" for the city council. But calling this local management decision a "retrogressive act" does not seem warranted by a closer look into the situation.

As mentioned earlier, the problem that meter holidays deal with was created by the inability to easily recalibrate parking meters to accommodate December shopping habits. Recent parking technology makes this problem obsolete (Shoup 2003). Electronic meters can be easily reprogrammed to allow longer or shorter maximum stays, and other technologies allow parkers to pay for parking without selecting a time limit in advance. Prices for parking can also be varied. As these new technologies spread, there should be a decline in meter holidays. Cities will not have to balance the lost meter revenues against promoting business prosperity. (Some may still want to use free meters as advertising gimmicks, but that would require them to continue the awkward stratagems to deal with non-shopping parkers.)

Parking-meter holidays are declining for another reason. The shopping malls have largely won the retail battle with downtowns. James J. Lanciani, Jr., who served as parking clerk for Leominster, Mass., from 1987 to 2004 and has also

been a longtime member of city council, told me in a phone interview (April 22, 2005) that the demand for on-street parking hardly varies seasonally anymore. Leominster's downtown, like that of many small cities, is now largely given over to offices, banks, restaurants, and other quotidian services for which Christmas sales are not especially important.

Mr. Lanciani said that he discontinued bagging the meters in Leominster a year after assuming his duties in 1987. Instead of an organized program, he simply stopped imposing overtime fines for the month of December. The few merchants who did depend on Christmas sales could tell customers that they did not have to feed the meters. Most of the nonretail businesses now have off-street parking for their employees, so their inclination to poach on-street parking spaces is not strong. Leominster's foregone revenue from overtime fines was not an issue because the number of metered spaces has dropped as the demand for street parking at all times has declined.

The foregoing remarks demonstrate that the creation of a parking commons during the holiday season is actually not a good example of, in Hardin's phrase, "how perishable the knowledge is" of the need to ration resources by charging high prices for them. It is clear from almost all the city council deliberations about meter holidays that I located online that city officials knew what they were doing. Leominster was aware of the problems of rationing parking spaces when they were scarce and, like other cities, fine-tuned its program to deal with those problems. When seasonal parking demand declined over the years, the city rationally cut back on the program and adopted a low-cost substitute to accommodate the few firms that still cared about parking for Christmas shoppers.

Garrett Hardin (1994) later acknowledged that the general problem he was addressing concerned an "unmanaged commons," to which no one could be excluded. The historical English commons, in which Hardin set his original parable about grazing animals, was actually reasonably efficient, given the farming and grazing technology of the time and the nonprice methods of rationing its use (Dahlman 1980). As Elinor Ostrom (1990) and others have discovered by painstaking research, traditional commons are often — not always — well managed and can be seen as efficient substitutes for a price system and private property when there are technical or cultural constraints on the operation of a market system. This note has argued that "free parking at Christmas" appears to fit within this efficient group of commons.

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