

# *Osher Lifelong Learning Institute, Summer 2022*

## Contemporary Economic Policy

University of Rhode Island  
July-Aug, 2022

Jon Haveman, Ph.D.  
National Economic Education Delegation



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1

1

## Course Outline

### • Contemporary Economic Policy

- Week 1 (7/11): Economic Update (Jon Haveman, NEED)
- Week 2 (7/18): Climate Change Economics (Sarah Jacobson, Williams College)
- Week 3 (7/25): Cryptocurrencies (Geoffrey Woglom, Amherst College)
- **Week 4 (8/1): Autonomous Vehicles (Jon Haveman, NEED)**



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2

2

## Submitting Questions

- **Please submit questions of clarification in the chat.**
  - I will try to handle them as they come up.
- **We will do a verbal Q&A once the material has been presented.**
- **OLLI allowing, we can stay beyond the end of class to have further discussion.**
- **Slides will be available from the NEED website tomorrow ([https://needelegation.org/delivered\\_presentations.php](https://needelegation.org/delivered_presentations.php))**



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3

3

*OLLI – University of Rhode Island*

## Driving Change – Autonomous Vehicles' Big Impact

National Economic Education Delegation  
Jon Haveman, Ph.D.

*August 1, 2022*



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4

## Credits and Disclaimer

- **This slide deck was authored by:**
  - Jon Haveman, NEED
- **This slide deck was reviewed by:**
  - Ronald Fisher, Michigan State University
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- **Disclaimer**
  - NEED presentations are designed to be nonpartisan.
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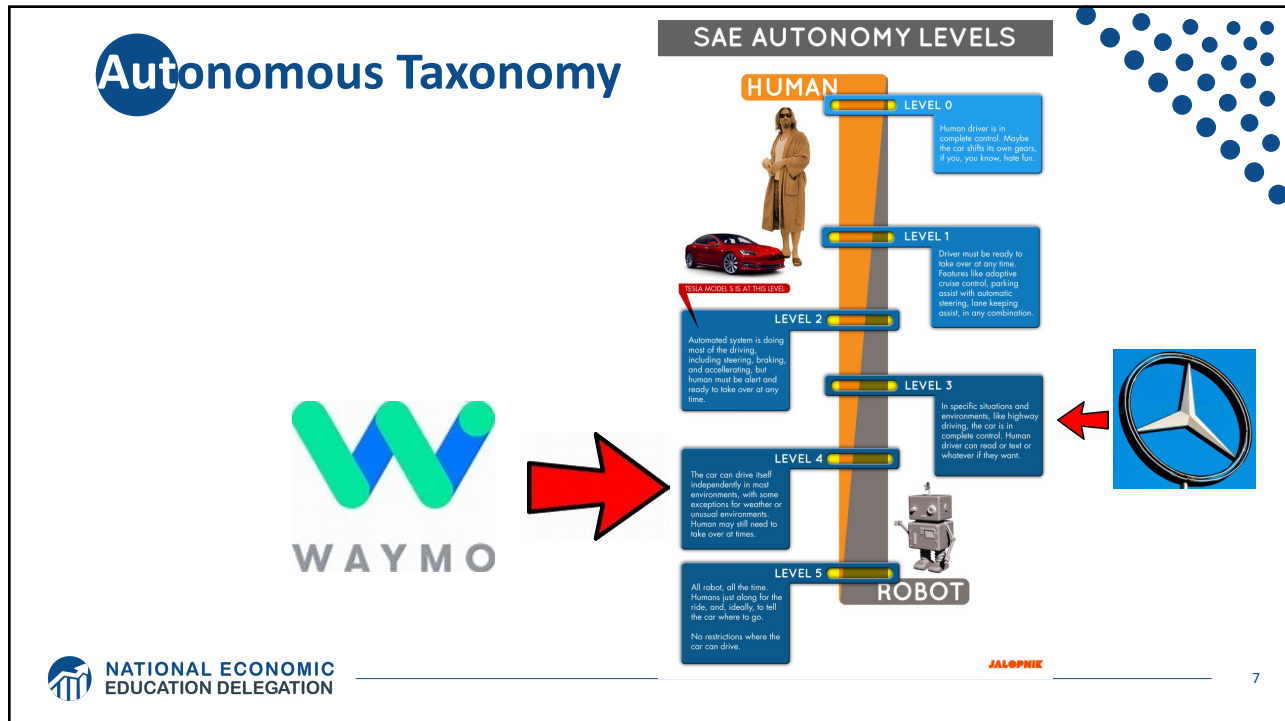
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## Outline

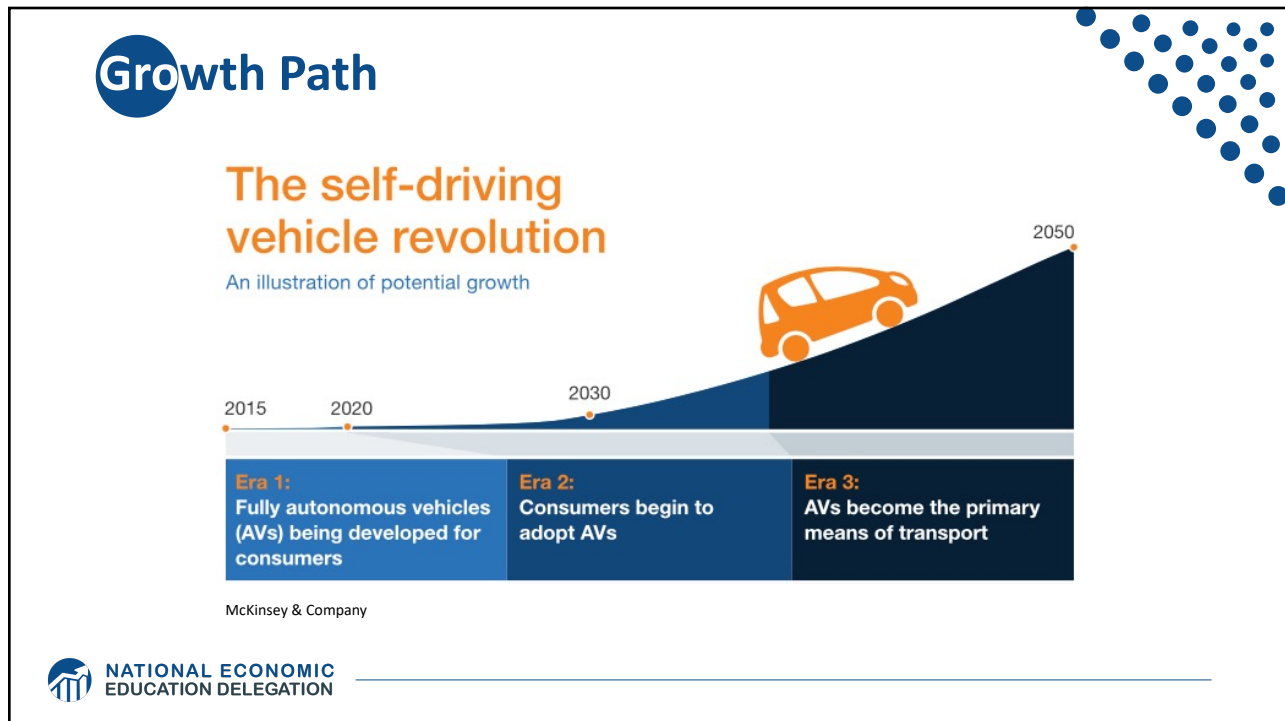
- **Where does the AV path lead?**
- **Transition**
- **Policy/Planning Issues**
- **Major Economic/Development Changes**
- **Environmental Implications**



6



7



8

## McKinsey isn't Always Spot On

- "In 1980, McKinsey & Company was commissioned by AT&T to forecast cell phone penetration in the U.S. by 2000.

- The consultant's prediction, 900,000 subscribers,
- was less than 1% of the actual figure, 109 Million."

• Professor Angel Lozano, 2014



9

## Three Important Questions:

1. When will Transportation as a Service (TaaS) be available?
2. How quick will the transition be?
3. What will the future look like?



10

# WHEN? What do the headlines say?



NVIDIA to introduce level-4 enabling system by 2018



First autonomous Toyota to be available in 2020



**Volkswagen**

Volkswagen expects first self driving cars on the market by 2019



**Audi**

Audi to introduce a self-driving car by 2020



TESLA MOTORS

Elon Musk now expects first fully autonomous Tesla by 2019, approved by 2021



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# 40+ Corporations Working On Autonomous Vehicles



**TOYOTA**



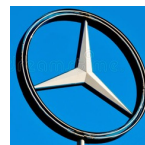
WAYMO



**HONDA**



**Audi**



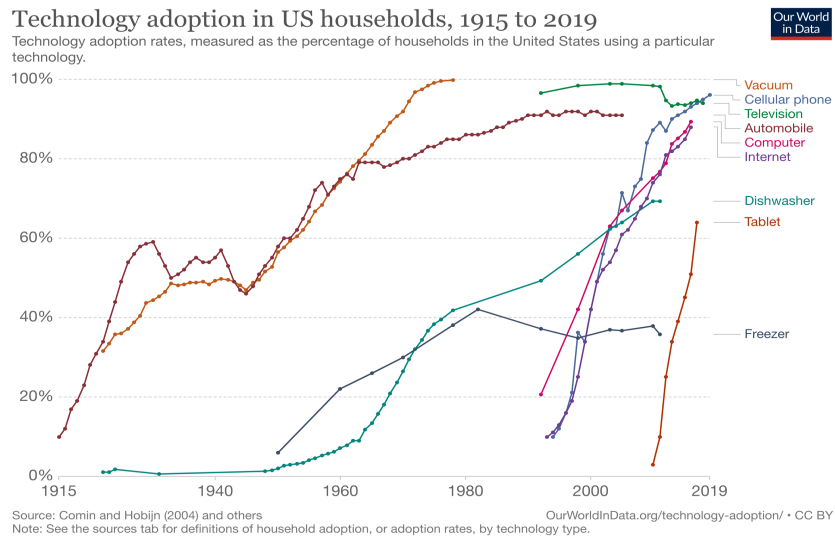
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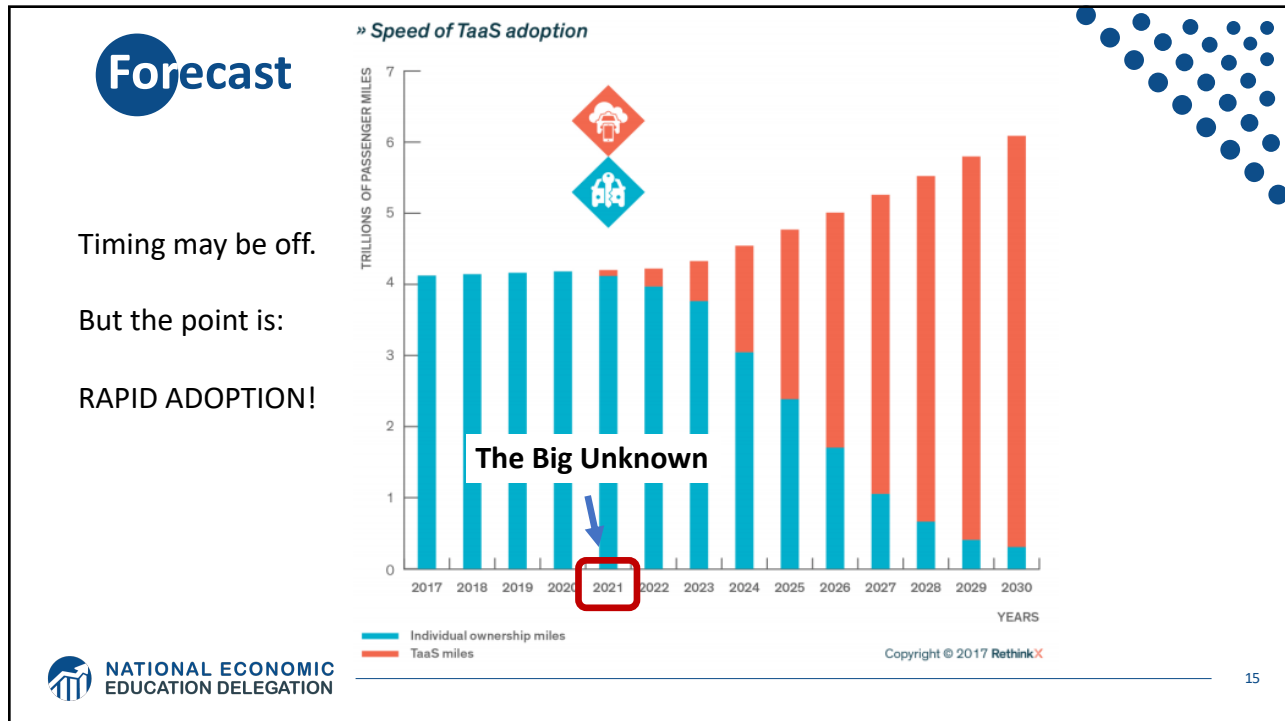
# WHEN? What is possible?

- **By 2025 (?)**
- **Potentially 95% of VMT by 2035.**
- **Last 5% is going to be very difficult to achieve.**
- **Is this possible?**
  - Horses to cars: 10 years – early 1900s
  - But adoption of EVs is so slow!
  - Adoption of AVs will be rapid.



# Rate of Technology Adoption – Faster!





15

**Waymo's self-driving cars are now available on Lyft's app in Phoenix**

**Hyundai plans to launch a free robot taxi service in California**

**Singapore's self-driving cars can now be hailed with a smartphone**

*NuTonomy joins forces with 'the Uber of Southeast Asia'*

**Cruise to offer free robo-taxi rides in S.F. for the public — without backup drivers**

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16

16



## Waymo is in New York!



Waymo driving territory

New York City

Image courtesy of Waymo

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17

17

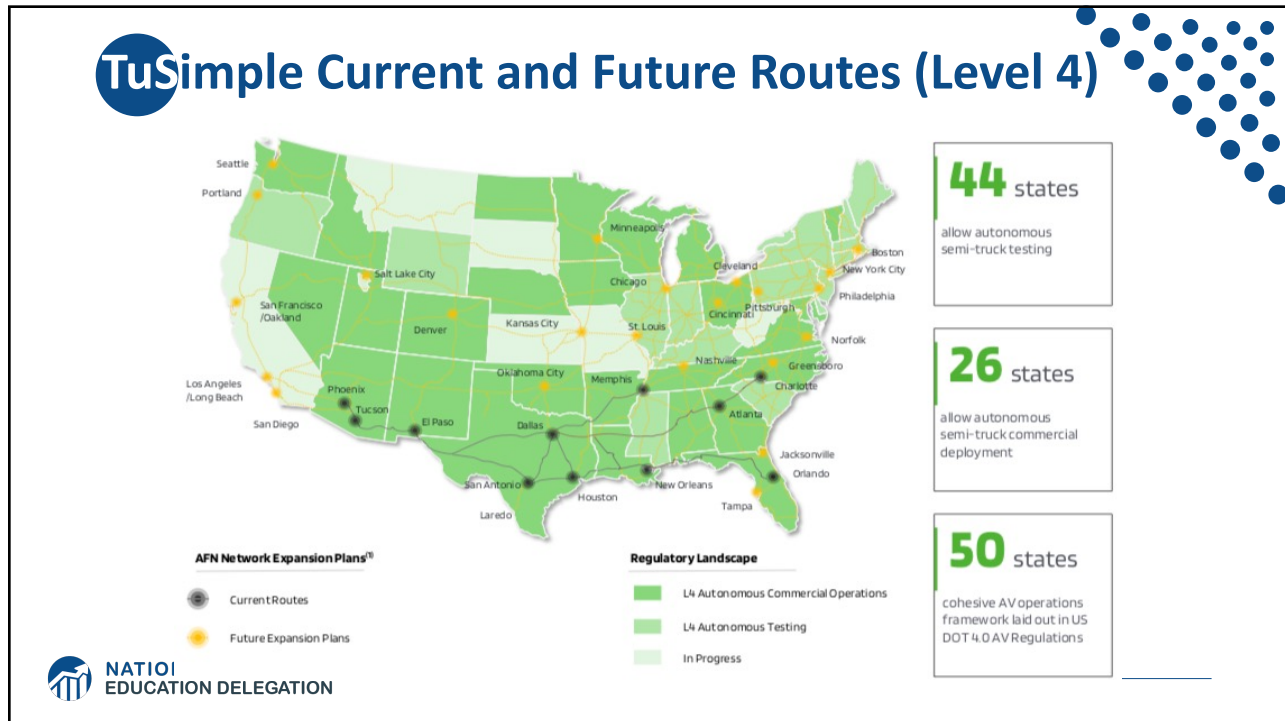
## Trucking – Highly Fertile Ground

- **Long haul trucking the first place we are seeing it adopted.**
  - Reduces costs associated with drivers.
  - End run around limits on hours of driving.
- **Where does it stand?**
  - Lots of trials underway.
  - TuSimple – actively building a long-haul network.
  - Waymo – focused more on last mile/local delivery.

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18

18



19

## Actively Pursuing Autonomous Local Delivery

- **Dominos**
- **Walmart**
- **Amazon**
- **CVS Pharmacy**
- **Stop and Shop**
- **Postmates**
- **Kroger**

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20

# What will the future look like?



21

This:



22

**But, will it be:**



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23

**Hell**

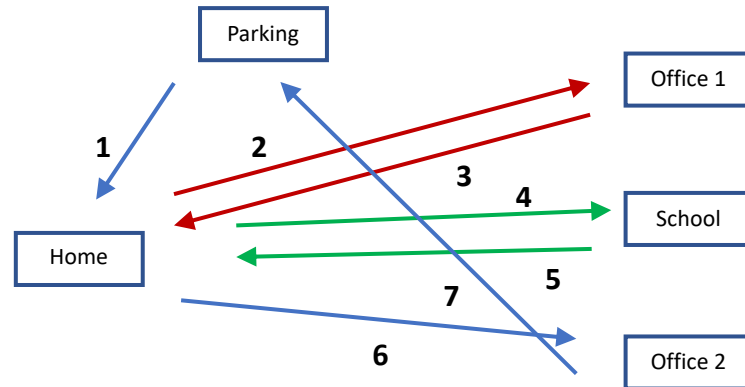
- **Primarily individual private car ownership**
  - Much as today.
- **Internal combustion engines**
- **Why Hell?**
  - Dramatically increased VMT and pollution.
  - Potentially increased congestion
  - Parking.



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24

## Two Adults and a Child: Morning Miles



*And this is just the morning.....*



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25

25

## Heaven



- **Vehicle ownership will be very limited**
  - Private ownership for those with specialized vehicle needs.
  - Fleet ownership will serve everybody else.
- **Engines: electric**
- **Insurance: product liability**
- **Not clear when we will get there, but this is the likely model.**
  - 2030 for widespread adoption in many regions.



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26

## Why is this Heaven?

- **Not only autonomous, but:**
  - Shared
  - Connected
  - Green
- **Far fewer cars in existence.**
  - Better resource utilization.
- **VMT could go up or down, but more productive than in Hell.**
- **Congestion effects – unclear, but likely reduced.**
  - Right-sized vehicles, platooning, sharing, V2V communication
- **Minimal need for parking.**



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27

## Transition

- **Short term: Tesla model of highway autonomy**
  - Level 2, adaptive cruise control.
- **Medium term:**
  - short period of personal vehicle ownership with level 3 capability.
  - introduction of independent private fleets – Uber, Lyft, Google, nuTonomy, etc., with level 4/5 capability.
- **Long term:**
  - Personal vehicle ownership is largely a thing of the past.



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## Economics Drives Transition: Private

- **Adoption dividend for private individuals**

- Eliminate car ownership
  - o Ave annual cost of owning a car: \$9,666 (2021)
  - o Cost per mile will fall: \$0.64 to \$0.19
- Repurpose your garage
  - o \$50,000 from transition to bedroom

*Average Costs Per Mile*

Miles per Year	10k	15k	20k
Average Cost	82¢	64¢	55¢

- **Time recovery**

- 50% of the San Francisco Bay area workforce has a commute in excess of 30 minutes.

## Economics Drives Transition: Public

- **Economic and social costs associated with human drivers are enormous:**

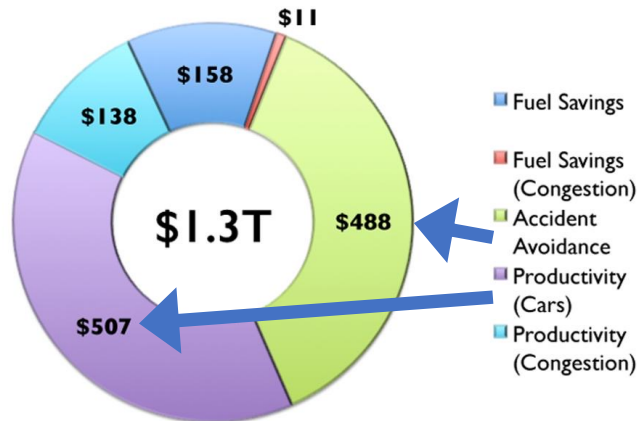
- ACCIDENTS:
  - o Drive 25% of congestion.
  - o Result in 40,000 deaths.
  - o And 2 million injuries.
  - o 90+% caused by human error.
- Increased productivity from not driving.
- Costs of human drivers estimated at up to \$1.3 TRillion each year





## Potential Savings

Potential US Savings (\$B)



31

## Public Policy/Planning Issues

- **Government buy-in:**
  - Essential – gov't must encourage progress
  - Difficult – because of displacement issue
- **Important transitional issues:**
  - What infrastructure should be developed?
  - What to do about public transportation?
  - What to do with all of the parking spaces?



32



## Responding to the coming changes:



- **Transportation organizations must develop a forecast for adoption in their specific geography**
  - San Francisco – faster than Chicago
  - Chicago – faster than Fresno
  - Fresno - faster than Kansas
- **How does this affect the ROR calculation on projects?**
  - Highway expansion? Public Transportation?

## Encourage Change

- **Mobility and equity considerations.**
  - Elderly/disabled/impooverished
- **Safety:** only way to reduce traffic fatalities is by coordinated effort.
- **Productivity:** reduced congestion.
- **Environment:** speed transition to electric vehicles.

These are all societal benefits that come about too slowly  
if the private market is left to itself.

## Mobility and Equity

- **Mobility**

- Handicapped
- Elderly
- Lower income

- **Equity**

- Public Transportation often does not work well for low-income workers/residential workers
  - o Does not go from residential to residential, but from residential to commercial



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35

## Safety and Productivity



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## Environment



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37

## Environmental Implications Depends: Heaven or Hell

- **Improved resource utilization**
- **More efficient travel**
  - Right sized vehicles
  - Optimized routes
  - Reduced congestion
  - No searching for parking
- **Increased VMT**
- **Cleaner technologies**
  - Electric
  - Lighter vehicles
- **Energy use of onboard electronics**
  - Weight and functional
- **Increased urban sprawl**

Bottom line: push governments at all levels to embrace and to implement policies deterring private vehicle ownership and zero passenger miles



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38

## Incentives Through Policy and Planning

- **Allow vehicles equipped with ACC into HOV lanes**
  - Eventual conversion of HOV lanes to ACC/AV lanes
- **Allow ACC equipped vehicles to travel faster in HOV lanes**
- **Subsidize ACC upgrades**
  - Arguably more concrete benefits than electric vehicles
- **Sticks: higher costs of vehicle ownership**
  - Registration fees, VMT taxes, etc.



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Note: ACC = Adaptive Cruise Control

39

## Interim Summary

- **Transition is coming very quickly!**
  - Most reports are extremely conservative.
  - Apply generally, but faster in many regions.
- **Very important to start incorporating AVs into planning now.**
  - To realize the benefits of AVS.
  - Sacrifice expansion for maintenance.



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40

## What Changes Will This Bring?

- Disposable income
- Government finances
- Transportation
- Infrastructure
- Public transportation
- Employment
- Housing
- Parking

Potentially dramatic improvements in infrastructure planning and maintenance -  
Data sharing and integration



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41

## Disposable Income



- Costs \$9,666 to own a car.
- Will cost \$3,000 to use TaaS.
- Net increase in disposable income of > \$6,000.
- Spread across all households:  
more than \$1 trillion in new spending in the economy.
- Major boost to economic activity.  
- CREATING JOBS!



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## Government Finances



- **Government finances thrown for a loop:**

- Revenues up and down:
  - o Parking revenue, tickets, traffic violation revenues
  - o More commercial, retail and residential space
- Less spending on road development
- More (maybe less) spent on road maintenance
  - o Fewer road miles
  - o but perhaps more VMT

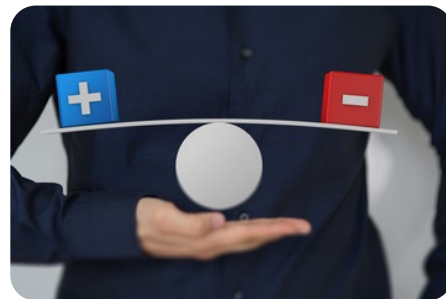
## Transportation

- **Demand for transportation will likely increase significantly: price falls, demand rises**

- Commutes may increase in distance, but not necessarily in duration
- Zero passenger trips will arise
  - o Deliveries

- **At the same time, demand for roadway lane-miles will likely decrease**

- AVs make significantly more efficient use of space
- Front to back and side to side





## Infrastructure

- **Focus of transportation infrastructure:**

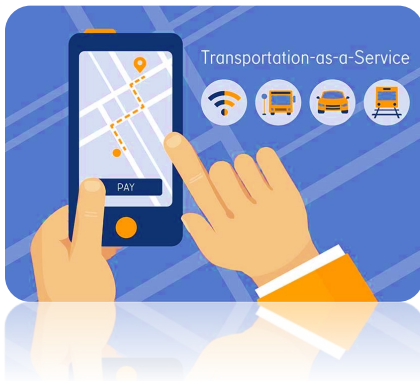
- Currently on expansion
- Will turn toward:
  - Maintenance
    - TaaS providers push for fewer potholes?
  - Adding technology
    - Stop lights will be digital as well as visual
- Some will disappear: Signs!



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45

## Public Transportation



- **Ambiguous implications for public transportation**
- **Demand may:**
  - Shrink because of low cost of TaaS
  - Grow because last mile problem is solved
- **Extensions may be added through contract with TaaS company**



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46

## Cautionary Tale From Long Ago

- **Automobiles impact on rail:**

“The increasing dominance of cars was also felt by railway companies, which by June 1894 had to start making **pricing concessions** for transporting goods, even including free transport.”



- Samuel I. Schwartz, No One at the Wheel, 2018

## Employment

- **Massive job displacement/relocation (Millions!):**

- Drivers of all varieties: truck, taxi, delivery...
- Car production jobs, car parts production jobs
- Gas station, vehicle repair, and body shop
- Police and fire
- Health care workers
- And so on...





## Employment (con't)



- **What jobs will be created?**
  - IT jobs
  - Retail/Production jobs
  - ??
- **Always easier to identify things that will go away than to identify what will pop up in its place.**
- **Regardless of where they are created, training programs will be crucial to the transition.**



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49

## Housing



- **Housing is suddenly easier to build**
  - Issue of traffic congestion is significantly reduced.
  - Space for new housing is available where parking lots used to be.
- **Existing houses can now accommodate more people: garage to bedroom conversions.**



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50

## Parking

- **Greatly reduced demand for parking lots.**
- **Service providers will own parking lots in strategic places.**
  - Where the cost of land is low.
- **Street parking will largely be a thing of the past.**
  - More green space in cities.
- **Shopping mall parking will be converted to:**
  - More shopping mall? Housing?
- **Apartment complexes will convert parking.**



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51

## Freeing Up Urban Space from Parking

- **Los Angeles: 14% of incorporated land area**
  - 200 Square miles
- **San Francisco: 275,450 on-street parking spaces**
  - Enough to parallel-park a line of cars 900 miles.
    - o California's entire coastline is 840-miles.
  - Enough parking to fill parking lots that would cover the **Presidio, Golden Gate Park, and Lake Merced.**
- **Nationwide: (estimate) 500 million spaces**
  - That's larger than Delaware and Rhode Island combined.
  - Could be as many as 2 billion (add in Connecticut and Vermont).



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52

52

## Potential Problems and Concerns

- **Expansion of the electric grid to provide sufficient capacity.**
- **Mining for rare earth minerals for batteries.**
- **Hacking of autonomous vehicles for nefarious purposes.**
- **Competition in service provision in some markets.**
- **And many more...**



53

## Summary of Change

- **Massive employment upheaval.**
- **Local government finances will look very different.**
- **Housing will be easier to build and more plentiful.**
- **Parking conversions will be commonplace.**
- **Demand for transportation infrastructure will likely decline.**
  - Transportation infrastructure technology will be a booming business.
- **Demand for public transportation may well decline.**
- **Coming likely sooner rather than later!**



54



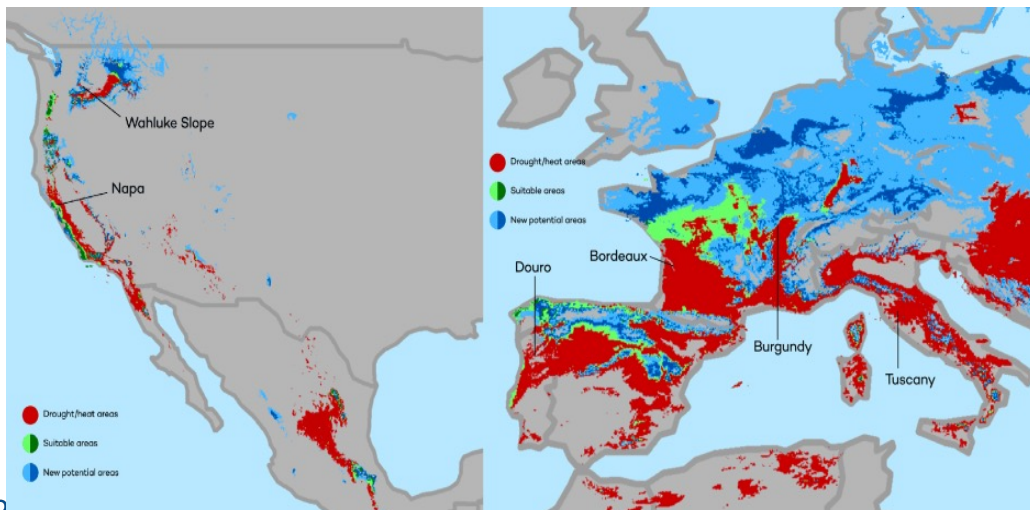
# US Economic Update



55

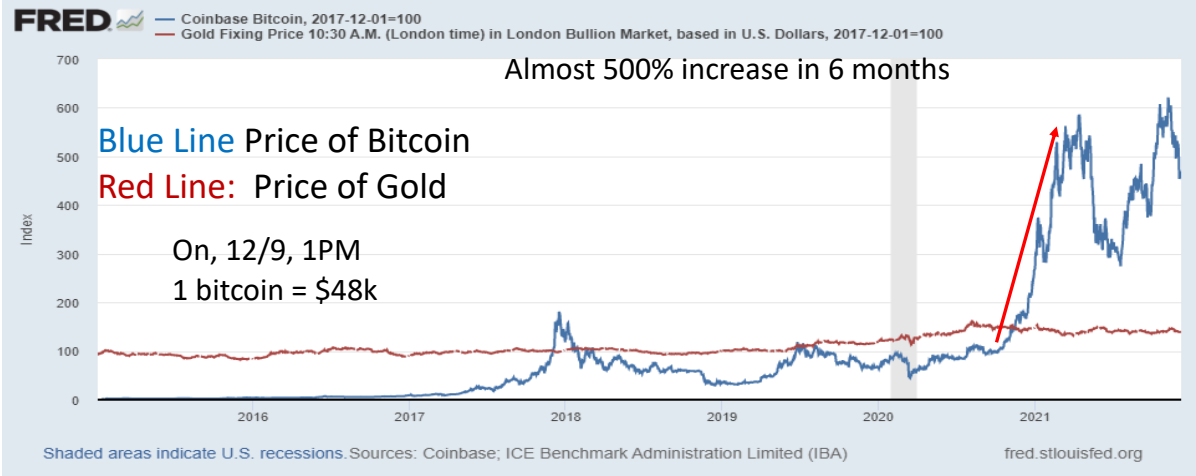
# Climate Change Economics

The changing map of the world's wine-growing regions.



56

# Bitcoins: What is the Excitement About?



# Autonomous Vehicles



## Available NEED Topics Include:

- Coronavirus Economics
- US Economy
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Housing Policy
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- Healthcare Economics

## Thank you!

## Any Questions?

[www.NEEDelegation.org](http://www.NEEDelegation.org)

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