

Review - The Economics and Politics of High-Speed Rail

Written by Kenneth Button

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KENNETH BUTTON, NOV 13 2013

The Economics and Politics of High-Speed Rail: Lessons from Experiences Abroad
By Daniel Albalade and Germà Bel
Lanham: Lexington Books, 2012

The Economics and Politics of High Speed Rail provides a very methodical look at the basic economics and, to a lesser extent, politics behind the growth in high-speed rail (HSR) services around the world. I must confess that the title rather threw me; “Abroad” is a relative term, it depends on where exactly you are, and seem particularly strange when there is extensive discussion of the Spanish system by two Spanish authors! But this is a minor point.

The book offers nothing new in terms of economic theory or advances in political science; indeed the chapter providing “The Analytical Framework” is extremely basic, and especially so regarding modern theories of political economy. The book, is in fact, largely a synthesis of what others have found regarding the HSR networks that a

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number of countries have developed. This approach makes the volume a very accessible read. But it does create limitations; in its light coverage of theory, there is no real tying of what has occurred in the adoption of HSR with current thinking in the fields of economics and political science. For example, there is no real discussion of how certain coalitions have managed to capture the political processes that have led to many manifestly wasteful HSR initiatives being completed; or on the economic issues of public partnerships that have been adopted in some countries.

The book is thus an overview of what many people, with the exception of die-hard gricers (railway enthusiasts), already know; namely that there are serious diminishing marginal returns from HSR investments. There are some very good examples of HSR investments producing a solid commercial return, but these are few and far between. Beyond this, advocates generally have to resort to often manifestly bias social rates of return. I do find it surprising in this context that Albaladejo and Bel do not draw to the extent they might on the work of Bent Flyvbjerg and others in looking at the consistent tendency for ex ante analysis of rail cost and patronage to produce forecasts that can be several orders of magnitude out of line with the outcomes; out of order in favor of making the investment! There is also really little assessment of why political processes allow HSR networks to expend into the realms of negative returns. This is touched upon at times within the book, but without any real analysis of political systems, coalitions, or "pork barrel" politics of the kind that dominate in the United States.

The approach adopted by the authors is to provide a series of case studies of HSR systems in countries where they have either been adopted on a fairly large scale (Japan, France, Germany, Spain, and China) or introduced on a more modest scale (Italy, Korea, and Taiwan). It would have been useful to have given more space to some other countries that have, for whatever political or economic reasons, toyed with the high-speed concept but have not yet put it into practice; the United States is looked at briefly, but in a largely descriptive way. The fundamental questions here being what economic/political conditions have led to the reticence of these latter countries to rush ahead with HSR initiatives; for example, is it due to their use of different appraisal methods, the approach to public budgeting, the overall structure of government, or whatever. There is also very little on the reaction of other transport modes to the growth in HSR investment, and especially the airline industry where low cost carriers, without subsidies, have manifestly impacted on the patronage of some HSR services.

A major challenge when considering HSR rail services is the assessment of their macro-and meso-economic impacts, and in particular in the latter cases their implications for changing relative regional economic performances and industrial mix. There is certainly some discussion of the meso issues within the book, with a general conclusion emerging that HSR tends to lead to relocation of economic activities, and especially to the main HSR hub cities, rather than any net increase in national income. But there is really no examination of national HSR programs as a whole; for example the Spanish program is criticized as being largely politically motivated and carried through without real cost-benefit analysis, or indeed any other systematic form of economic analysis. However, the authors make no attempt to link the high public expenditures, on both capital and operations, and the severe financial crisis in Spain which contributed to unemployment of over 26%. From the macroeconomic and political economy perspective, there is no real in-depth analysis of links between broad macroeconomic philosophies on the role of the state and micro policies regarding the way the state should manage its expenditure programs.

So who is likely to read this book? Those with an interest in the development of HSR will certainly find a wealth of information systematically presented on its development together with an outline of some elements of its impacts. Those interested in a rigorous analysis of the economics and political economy of HSR will learn somewhat less; this is neither a book on economic or political theory, nor one that applies the most rigorous analysis to matters of public policy.

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Kenneth Button is a Professor of Public Policy at the George Mason School of Public Policy and a world-renowned expert on transportation policy. He has published, or has in press, some 80 books and over 400 academic papers in the field of transport economics, transport planning, environmental analysis and industrial organization. Professor Button is a former advisor to the Secretary General of the Organization for Economic

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