

Route 6 and Levantine Capitalism

by

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The frequent usage of loosely interpreted mainstream economic theory to justify questionable public policies in Israel has long since departed the realm of good taste. One of many recent examples is the country's new toll road, Route 6, which officially opened three years ago and is still under construction and expansion. On the basis of the argument that the government's budget cannot support the new road, the State of Israel decided to let the private sector build and operate Route 6 while effectively regulating its tolls.

But the fact of the matter is that the government has more than sufficient funds available for building that road – and many of the other road and rail projects that are so lacking today. After all, Israel's total public civilian expenditures (that is, total expenditures minus total defense spending) are higher than the western average, so there is no lack of ability to finance worthy civilian projects. However, the successive governments in this country have always had other preferences for spending the tax revenues collected from us. According to the Bank of Israel, the annual public expenditure on roads and rail in Israel (as a percentage of GDP) from the 1990s through 2004 was just two-thirds of the amount spent in other Western countries.

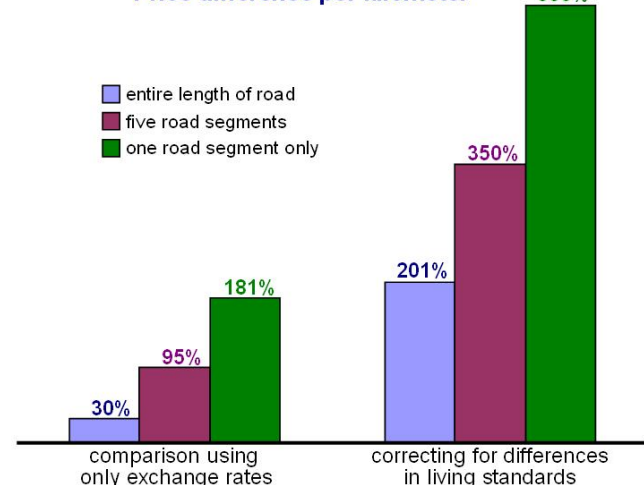
Thus, when these are the national priorities of our elected officials, the only remaining alternative is to place a further burden on our already heavy tax load by levying additional tolls for traveling on the privately-built road. Instead of enabling free passage on Route 6 as an enticement for drivers to bypass the extremely congested Tel-Aviv metropolitan area, it was decided to charge a tax that counters economic intuition and acts as an incentive for drivers to remain on the congested roads rather than to shift away from them to Route 6.

And what a tax it is. The Levantine version of capitalism is not content on simply distorting economic theory. If there is going to be a tax, then it is imperative to implement an additional sleight-of-hand common in these parts: the claim that the toll on Road 6 is “similar” to Western tolls. The graph provides a clear definition of the word “similar” in the Israeli language.

The cost per kilometer of driving from one end of Route 6 to the other is 30% higher than the average price along some of America's main toll roads. If the distance traveled covers 5 segments of road, then the Israeli pays 97% more than the American, i.e. nearly twice as much. When only one segment of road is traveled, the cost to the Israeli driver is 181% higher than the amount paid in the most capitalistic country of them all.

But that isn't all. Not only does the Israeli pay more, his income is considerably below that of the average American's, so that

Tolls on Route 6 Relative to US Tolls*
Price difference per kilometer



* Comparison of Paskal discount rate (for subscribers) to discount rates on tollroads in New York, New Jersey, Pennsylvania, Ohio and Florida.

source: Dan Ben-David, Tel-Aviv University

the actual cost in this country is even higher. As can be seen in the graph, the cost per kilometer on Route 6 – after correcting for differences in living standards between the two countries (as reflected by GDP per capita) – is three times the American average. The cost for 5 segments is 350% higher (that is, 4.5 times higher in Israel) while we pay 6 and a half times what it costs the American driver when the distance is only one segment of road. Incidentally, infrequent drivers on the road – that is, those who are not subscribers to discount programs – that drive only one segment of Route 6 pay more than 10 times (!!!) the amount that infrequent drivers pay in the States.

Oh, and by the way, there is this quaint law in Israel stating that prices must be visibly posted on each good. Anyone happen to see the price of travel on Route 6 along any of its entrance ramps since the road opened to the public? On the other hand, how long has it been since law enforcement served as a guiding light in this country? A classic example of Levantine capitalism at its finest.

That's how they are making a killing at our expense. We pay excessive taxes to enable those we elect to provide services. But the money disappears in the heavy haze called "the government budget", and then we are required to pay again – at exorbitant prices officially sanctioned by those same elected representatives of ours. Israel's world-renowned Volcani Center is justifiably proud of its path-breaking discoveries in the field of genetic engineering. However, the most incredible feat of genetic engineering to have emerged in this country is that of the Israeli chump who continues to vote time after time for those same elected officials.