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Employer-Paid Parking, Mode Choice, and Suburbanization

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Abstract

This paper constructs a theoretical model that facilitates analysis of the effects of employer-paid parking on mode choice, road investment and suburbanization. The model simplifies urban space by dividing it into two zones (islands), center and suburbs, which are connected by a congested road and a public-transit line. Each road commuter requires an allotment of CBD land for parking, and because the central zone's area is fixed, parking land reduces the amount available for central residences and CBD production. The model characterizes optimal resource allocation from the perspective of a social planner. The planning solution can be decentralized, which requires employee- rather than employer-paid parking, congestion tolls, and a tax (subsidy) to offset the road capacity deficit (surplus). The analysis then considers the effect of switching to employer-paid parking, with the burden of parking costs shifting from road users to employers, thus reducing the wage for all workers. This switch inefficiently increases road usage and capacity investment, while spurring an inefficient increase in suburbanization.

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