that the program runs for an average of 10 years from inception, a rough estimate of lost revenue-sharing funds would total almost $6 million.

Keep in mind that this estimate is extremely conservative because:

- Pittsburgh's $33,000 represents only the initial year of operation, and commercial revenues have undoubtedly grown substantially in subsequent years.
- The gross revenue amount for Pittsburgh was just under $1 million. However, the percentage of revenue going to the transportation agency doubles for revenues over $1 million. The revenue share from larger cities (e.g., Los Angeles, Detroit) and/or cities in which Traffic.com is more commercially successful would be substantially larger than Pittsburgh's initial amount.

Taking those factors into account, it's very likely that the actual amount of "missing" revenue-sharing funds could easily exceed $10 million or even $15 million over the life of the program. Assuming that Traffic.com's revenues continue to grow, the most lucrative years for this revenue-sharing arrangement are yet to come. Hopefully, the TTID program audit report expected out sometime this summer from the USDOT inspector general will shed additional light on the magnitude of this revenue-sharing shortfall.

The bottom line: Many millions of dollars of shared revenue from this "public-private partnership" will never in fact be shared with the program's public-sector partners, in violation of federal law. This absolutely needs to be remedied. Better yet, a new public-private partnership that's designed from the start to serve the public interest (rather than the interest of one extraordinarily well-politically-connected firm) should take the TTID program's place.

Jerry Werner
Former editorial director
National Transportation Operations Coalition

Too Big to Fail, Read, Count, or Stop

By Adam Smith, *George Mason University*
and Bruce Yandle, *Clemson University*

Since the fall of 2007, we have heard repeatedly about a host of organizations that are considered "too big to fail" (TBTF) and thus, in their moment of need, are the beneficiaries of government lifelines. Included in this ever-growing list of firms are Fannie Mae and Freddie Mac, Bear Stearns, AIG, Bank of America, Citibank, Merrill Lynch, major insurance companies, a legion of auto parts suppliers, and Chrysler and General Motors. Fannie, Freddie, Citibank, and Chrysler — who are each being saved from failure for a second time in recent decades — remind us that both good and bad incentives matter.

Expectations of bailout predictably increase the willingness to take risks. Once a firm is designated TBTF, it can then increase its risk-taking. This is the problem economists call moral hazard. In the words of an old country song, we are reminded that "Uncle Jack insured his shack and now he plays with matches." In this case, the American taxpayers provide the no-fault insurance.

TBTF is nothing new in America. Benton E. Gup's 2004 book, happily titled *Too Big to Fail*, tells us that President Ronald Reagan's comptroller of the currency, C. T. Conover, apparently coined the phrase in 1984 when he appealed to Congress to save Continental Illinois and 10 other banks. Ultimately, Continental Illinois was snatched from failure's fire by the Federal Deposit Insurance Corporation. Such rescues had been occurring for many years previous to Conover's request. In 1971, Lockheed Aircraft and its 60,000 employees were rescued by the 1971 Emergency Loan Guarantee Act. New York City taxpayers and bondholders were salvaged in 1975 by the New York City Seasonal Loan Act. Then in 2001, the Air Transportation System and Stabilization Act provided up to $5 billion in loan guarantees to domestic airlines following the 9/11 attacks. In short, bailouts seem to be the American way for both Democrat and Republican administrations.

Uncle Jack would be proud.

Adam Smith is a doctoral candidate in the economics department at George Mason University.

Bruce Yandle is professor of economics emeritus at Clemson University and distinguished adjunct professor of economics at the Mercatus Center at George Mason University.

TOO BIG TO READ? While attempting to understand and digest the rationale and legislation designed to salvage members of the TBTF family, we taxpayers have yet another big project to comprehend: legislation that is too big to read. Apparently, the more than 500-page American Recovery and Reinvestment Act wasn't read completely by those or their proxies who matter most in our political system — the president who signed it and the congressional leaders who guided the law through the legislative process. Consider as evidence the now-infamous AIG bonuses. President Obama, with his army of readers, expressed shock and surprise to learn that the legislation allowed as much as $165 million in bonus payments to AIG executives. And Senate Banking Committee chair Christopher Dodd's staff initially indicated that the senator knew nothing of the matter. Later, with recovered memory, Dodd found himself in the unhappy situation of admitting that he removed earlier language in the bill that would have denied the AIG bonuses, and did so at the request of U.S. Treasury officials.

KEVIN TUMA

Public choice economics has much to say about both too-big-to-fail and too-big-to-read. In both cases, there are highly concentrated beneficiaries who have a lot to gain from political action and highly dispersed taxpayers who will bear the cost of the action. The highly concentrated winners have every incentive to go for the gold and be well informed about particular parts of a legislative package. After all, every word and semi-colon matters when one seeks to be included on a list of the chosen. By contrast, the unorganized, rationally ignorant taxpayers are always a day late and a dollar short when they realize what is actually taking place. Yet while each interest group will read and sweat over particular parts of the final law and know it by heart, none of them have any reason to read and comprehend an entire legislative package, especially when it is over 500 pages long. As a result, everyone is rationally ignorant about the full bill, even the president and his staff.

While rational ignorance runs rampant in these matters, bootleggers and Baptists lurk in the background. What could sound more wonderful than a law called the American Recovery and Reinvestment Act? The Baptists love the sound of "recovery" and the bootleggers like the designated funds that flow their way from the "reinvestment" part of the statute. Both bootleggers and Baptists might be happier if there were no constraints on just how big the action might be — at least until someone has to pay for it.

TOO BIG TO COUNT? One problem with all of this is that the necessary bailout money can quickly become too big to count. Recent estimates of the cost of the Troubled Assets Relief Program (TARP) provide the relevant example. The primary estimate of outlays is generated by the Congressional Budget Office, which estimates costs at their net present value. This is the difference between expenditures and the present value adjusted for risk of future earnings expected from the sale of acquired assets.

In late March, the CBO increased its estimate of the costs of TARP from $189 billion to $356 billion. This change was largely generated by further TARP outlays to limit foreclosures, some details related to AIG, and deterioration in the value of previously purchased assets. This also signals a significant increase over the estimated costs presented in President Obama's budget, which were projected at $250 billion.

The elusiveness of this figure is troublesome for politicians attempting to sound consistent, but understandable from a public choice perspective. Outlays become too big to count because the rationale behind them is subject to the whims of potential beneficiaries and their political agents. What started as a bailout for a few large investment banks becomes a helping hand for recipients ranging from makers of automobiles to makers of toy arrows. Thus while politicians are generally clear and inclusive when discussing the benefits of their proposals, they become troublingly vague when dealing with the costs of a constantly evolving outlay. In short, the cost just gets too big to count.

TOO BIG TO STOP Just as the dramatic failure of the Federal Emergency Management Agency during Hurricane Katrina illuminated the difficulty of administering aid from the federal edifice, so does TARP remind us of the dangers in top-down management of an economy. Yet just as FEMA's responsibilities increased rather than diminished as a result of its failure, so likely will TARP's. This presents us with the final descriptor: too big to stop.

When the underlying rationale behind legislation becomes murky, this opens the doors for flexibility in how funds may be used. Should the bailout be geared to help ease the burdens of the financial crisis or the burdens of intended beneficiaries? While one could argue that those two goals are the same initially, there can be no doubt that they will diverge as concentrated interests take control of the political process. The consequence is that the success or failure of a measure becomes impossible to determine.

This last point will become particularly salient in the coming weeks as one of the early and large recipients of TARP funds, Goldman Sachs, takes measures to repay its loan and cut ties with federal oversight. Does the repayment of federal funds constitute a success? Or is continued federal involvement in the affairs of major investment banks the true purpose of the bailout? Regardless, the ongoing entanglement between politics and the market means there will be much to fail, much to read, much to count, and little hope of stopping any of it. R