

# **The Effects of Neo-Liberalism: Politics and Path Dependency in the Provision of Public Transportation**

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## **Short Biography:**

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1975 BA in Economics, Ritsumeikan University, Kyoto  
1977 Master of Social Studies, Hitotsubashi University, Tokyo, Japan  
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## **Summary:**

This paper examines planning and governance of public transport from perspectives of capitalist regulation and path dependency, using cases of Hong Kong under British colonial rule and contemporary Nigeria. The capitalist state must guarantee undisturbed capital accumulation and social integration to make capitalism sustainable. Public transportation plays significant role in fulfilling this condition.

In Hong Kong, the British colonial government built underground railway system to counter political crisis, i.e. anti-British uprising of the Chinese. The underground railway was managed under neo-liberalist principle with the head of corporation recruited from private company. The efficient operation was instrumental in Hong Kong's achieving the Asian capitalist centre.

In Nigeria, rescaling of politics for effective infrastructure provision has been taking place lately. At the federal scale, politics for infrastructure is defunct due to repeated coups, ethnic strife and the bureaucrats seeking personal benefits, leaving the nationwide rail network deterioration. At state (subnational) scale, on the other hand, prevailing democracy brought about a virtuous cycle, where politicians seek support from voters suffering from crisis situation in commuting. The LAMATA was thus set up in State of Lagos in 2003 as the comprehensive body for transport planning, and successfully implemented a bus rapid transit system. The LAMATA also works well for Lagos to secure position of the economic centre of West Africa.

## 1. Regulation Theory Revisited

The regulation theory, originated in French economists, is a dialectical synthesis of economy and political science. They argue that the capitalist mode of production has to contain effectively two natural enemies: socialist revolution and economic crisis. This is accomplished through explicit arrangements by the ruling class for smooth trajectory of capital accumulation and social integration of conflicting classes. This is the political-economic condition for capitalism to be sustainable.

The regulation school calls a unique set of capital accumulation and social integration a 'regime'. Fordism is the most significant regime that supported post-war golden age up until the oil crisis of 1973. It was based upon the key principle that paying high wage to the labour is not detrimental to the capitalists, but beneficial because it creates massive demand for the capital. Trade unions were thus given various legal reinforcements so that they can struggle freely for higher wage, which supported secular economic growth. In the meantime, plethora of consumption goods such as cars and electric appliances made the consciousness of labour more conservative, thus blunting the revolutionary spirit of the labour. This 'higher pay – higher demand' resonance was supplanted by the Keynesian public expenditures.

In addition, the regime needs system of sanction to penalise those who do not conform the regime. In Fordism/Keynesianism, this task was taken up by government through direct control. In environmental protection, for example, government assumed direct role for surveillance and penalise the polluters.

Spatially speaking, Fordism/Keynesianism typically sought to produce more egalitarian space across the nation so that every person can enjoy homogenous public service, no matter where s/he lives.

The profit squeeze triggered by sharp increase in oil price and concomitant fiscal crisis of the state put the end to Fordism. The regimes of regulation began to shift towards neo-liberalism, which was fervently propagated by Mrs. Thatcher and neo-classical economists Milton Friedman.

Neo-liberalism eventually took over Fordism, and became the dominant capitalist regime in many parts of the world.

*Neo-liberalism* is a set of economic policies coming out of the *market fundamentalism*, the thought theoretically endorsed by *neo-classical economics*. Armed with this trinity, neo-liberalist regime attempted to make capitalist mode of production sustainable in a way quite different from Fordism.

Information technology and financial economy are strategic driving force for capital accumulation. For social integration, neo-liberalism indoctrinated people with the principle of 'self-responsibility', claiming, 'if you fail, blame yourself, not the authority'.

The role of sanction is transferred from visible government to invisible hand of the market. Market is believed to be omnipotent in curing any misconduct of persons or firms and bring the economy and society will work in its most ideal forms.

Having dominated over a significant part of the world, neo-liberalism

changed the nature of public policy fundamentally, through the policy menu that included privatisation, deregulation, encouragement of free competition and dismantling the system of public service.

From spatial perspective, neo-liberalism gives up attempt for spatial egalitarianism and openly admits spatial disparity. People are not provided with spatially egalitarian public service, but are forced to move around (at their own cost) to choose wherever desirable condition of living in the way Tibout stipulated.

## **2. Public Transportation as a Means of Capitalist Regulation**

Public transportation constitutes an important part of a regulatory regime. This is because mobility across space is the fundamental prerequisite for sustainable society and economy: capital accumulation needs transporting goods from points of production to consumption; and social integration presupposes spatial integration for free social interaction among people.

In the era of Fordism/Keynesianism, provision of public transportation aimed at supporting mass consumption and constituted a part of the general welfare, to keep people stay clear of revolutionary praxis. It also contributed to capital accumulation through more efficient mobility. To ensure these roles to be played, the transportation is normally placed under direct public control so that the government can see to it if these functions work more properly for the welfare of people and spatial homogenisation.

In neo-liberalism, these public services are converted into private undertakings for profit. The private operator normally run the sector which is profit-making (cream skimming), and abandon those money-losing sectors without hesitation. The contestation from the residents along the route is discouraged, with a Tibout-like claim, 'if you, living in countryside, want to use public transportation, you should move to areas where these services are available – if you cannot use public transportation, it is the matter of your (free) choice'.

In case of public transportation, nevertheless, the shift from Fordism/Neo-liberalism to neo-liberalism is not so abrupt, because there is path-dependency or geographical inertia that the built form of transport network possesses. Neo-liberalist regime often inherits from Fordism/Keynesianism a denser and more homogenous network of public transportation, which neo-liberalist regime by no means wants to create, and operates deficit-generating sections grudgingly only for a limited time. The operators following the neo-liberalist line eventually divest these lines and abandon them under various pretexts. Political struggles arising from the grass-root people against abandonment of these lines, often generating source of social instability and contestation.

This nature of the public transportation system within the shifting regimes of capitalist regulation warrants more detailed scrutiny from the perspective of the political economy.

In the following sections, the author attempts to prove how different politico-

economic processes relating to governance of public transportation are generated from variegated forms of capitalist regulation and path-dependency, using more unusual cases: Hong Kong in 1960s under British colonial rule and Lagos (Nigeria), one of the ten largest cities of the world yet without few provision of organised public transportation.

### **3. Hong Kong in 1960s: Efficient Urban Rapid Transit Railway for Sustainable Colonial Domination**

In 1960s to 1970s, most of labourers of Hong Kong essentially moved across the urban area by buses, yet its service was appalling: loaded with roaches and overcrowded with humans, often leaving off the passengers who had endured long wait at bus stops. In addition, there were informal means such as smaller vans and collective taxis. However inconvenient and uncomfortable they were, Hong Kong Chinese had to rely on them. Announcements of fare increase had always generated dissatisfaction among the Chinese labour. The issue of public transportation was thus a hotbed of social conflict that might generate social instability detrimental to the colonial regime.

Based on the comprehensive review of urban transport in 1963, the colonial government commissioned in 1965 a feasibility study to a British consultant, which recommended building a system of underground railway consisting of four lines with total length of 64km and 50 stations. The total cost to build the entire system, including carriages and other equipment, was estimated at HK\$3.424 billion.

A year before the consultant submitted the report, the Cultural Revolution had broken out in China. In April 1966, triggered by fare hike plan of British-run ferry connecting Kowloon Peninsula with Hong Kong Island, the Hong Kong Chinese demonstrators blocked Nathan Road, the sole artery running Kowloon Peninsula straight from north to south, for two days.

Again in 1967, Hong Kong Chinese waged serious anti-British ethnic uprising, which was much larger in scale than that in previous year, and the movement lasted longer, from April to July. Handwritten banners condemning the British Imperialism were stuck onto the gate of Governor's House, flyer containing anti-British and pro-PRC statements were handed out and slogans encouraging Chinese labour to fight against colonial British were painted on the walls of flatted factories. PRC-led trade union of Kowloon Motor Bus Company joined general strike of public transportation, and the bus services on which most of the commutes in Kowloon and the New Territories depended was paralysed. The white minority rule in this British Crown Colony was much threatened.

This political crisis led to number of policy solutions on the side of colonial government. In an attempt to appease the Chinese to the sustenance of the British colonial administration, the government set out projects for drastic reconfiguration of the urban built environment. A more efficient and user-friendly public transportation system was an important element of the solution package. The rail-bound public transportation could reduce commuting time drastically. It could also curtail the influence of the pro-PRC trade union of the bus company,

provided that the labour of the new railway operating body would not be unionised. Furthermore, if another violent protest that would block Nathan Road ever erupted, trains running underneath could be used for quick deployment of police or military forces.

In February 1969, the government commissioned Freeman, Fox & Partners to prepare a project design to a more practical detail in order to make the final decision. The Steering Committee of the government worked to liaise with the consultants. Nine (later 8) members out of 10 in the Steering Committee were the British. Together with the lineup of the consultants, the project was purely the British endeavour in an Asian soil.

Based on it, a more detailed and concrete plan that came out in August 1970 proposed to build a system consisting of four lines stretching for 52.7km, with 48 stations. The 'Initial System', as it was called, was estimated to be built at HK\$1.5 billion.

Interestingly enough, the proposal included a train operation and signalling technology not popular at that time: automatic train operation (ATO), with which the train driver needs only to close the doors upon departure and start the train. The ATO system would take care of all the rest automatically until the train approaches to the next station. The introduction of ATO system had important implications. First, it could allow safe two-minute headway operation during the peak period, which could prevent the leftover passengers with anger to build up at stations. Second, ATO could introduce deskilling in train driving, making the management easier to find replacement drivers in case the existing drivers waged any kinds of labour dispute. This actually worked in April 1984: when the Chinese leaders of the freshly organised union of train operators calling for strike, they were dismissed for good, with the British management taking iron-fist approach boasting that the fresh operators could be recruited and trained within two weeks.

On 23 March 1972, Mass Transit Steering Group was established in the colonial government with Phillip Haddon-Cave, the Australia-born Financial Secretary, as the chairperson.

Initially, Hong Kong government awarded the consortium led by Mitsubishi to build the system on full turnkey basis at fixed price of HK\$5 billion. Mitsubishi signed the letter of intent, but later complained the price was too low and proposed a much reduced plan with smaller carriages and manual operations without ATO instead. Having been flatly refused by the government, Mitsubishi withdrew unilaterally. Haddon-Cave accused the Japanese consortium of being 'guilty of serious error of judgement' and 'in bad faith'.

As soon as Mitsubishi pulled out, the colonial government decided to build the much reduced 'Modified Initial System' on its own initiative. It will have only one line stretching 15.6 km from the industrial area of Kwun Tong, passing under busy commercial street of Nathan Road of Kowloon to the business and administrative centre on Hong Kong Island. The new project cost HK\$5.8 billion, which was to be divided into 35 separate contracts and tenders.

In spite of mounting criticisms from some Legislative Council members condemning that it will only drain government money, the Mass Transit Railway Corporation was formally established in 26 September 1975. With the colonial

government being the sole shareholder, the company would be 'at the core of the Government's overall transport policy in the 1980's.' (Memorandum for Executive Council, XCC(75)6, 18 February 1975).

The MTRC was in fact a private company under explicit government control. The system should be built and operated by an independent organisation with management principle that is same as any other commercial companies. The article 13(1) of the Ordinance stipulated 'The Corporation shall conduct its business according to prudent commercial principles...', and the Ordinance even granted the Corporation the freedom of capital accumulation out of their profit.

The head of the corporation was not a colonial bureaucrat, but Norman Thompson, appointed through international advertisement. Born in 1920 in England, he was a pure entrepreneur once served Cunard, a big British shipping company as the managing director. In the absence of any 'path' to depend upon, he pushed the project forward through the top-down decision making under neo-liberalist principle, with considerable success both from management and passengers at large. Its financial success owe in part to high population density of Hong Kong urbanised area which generated massive demand for service, but also to internalisation of externalities by means of property development of station area and to inducing the competing buses and ferries to raise their fares.

The construction work of the MTR 'Modified Initial System' started in 3 November 1975 without much fanfare, less than 10 months after the bizarre withdrawal of the Japanese consortium. The initial section, stretching for 8.4 km between Shek Kip Mei, the district where first public housing was built in the middle of 1950s, and Kwun Tong, where first government-organised large scale industrial development took place, was completed and put into service on 1 October 1979.

#### **4. Nigeria: The Role of Democracy in Provision of Public Transportation**

A different regulatory framework for the construction and governance of urban rapid transit system exists in Lagos, Nigeria, formerly under British colonial rule and the most populous sub-Saharan country with population of ca.140 million.

All of sub-Saharan African countries are not pure nation states but their territorialities are outcome out of colonial rivalry of major European imperialist powers which had set superimposed boundary arbitrarily cutting through the territories of indigenous ethnic groups. Nigeria is of no exception, containing three major ethnic groups within its boundary. Inter-ethnic rivalry, rather than sound debate among different political persuasions, are the norm at federal political scale. The country suffered after independence from repeated coups and even a separatism that led to infamous Biafra War took place.

To cope with this situation, states, the sub-national political entity, became fragmented from 3 at time of independence to current 36 states plus 1 federal

district. Thanks to this drastic fragmentation of states, the political system of Nigeria has recently been much stabilised and democratic political praxis emerged. In the meantime, this process made the state scale more real political entity with functioning democracy, as opposed to federal scale.

The nationwide rail transportation which is governed at federal scale still carry with it grave problems.

Independent Nigeria inherited from its former colonial master the well equipped and well-functioning nationwide rail system. Right before independence, the national railway system had been vested to the NRC (Nigerian Railway Corporation), a company of which share is totally (100%) owned by the Federal Government. However, frequent regime change at the federal spatial scale meant the politicians seeking for short-run personal benefit (bribe etc.) while they are in office rather than long-term sound transport planning to benefit secular economic development. Operation has become largely defunct except for several commuter train service during weekdays in Lagos metropolitan area and freight service in northern states around Kano. Abandoned locomotives and carriages are left in sorry, dilapidated state at the NRC headquarter yard and major rail stations.

Although there have been repeated attempts by Indian, PRC and Canadian agents since 1978 to rehabilitate Nigerian railways through international contracts, all of them were short-lived and failed once the project period ended. Under ex-president Obasanjo, again the PRC made commitment in exchange for the preferential treatment in oil concession, with government loan of US\$2.5 billion. The PRC plan included pipedream of widening gauge (from 1,067 to 1,435 mm) of entire 1,126km-long Lagos-Kano line, double tracking etc. A Korean concern got also involved in the rehabilitation of the Port Harcourt – Maiduguri line. Yet, current president Yar'Adua placed both under review, and little construction activity commenced as of 2008.

Infrastructure provision has been, and still is relegated to a secondary issue in Nigerian federal politics. The military dictatorial regimes and the colonial legacy in the territoriality of Nigeria no way lead to either democratic political pressure or serious policy debate necessary to improve the nationwide mobility needs of both people and freights.

Faced with the defunct infrastructure governance at federal scale, the state governments began to take up various public investment projects. These projects include power, urban and tourist developments aiming at economic growth at state scale to enhance its competitiveness. The process of downscaling of infrastructure governance is significant phenomenon in Nigeria. In this process, the state has become more robust and tangible political entity in implementing various public investment projects. It is necessary, therefore, to avoid sweeping generalisation as to the governance of transport infrastructure in Nigeria. The LAMATA (LAGos Metropolitan Area Transport Authority) is a typical case demonstrating this point.

Although the capital of Nigeria has moved to Abuja, Lagos is still the financial and manufacturing hub of Nigeria and West Africa, functioning as the motor of capital accumulation. With population of ca. 15 million, Lagos is the largest city in sub-Saharan Africa and population is still growing at 6% per annum.

Yet, Lagos has until recently little organised public transit system. Informal economic sector dominates in public transportation sector: main mode of commuting is *danfo* (minibus), which is flexible in routing, *molue* (midibus) and *okada* (bike taxi). This mode of spatial integration leads to suburban sprawl with low-rise buildings spreading extensively towards the urban fringe.

The traffic congestion is the burning issue in Lagos, if only because there are only three bridges connecting the suburbs with the CBD, which lies on the two islands: Lagos and Victoria. These bridges form 'choke point' in traffic flow during commuting hours.

The commuting is in crisis situation. No one could tell the exact time when his/her *danfo* (minibus) reaches the destination. Those living in urban fringe start their journey to office by public minibus as early as 4 – 5 am in order not to be late. The minibuses are very crowded, thus they must stay on the minibus cramped for as much as 3 hours one way. It is hard for the commuters to utilise the time effectively, e.g. to read books or work on laptops.

To cope with these problems, the structure of state government was re-organized to form the LAMATA, a corporate body established by a Law of the State of Lagos, on 2 December 2003. All the power related to public transportation was put together and vested to the LAMATA, which has 'overall responsibility for transport planning and coordination in the Lagos metropolitan area', and is expected to play a leading role in transport planning.

Functions identified for the LAMATA were as follows: to ensure the physical traffic serviceability of declared road network; to undertake traffic management activities towards ensuring efficient and effective movement of traffic; to plan and coordinate the supply of adequate and effective public transport within metropolitan Lagos; and to make policy recommendations to the Governor.

The most significant contribution of the LAMATA so far with respect to urban public transportation is the planning and implementation of Bus Rapid Transit (BRT) System, called 'BRT Lite'.

BRT uses conventional buses to provide urban public transit service comparable to light rail through improvement of road infrastructure, including physically separated lanes to ensure the smooth operation of buses, bus shelter to ensure of passenger comfort, ticketing facility, signalling control, operational depot etc. Currently, this system exists in Bogota (Colombia), Curitiba (Brazil), Adelaide (Australia) and Nagoya (Japan).

There were rationales for the LAMATA to adopt the BRT. First, it cost the taxpayers of State of Lagos and World Bank loan US\$35 million, which is 1/10 of the rail-based rapid transit. Its fleet is nothing different from ordinary buses, 100 of which were from India and 26 from Germany, with capacity of 46 seats and 36 standees.

Second, it could be built just in a year, thus it gave crash solution to the transport problem. This was ideal for the politicians who want to show 'positive result' to the voters in short run.

Third, buses could be better integrated into the existing system based on minibuses.

Lagos BRT Lite started its operation in March 2008. It operates daily from 6am to 10pm, with 3-5 minute headway. The 22km route connects Marina on

Lagos Island with Mile 12 Stations with express and local services. The dedicated BRT lane runs along Ikorodu Road, the main artery of the peninsula part of Lagos, with station interval of ca. 0.5 to 1.5 kilometres. Fare is 100 Naira (ca. US85¢) per ride.

The 55-minute travel time reduced commuting time to almost a half. The service was welcomed by ca. 150 thousand riders per day; and total number of riders is 10,718,860 since its inception upto June 2008. The business is thus profit-making; and Ecobank, the local bank financed the project is optimistic about repayment of the loan that it offered.

The system is operated by 200 drivers of the National Union of Road Transport Workers (NURTW), a cooperative of professional bus drivers. The introduction of BRT subsumed, rather than alienated, some of the former drivers who had engaged in the competing mode of transportation. The morale and motivation of the NURTW drivers are high, leading less militant labour movements.

The LAMATA currently foresees two future projects. One is construction of commuter light rail consisting of two lines radiating from downtown. To get around the erratic power supply, DMU instead of EMU is planned for carriages. Other projects include commuter water bus and monorail. As Lagos is on the lagoon (hence the name of Lagos or lagoon in Portuguese), there is possibility of setting up service connecting the northern suburbs along the coast with the jetty in downtown. A monorail line will connect the light rail terminus with the jetty, as well as with the Lagos CBD.

The governance of the BRT Lite presages post-neo-liberalist regime in public transportation. First, the state government has been proactive in solving the urban transport problem issue on its initiative, rather than leaving the solution to pure invisible hand of the market, to the benefit of the general public. Second, the LAMATA seeks symbiosis with, rather than alienating competition against, other stakeholders engaging in the provision of service.

Naturally, the LAMATA and BRT Lite are not without problems. Politicians want quick and tangible solution of commuting crisis so that the result shows to the voters. Thus, a short-term project is preferred but planning that takes longer gestation period tends to be neglected. For the BRT Lite, the exclusive bus lane was not built along the worst choke point, i.e. the bridge connecting the peninsula and Lagos Island. 40% of the BRT route is not segregated with road block. This partial lack of exclusive lane adds BRT bus extra 25 minute travelling time to cross the bridge, which reduces the attractiveness and efficiency of the system considerably. In addition, the federal government do not co-operate in the project, thus LAMATA cannot exercise its power over federal roads.

In sum, rescaling in governance of public transportation to state scale has created a virtuous cycle connecting the stakeholders of public transport provision to promote further provision of transport infrastructure. The motor for this virtuous cycle is democracy coming to be more prevalent recently in West Africa. Whereas at federal scale, this virtuous cycle is largely absent. This is evidenced in the dilapidated state of the nationwide rail network.

## 5. Conclusion

This paper takes up two rather exceptional cases to demonstrate the capitalist regulation nexus of public transportation provision and governance.

Both in Hong Kong and Nigeria, political crisis creating rupture in social integration worked as an important trigger to launch an urban public transportation. Behind the both projects there is motive to reconfigure the urban space more fit for capital accumulation. It is interesting to note that the needs for capital accumulation and associated labour reproduction alone would not suffice to launch the project.

The current provision of public transportation is based on path-dependent behaviour of past governance of public transportation, and network created in the past regime of capitalism, as evidenced by the national rail network of Nigeria. The economy and society endure until rupture in forms of political turmoil, violence or political decisions that justify public expenditure of such path-dependence forms an important instigation for such huge investment. Certain slack room of political freedom under democracy works as catalyst for this process to function. Without them, the system can be subject to gradual disinvestment and decay.

As pointed out in the beginning of this paper, the regulatory regime has changed to neo-liberalism, and governance and management of public transportation has greatly been affected under this regime. The mass transit railway of Hong Kong was an important forerunner in the neo-liberalist management. Yet, many public transportation systems under neo-liberalist management have been generating problems, especially in rural, sparsely populated area where the public nature and egalitarian requirements of public transit system and the profit-making motive of transit operation come into much clearer conflict. In Hong Kong and Lagos cases were successful partly because this inter-spatial conflict was buried under the densely populated urban space.

To appreciate this socio-spatial nexus fully, there is need of examining further cases where more clear-cut neo-liberalist policy is practised for public transportation provision in the area with more uneven population distribution.

The author and other members of Japan Team of the GAMUT are currently investigating its effect of neo-liberalism on Japanese and Korean public transportation, to expand and complement the discussions presented here.

*This paper is a draft for further elaboration in future. Footnotes and figures will be added in the later version. Quotation without author's written consent is strictly prohibited.*