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A Transitional Gains Trap: How City-Backed Transportation Monopolies in the Early Twentieth Century Damaged Economic Mobility for the Next Hundred Years

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Abstract
A common explanation for low economic mobility among the poor points to public bus systems that have inconvenient access to jobs. We explore the extent to which these fixed-route systems are a legacy of a century-old transitional gains trap. The trap formed in the early 1900s as local governments secured legislation to protect streetcar companies from so-called unfair competition from jitneys, the nation's first taxis offering rapid and flexible service. The paper examines how allegiance to fixed-route systems in rail and bus routes hampered economic mobility more than a century later. It examines the city of Winston-Salem, North Carolina, in detail.

JEL Codes: N9, N7, O1
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I. Introduction

The American dream is predicated on the idea of the possibility of upward economic mobility. For millions of people across generations, it has been the reason why immigrants continue to cross our borders to better themselves and succeeding generations. Yet at a minimum, one must be able to efficiently access the places where one lives, works, and shops. That may be easy in a compact city, but in most American cities that exhibit sprawling growth, the problem is

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usually solved by residents' owning a vehicle that travels in any direction at any time. It is much harder to solve, however, with fixed-route transportation systems such as public buses since many homes, factories, and shops invariably are located far from bus stops and routes. In particular, Blacks have the least access to vehicles, with 19.0 percent reporting no access in their household, versus 13.7 percent for Hispanics and just 4.6 percent for whites (Berube, Deakins, and Raphael 2006). Commuting by bus can require double or triple the time commuting takes a car rider, often in inclement conditions (Richardson and Blizard 2018).

Over time, many American cities have evolved from a monocentric model with a vital city center to a polycentric model, having multiple commercial nodes and markets spread across land with low population density (Bertaud 2018). At the same time, public transportation remains wedded to fixed routes that poorly serve these dispersed commercial centers. Thus, today's fixed-route public transportation systems in polycentric cities are archaic and inefficient and adversely affect economic mobility for those families that cannot afford a vehicle.

This paper argues that many of the present-day public transportation systems illustrate the long-term negative consequences of a transitional gains trap that benefited a small group of streetcar monopolies and local leaders a century ago but today deeply impacts those at the bottom of the economic ladder. The transitional gains trap is a concept coined by Tullock (1975) and has had many applications in subsequent research. The phenomenon occurs when government policies are put in place to help some particular group or industry, resulting in transitional, or one-time, gains for the individuals or companies. Once this occurs, the value is fully capitalized in the underlying assets of the company, and any future owners will not benefit from the windfall gain (unless it is inherited). As a result, the trap occurs because both the government and the benefiting companies work together to resist outside innovation that could disrupt a steady stream of tax revenue and profits. This results in long-term deadweight losses long after the original rationale has become irrelevant (p. 677).

A trap formed in the early 1900s as local governments secured legislation to protect streetcar companies from so-called unfair competition from jitneys, the nation's first taxis offering rapid and flexible service. The paper examines how allegiance to fixed-route systems in rail and subsequent bus routes created a path dependency that hampered economic mobility more than a century later, rather than a path in which cities adopted flexible transportation options better adapted to polycentric cities.

The paper proceeds in this way: In section 2, we give an overview of the transitional-gains-trap literature, with examples of how it has been used across the economy and across time. In section 3, we examine jitneys' extraordinary success across the country between 1913 and 1920. This section underscores the power of the transitional-gains-trap theory since powerful and legislatively protected streetcar monopolies soon teamed up with government officials to put jitney companies out of business. In section 4, we underscore how fundamentally connected economic mobility is to efficient transportation and how transportation needs change when the places to live, work, and shop grow farther apart. Thus, flexibility in transportation is vital to ensure continued connections. Section 5 presents a case study of Winston-Salem, North Carolina, in which we give historical evidence of how civic leaders in the 1920s protected the city-backed monopoly streetcar company from jitney competition, just as the transitional-gains-trap theory would predict. In addition, we document how the bus system was established through intimidation by a city-backed cartel comprising former jitney owners, who put the remaining jitney owners out of business. In section 6, we conclude that the consequences of those decisions made one hundred years ago in Winston-Salem continue to influence economic mobility in the present. The city has some of the country's worst rates of economic mobility for those in the lowest quintile of income, partly because of a bus system that is poorly equipped to serve a polycentric city that no longer has a defined center for labor and retail markets. Combined with the urban renewal projects in the 1960s that created wide urban highways through the center of Winston-Salem, it indicates how a transitional gains trap can result in deadweight losses for many future generations.

II. The Transitional Gains Trap: Literature Review

Tullock's influential article "The Transitional Gains Trap" (1975) explains how regulations can create one-time transitory gains for a business, which are capitalized in the underlying value of its asset, creating a windfall gain for the owner. It built upon earlier arguments by Buchanan and Tullock (1962) that attempted, in what became known as the public choice framework, to explain how individuals' self-interest in the political sphere significantly influences the collective decision-making process. Within that framework, Stigler (1971) constructed a model of regulatory demand and supply and described the political system as "rationally devised and rationally employed" (p. 4) to suit the needs of the group seeking regulatory protection from market forces. This happens through direct subsidies, or "control over entry by new rivals" (p. 5). Olson (1965) made substantial contributions by emphasizing the power of small political coalitions to shape regulatory regimes.

Further research illustrated a variety of concrete examples. Yandle (1983) posited his bootleggers-and-Baptists theory to explain why two groups who oppose each other on an issue (for example, the morality of consuming alcohol) might come together to agree to shut something down (for example, commercial alcohol sales). A coalition of religious leaders and illegal moonshine producers could both benefit, the first from advancing a moral imperative and the second from eliminating much of the competition. In addition, there would be transitional gains to moonshine producers who would enjoy a one-time increase in the underlying value of the business.

Thomas (2009) showed how the transitional gains trap applied to medieval beer markets, as the licenses for brewing beer were regulated by local city councils, with both beer producers and the city benefiting. Unlike Tullock, who was pessimistic about society escaping the trap, Thomas posited that eventually the transitional gains trap can be overcome with an innovation (in this case, an alternative brewing technique) that promises higher profits. This leads to a change in a political coalition and subsequent deregulation, a point initially made by Peltzman (1989). Munger (2018) introduced the transitional-gains-trap concept to explain the staying power of political corruption, which causes rent seeking and blocks development. The transitional gains trap operates through bribes to public officials that lock in the price of obtaining a job, making it difficult to reform political systems. In addition, Wenzel (2012) illustrated another case, describing a French regulatory commission known as the Appellation d'Origine Contrôlée, which sets the rules for all French wines. This regulatory commission makes sure that producers use a specified production technique and appropriate names for the wines. In addition, the French government spends millions of dollars on subsidies for the industry. Wenzel used this to illustrate rent seeking and a transitional gains trap since the Appellation d'Origine Contrôlée creates high barriers to entry and is thus supported by wine producers, yet profits have all been capitalized by this arrangement years ago.

III. How Jitneys Changed Urban Transportation

Prior to the invention of the automobile in 1910, places to work, live, and shop needed to be close to each other. Slow-moving streetcars were powered first by horses or mules and then by cables or electricity. They traveled along rails in the downtowns of hundreds of American cities from the 1820s to the early 1900s. Virtually every urban center had one (Burns 2023). The companies enjoyed comfortable monopolies, with protective legislation that gave them official franchise rights to provide services at regulated prices that were high enough to ensure above-average profits.

On January 31, 1915, the *New York Times* (1915) announced that "one of the most astonishing businesses . . . this country has seen . . . has taken the West by storm and extended eastward." Based on the idea of inexpensive motorized taxicabs, these new vehicles were known as jitneys and were invented soon after the production of the Ford Model T. Enterprising individuals simply bought a bare chassis from Ford for around $400 and modified it by bolting on a cab and seats (and later roofs and sides). Soon they were in business, though cities required a license on display to operate the jitney. The jitney drivers would take riders to work, stores, or home with far more efficiency than existing fixed-route streetcar networks. The word *jitney* was slang for a nickel, which was the flat fare they charged to take their customers anywhere in the city, though they tended to run along certain routes. Streetcar companies were legislatively mandated to charge five cents, and prior to the jitneys' arrival, they had been profitable businesses. This new transportation option, a result of the newly inexpensive Ford vehicles, was a direct challenge to the entire streetcar industry across the United States (Chambliss 2008).

Jitneys differ from taxis in that the emphasis is on service rather than on a standard type of vehicle, such as the iconic black London taxi. Traditionally they are individually owned and operated. As Doolittle (1915, p. 663) noted, the jitney "has no definite traffic characteristics. In some places it adheres to definite routes and has some semblance of maintaining a regular schedule. In other places it merely cruises, seeking desirable short-haul traffic." They generally charge a fixed fare, rather than a metered one, which is more common with taxi service. According to Rosenbloom (1972), the original jitney operators were true entrepreneurs, "able to operate wherever they pleased, on any route that was most profitable." The term *gypsy cab* is sometimes used interchangeably with *jitney* to refer to any vehicle that picks up passengers, but as jitneys became popular in the 1910s, numerous ordinances were written that covered bond payments for insurance, drivers' exams, driver identification, and licensing fees (Doolittle, p. 671). Thus, jitneys became identifiable in a way that gypsy cabs are not, which ironically would lead to the jitneys' demise by the mid-1920s.

In their seminal *Journal of Law and Economic*s article titled "The Jitneys," Eckert and Hilton (1972) made the case that jitneys were central to the history of urban transportation and created innovation but also quick pushback from powerful streetcar monopolies and city governments who were threatened by their better service. The policies across the country, as we shall see, were intent on suppressing jitney operations because of jitneys' impact on streetcar revenue. Unlike the streetcar operations, which had enormous fixed costs and needed high volume to benefit from economies of scale, jitney operators had low capital requirements, and like the current Uber/Lyft system, many men jumped into business, possessing no more than a car and a few free hours sliced away from other work.[1] Others let their teenage sons drive their car to make extra money for the family. In response to supply and demand, jitneys on the streets increased during evening rush hours.

In the summer and fall of 1914, Los Angeles (and soon Oakland) jitney owners were charging only a nickel for rides as long as five miles and making a profit up to $15 a day, which is nearly $450 in 2022 dollars (Davis 1989). Demand was high for jitney services in the pouring rain, but supply of jitney services was low since few jitney operators had protection from the elements in 1913 (p. 298). But as one might predict, the market quickly solved the problem, and by 1915, coachmakers were making all-weather wooden vehicles and single-deck bus bodies for seating over thirty passengers.

Individual jitney proprietors could meet new demands for transportation services far more quickly than slow-moving city

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[1] Today, Uber/Lyft drivers have safety restrictions as to the year and type of the vehicle they drive, the owner's driving record and passing state vehicle inspections, which are determined by the companies in order to maximize their long-term profits and reputation. In addition, the liability for any wrongdoing is backed by a major corporation rather than individual proprietors. Last, Uber/Lyft drivers are rated by passengers, creating a greater sense of accountability and information about the driver, prior to getting into the vehicle.

governments, as they were spurred by the appeal of profits and the threat of losses. Not only that, but they could also get individuals to their places of working, shopping, and residing for a tiny fraction of the cost of owning a vehicle. Streetcar companies were hard pressed to compete with the flexibility that jitneys offered (Chambliss 2008).

Jitneys could serve multiple purposes, including buses, taxicabs, and delivery vehicles. One particular annoyance for the streetcar companies was that the jitneys often raced ahead of the streetcars and picked up passengers at streetcar stops. While a simple regulation setting up a particular area for jitney stops could have been arranged, as has happened at today's airports for ridesharing services, governments had no interest in modest accommodation for these vehicles. Jitneys' chief advantage was in short trips of under two and a half miles, for which a nickel more than covered their operating costs. They could seat four to five passengers, plus more standing on running boards, going about fifteen miles per hour. This was up to twice as fast as a streetcar, and they stopped far less often, taking riders to their desired destination in shorter order (Chambliss 2008, p. 296).

Thus, it is clear why jitneys became so profitable immediately in the 1910s, with their potential multiple streams of income. For those who could not afford a vehicle on their own, 5 cents in 1914 (equivalent to $1.39 in 2022) was a small fraction of factory workers' daily wages, which averaged 75 cents to $2 a day. Yearly, factory workers could expect to make about $700 (Federal Trade Commission 1923). A new Ford Model T cost around $440 in 1914 (around $12,300 in 2022 dollars).

Henry Ford was opposed to financing vehicles, and it was not until 1924 that GM launched the General Motors Acceptance Corporation (GMAC), which was long past the heyday of the jitneys (Harvard Historical Collections n.d.). Thus, private transportation was certainly out of reach for lower-paid factory workers and especially Black factory workers, who could expect to receive far lower wages. Jitneys offered a step up in convenience and precious time for those unable to afford a car.

A. The Transitional Gains Trap and the Resistance to Transportation Innovation

Street railways had their monopoly position protected by franchise rights and were subject to municipal and state regulations. Like utilities, these companies were entitled to a "fair return on investment" (Davis 1989, p. 294). Street railways were mandated to charge five cents regardless of distance in every major city across the United States. Thus, the first element of the transitional gains trap was put in place: government promised railway companies steady revenue and simultaneously benefited from a successful company that paid its taxes. This resulted in a one-time capitalization of the value of this legislative protection in the underlying assets of the streetcar companies.

As transitional-gains theory would predict, there were strong incentives by both the companies and the government to resist competition that could erase this capitalization of value. The jitneys' success threatened the streetcars' monopoly revenue, which had been protected by city franchise rights and regulations. In addition, these transportation companies provided a stream of tax revenue which was much easier to collect than taxes from dozens of individual proprietors running jitney businesses.

Across the country, the sudden success of the jitneys was also met by increasing resistance from the courts backed by media outlets. In 1915, a local newspaper reported that the Supreme Court of Tennessee upheld legislation that put "an end" to jitneys and quoted the language of the court's decision, which "put an end to what has been an economic waste and a nuisance in the city of Memphis. Their effect was not to give the public greater service but to share in a traffic that had already been gathered along certain streets. If jitneys had been of real service to the public a way would have been found to maintain them, but they did not justify their existence. They did no service to the public, they injured the streets, they shared in the revenues of a transportations company" (*Doherty News* 1915).

A California newspaper article, "Make Jitneys Useful, Not Destructive," noted that the city of Vancouver, British Columbia, lost over half its fares from street cars in 1915 "on account of jitney competition," with revenue falling from $70,000 to $32,000, and saw only 26 million passengers in that year versus 37.5 million in 1914 (*San Pedro Daily News* 1916). More detractors fell in line. The *Electric Railway Journal* called jitneys "a menace," "a malignant growth," and "this Frankenstein of Transportation," adding to a growing chorus of powerful political interests (Eckert and Hilton 1972). The *New York Times* (1915) called the jitney "a guerilla of public service, and an Ishmael of local transportation, an ill-regulated intruder . . . no town need submit to jitneys; where they are not liked they can be suppressed." Real estate agents and streetcar companies claimed that "prosperity and extension of streetcar service go hand in hand" (Chambliss 2008, p. 494).

Only a minority of jitney operators belonged to the Independent Jitney Association or other such lobby groups. Pro-jitney forces cast their cause as the public's right to choose and said they helped workers survive the severe depression of 1914–15. They offered "ready-made employment opportunities as hundreds of men converted their automobiles into jitneys and used that income to support struggling families" (Chambliss 2008, p. 496). Thus, supporters saw jitneys as a means of upward mobility and a "tool for the common man" in his ascendency against "elite interests" (p. 488). However, their lobbying power was weak in comparison to the political forces of streetcar companies, the real estate industry, and municipal governments.

B. Putting Jitneys out of Business through Regulation

The jaws of the transitional gains trap were slowly closing by 1915 as the anti-jitney forces pushed for legislation across the country designed to make it increasingly hard to run a jitney business. The aim of the legislation was twofold: first, it would increase operating costs, and second, it would cap or decrease potential revenue. This squeeze would prove very effective in putting thousands of jitney operators out of business.

The raising of costs proceeded this way. Cities began to require expensive franchise fees that steered ownership of jitneys toward corporations and raised the barriers to entry for smaller competitors. License fees rose, and by July 1915, twenty-seven cities required liability-insurance bonds of $10,000 per vehicle, which would cost about $100 a year, or $3,000 in 2023 dollars. This was essentially a tax that "was certain to get rid of the casual or part-time operators, which amounted to the majority of all jitneymen" (Chambliss 2008, p. 311).

Revenues were also depressed. New ordinances set up minimum hours for jitney operators to work and made them so long as to eliminate the part-time jitney operators. Cities also demanded jitneys operate certain routes and schedules, effectively taking away their comparative advantage in transportation flexibility. They also required that they take longer routes, which meant fewer passengers per trip as they headed farther out of town. Last, cities excluded jitneys from the most revenue-producing routes, which were areas served by trolleys.

Across the country, jitneys were eliminated, usually in the space of one year. In 1916, there were 1,000 jitneys in Los Angeles, but only 32 were left in operation a year later (Chambliss 2008, p. 321). Nationwide, from 62,000 jitneys in January 1915, the number had fallen to 39,000 a year later. By October 1918, only 5,879 jitneys were left in 153 cities. By the 1920s, they were nearly all gone (p. 322).

C. Path Dependency: From One Fixed-Route System to Another

After eliminating jitneys from the streets, cities stuck with fixed-route systems of transportation, which meant that they expected present and future economic development to be centered around the various streetcar rail lines (and later, public bus routes). That was not convenient for the families who lived a long walk away from a terminus or for people who needed to travel at right angles to the direction of an existing rail line. It meant a time-consuming series of transfers from one streetcar line to another, unlike the ease of pointing a car in the direction one wished to travel.

Not surprisingly, these limitations of fixed routes along with dropping automobile prices led to an explosion in demand for private vehicles, making these fixed-route systems increasingly irrelevant for middle- and upper-class families. The number of registered vehicles in the United States jumped from 458,377 in 1910 to 2,332,426 by 1915. By 1920 there were 8,131,522 registered vehicles, and by 1925, there were 17,481,001 vehicles, an enormously rapid change in modes of transportation in just fifteen years (Department of Transportation 1995). For those who could not afford a vehicle, however, the demise of the jitney usually meant more wasted hours spent on the streetcar, creating large opportunity costs in the form of wages, leisure, and upwardly mobile job opportunities, a severe drawback to fixed-route systems that continues to this day.

By 1918, streetcar use was also declining. Across the country, transit companies converted to bus systems, which were cheaper to operate and more flexible in terms of route changes. Still, this conversion meant that monopoly bus companies across the country were still running fixed routes, keeping the mindset of the streetcar industry. As cityscapes increasingly evolved around the automobile, those who could not afford a vehicle would have far fewer choices for jobs, education, shopping, and health care, greatly impacting their economic mobility.

IV. How Economic Mobility Connects to Transportation

Economic mobility in the United States is a function of a complex set of circumstances that is strongly influenced by connectivity to both social and economic networks. A main problem with identifying the determinants of economic mobility is that it is difficult to find good theoretical reasons for including a series of variables (Kourtellos 2016). This creates an approach that steers away from economic modeling and testable hypotheses. Instead, the approach includes an assortment of variables—such as geography, college attendance, race, segregation, inequality, educational quality, social capital, and family structures—that are primarily descriptive, rather than based on economic principles (Krueger 2012; Putnam 2000).

Raj Chetty and his research team have done the most investigation into economic mobility, establishing a group of like-minded scholars and impressive national data sets that mine IRS tax records, Facebook accounts, and other sources (Chetty 2014). However, this influential team of researchers has a blind spot when it comes to urban transportation and its impact on economic mobility, both past and present. Ironically, transportation costs are far easier to measure than other variables such as social capital, educational quality, and friendships. One can measure the direct costs of vehicle ownership and also measure the direct and opportunity costs of public transportation, which invariably involves more inflexibility and far longer commute times. Richardson (2019) and Blizard (2018) find substantial losses in terms of lower salaries (due to longer commutes), fewer promotions, and less access to medical care and quality food. Bullard (2003) notes that transportation "touches every aspect of where we live, work, play, and go to school, as well as the physical and natural world. Transportation also plays a pivotal role in shaping human interaction, economic mobility, and sustainability."

The basic modern problem for a city's vitality and for individual survival is having a place to live, to work, and to shop. Griffin et al. (2016) call these "pillars of activity" (though they include play as well, while we do not). As the distance from these three pillars increases, the mode of transportation becomes increasingly important, particularly if investment in human capital such as job training or education requires a vehicle. Denser cities certainly make this live-work-shop problem easier, but the demand for larger and more inexpensive housing drove city planners to design sprawling cities that had single-family homes situated on a quarter acre of land or more. Longer distances mean longer commute times, creating a demand for individual means of transport such as privately owned vehicles and a greater network of roadway systems. Urban sprawl creates a growing number of complexities in how to handle getting from A to Z, and fixed-route systems invariably work poorly in these types of areas, as opposed to dense cities such as New York City or Washington, DC, where trains and buses carry individuals from their homes to well-defined hubs of employment and shopping.

Since 1956, road projects across the United States have gotten most of the public transportation funding, at a ratio of four to one. In low-density cities in the South, most public transit systems serve low-income and primarily Black and Latino residents. These alternatives exacerbate social, economic, and racial isolation (Bullard 2003, pp. 1186, 1191). In addition, people in the bottom 20 percent income bracket spend 42 percent of their annual budget on vehicle ownership (if they own one), more than double the national average. A vehicle is nearly a necessity in many communities, and in the US only 9 percent of households do without one. For Black households, the number is far higher, at 20 percent (Fleming 2018).

Public transportation solutions typically include more funding for public bus services. However, Columbus, Tucson, Jacksonville, and Houston and smaller towns such as Wilson, North Carolina, have created innovative solutions that involve replacing their buses with micro-transit services, with a subsidized fare, costing only slightly more than the old system (American Public Transportation Association 2023; Railey 2021). Having point-to-point services using micro transit allows individuals in the lowest income brackets to plug into economic and social networks with the same access as higher-income individuals, thus improving the potential for upward economic mobility (Richardson 2019).

There is a move in some cities toward employing micro-transit solutions that involve partnering with companies such as Via to offer point-to-point and on-demand rides with small vans. Yet what is notable is that jitneys offered the same flexibility a century earlier. From the late 1920s to the present, the transitional gains trap formed by the alliance of streetcar companies and local governments had enormous impact on limiting present and future economic mobility for those without a vehicle. An in-depth examination of the case of Winston-Salem, North Carolina, shows how a transitional gains trap was formed in that city that solidified the long-standing position of transportation monopolies within the city government and sharply dampened economic mobility for those without a vehicle.

V. The Case of Winston-Salem, North Carolina: A Former Hub of Economic Mobility

Winston-Salem, North Carolina, is a typical medium-sized city that provides a prism through which to understand a part of this issue. Like many US cities, especially across the South, it has a stark socioeconomic divide. The eastern side largely comprises low-income Black and Hispanic residents with few jobs or places to shop. The western side, in contrast, is mostly white, middle to upper class, and thriving economically. Like hundreds of other cities, it was physically divided by an expressway in the 1960s. A recent study indicated the odds of getting out of poverty in Winston-Salem's county are among the lowest in the entire United States, although a cluster of southern cities have almost equally low probabilities (Chetty 2014).

How the city of Winston-Salem, located in Forsyth County, went from a place offering tremendous upward economic mobility for Blacks a hundred years ago (and well prior to the civil rights movement) to one with some of the worst economic mobility in the nation can be at least partially explained by the transitional gains trap and rent-seeking behavior, which is fully documented in this section.

In the 1890s, Winston-Salem had a thriving business and manufacturing district, along with upwardly mobile Black families who worked in R. J. Reynolds tobacco plants or local clothing mills. According to Wadelington (1999), "Although Jim Crow ruled, the forcibly segregated large black population (in Winston-Salem) had one major advantage that other smaller southern towns and cities lacked. That was a robust inner-city culture that included several affluent economic institutions" (p. 10). There was a combination of white paternalism—exemplified by "Papa Reynolds," the president of Reynolds Tobacco—with "a black identity which refused to be submerged," according to an extensive account of Black lives portrayed in the article "Blacks in Winston-Salem, 1895–1920" (Miller 1981, p. 3). Despite mass Black emigration to the North in the late 1800s, thousands of Blacks moved to Winston-Salem, which doubled its Black population between 1900 and 1910. The white population increased faster, but by 1920, Blacks had risen from 9,087, or 40 percent, to 20,735, or 43 percent of the population by 1920.

Blacks primarily worked in the city center in the tobacco industry, which employed about 74 percent of working Blacks in 1895 but just under 51 percent in 1915. The decrease in the percentage resulted from an increase of white tobacco workers and mechanization.

According to Miller (1981), "Blacks had [to] work for less in North Carolina. For example, a Black carpenter might be paid $0.75 a day, whereas a white carpenter would receive $1.50. (However, this greatly exceeded the wage of a Black person working on a tobacco farm for $4 a month.) This disparity showed to some extent in the average yearly wage for Winston-Salem workers in 1900. The average worker in Winston-Salem earned $145.45 for the year. But, computed separately, one averaged $179.30 in Salem as compared to $134.86 in Winston, where most blacks worked" (p. 78). And "despite low wages and other working conditions, few labor disturbances of any kind occurred in Winston-Salem. In fact, the Board of Trade boasted 'everybody works . . . happily, efficiently, and with energy. No strikes, no strife, and no limitations on output.' The few disputes which did occur in the tobacco industry were easily handled. In 1898, three hundred Negro employees of Brown and Williamson went on strike because of a cut in wages. The strike ended with the company agreeing to restore the original wages" (pp. 91, 92).

A. Upward Mobility and Black Entrepreneurship: A Thriving Community

Not relegated to the Black sections of town, Black businesses lined the main streets in downtown Winston, competing with their white counterparts. The key to this success was Black families' easy access from where they lived to where they worked and shopped. East Winston was a mile or so from this business district and the Reynolds manufacturing plant. The other mills were another mile away. What separated these areas were two-way city streets, with slow-going traffic that allowed for goods and services to flow in both directions.

Thus, upward mobility for everyone on the economic ladder emerged. In the area adjacent to the enormous tobacco plant, Black brick masons, shoemakers, undertakers, barbers, and blacksmiths served a mixed clientele (Miller 1981, p. 12). Miller writes, "Maintaining control in several trades, black barbershops and hairdressing parlors took the lead. Blacks operated 30 of 53 barbershops in 1920 and 23 of the 37 shoe shops. They also operated 25 of the city's 36 cleaners and tailors" (p. 12).

There was even (limited) integration at downtown restaurants: "The skill of Blacks in the culinary arts won them easy success with eating houses or cafés. All of the seafood and wild game, as well as the bulk of the meats, came from black suppliers. Both blacks and whites patronized black eating establishments" (Miller 1981, pp. 95–96). According to Miller:

> In 1918, black businessmen in Winston-Salem established a chapter of the National Negro Retail Merchants' Association . . . The formation of the Merchants' Association indicated the expansion and stability of the black business community in Winston-Salem. Despite the problems these businesses encountered and the fact that they operated at a low level of capitalization, tax records indicated a steady growth in black wealth in the city. The aggregate value of black real and personal property in 1903 totaled $126,022 or less than 2 percent of the total for Winston-Salem . . . the aggregate value of black property in 1920 spiraled to $4,060,868. (p. 114)

Professional services also flourished in the Black community, as Black lawyers, doctors, dentists, preachers, and teachers established related business enterprises, shaping the "black bourgeoisie" (p. 246).

B. The Jitneys' Key Role in the Black Ecosystem in Winston-Salem

In the mid-1890s, Winston-Salem opened its streetcar system, but it only served the western, all-white side of town. It did not serve the city's Black business district, which had become densely populated because of the tobacco and textile industries. Consequently, Black people had no means of public transportation to many available jobs (Wadelington 1999, p. 10).

The first Black owners of jitneys emerged from this powerful Black business world and would play a vital role in helping invigorate and maintain Winston-Salem's thriving ecosystem, beginning around 1914. This was unusual, as across the country most jitney owners were white, providing services to white customers. In Atlanta, white jitney operators swore to never provide service to Blacks (Chambliss 2008, p. 498). The pioneers of this service in Winston-Salem used cars such as Model T Fords. Wadelington (1999) notes:

> The explanation for the success of independently owned jitneys (in Winston-Salem) is twofold. First, restrictive Jim Crow laws made it necessary for African Americans to find an alternative means of public transportation in areas where it was not offered—that was the city's commercial Black district. Secondly, the unprecedented growth of the Black middle and blue-collar classes with above average incomes made it possible for jitneys not only to exist but to flourish (p. 12).

He also notes, "Most jitney riders (in Winston-Salem) were laborers with little need or desire for luxurious traveling accommodations.

This was acceptable because most of the company's jitneys were simply modified trucks with wooden benches" (p. 16).

Dozens of Black-owned jitneys carried Black workers back and forth to R. J. Reynolds's tobacco factories, the knitting mills, and the rest of the thriving manufacturing district downtown, serving upwardly mobile Black people. The first jitneys were unlicensed by the city, which meant more risk for the riders, though they usually drove at well under twenty miles per hour. At best, routes mostly ran along unpaved streets that, depending upon the weather, could be described as "dust, slush, and muck." Despite those inconveniences, jitneys continued to "ramble through the Black communities, picking up passengers wherever they could be found" (Wadelington, p. 13). Jitneys provided inexpensive and efficient transportation directly from pickup points to places of work, although there were no ways to call for a jitney other than to wait on the street for one to arrive. It was profitable for Black entrepreneurs, who began transporting Blacks to the factories because most of them did not own automobiles (p. 14).

However, tension was forming with the city. Southern Public Utilities had complained that jitneys were hurting its streetcar business, even though the streetcars did not operate in Black neighborhoods. At its meeting on September 15, 1916, the all-white board of aldermen passed a stringent ordinance regulating the jitneys, in response to the streetcar company.

Thus, the city leaders followed the same transitional-gains-trap playbook as other cities across the country: squeeze jitney profits by raising costs and shrinking revenue flows. The Winston-Salem ordinance sharply raised the cost of doing business as a jitney owner. It ordered licensing and speed limits, which were understandable. But the ordinance went far beyond that. The ordinance, stretching over almost two long pages, set maximum patron fees at a nickel, allowed the board to set the jitneys' routes, regulated signage on jitney cars and passenger seating, and required each operator to pay an annual license fee of $50 ($1,367 in 2022 dollars) and post a $5,000 bond to cover liabilities. The bond was reduced at the next aldermen's meeting to $1,000 ($27,340 in today's dollars), still a huge sum for independent businesspeople. To choke off revenue and prevent competition, jitney operators were only allowed to operate in 20 percent of the city. The other 80 percent was covered by the Duke Power Company's trolleys and the buses operated by Southern Public Utilities (City of Winston-Salem 1916).

The city was dead serious about enforcing these ordinances. Any jitney operators violating any aspect of the new ordinance faced a $50 fine or thirty days in jail. This punishment was not a one-time hit but would be multiplied by the number of days the ordinance was violated (City of Winston-Salem 1916). If, for example, a jitney operator was charged with something as benign as having a sign too large (four inches wide by eighteen inches long was the allowed maximum), then a week's worth of these violations would add up to $350 in fines, which was nearly a year's wages, or if the money was not available, then 210 days in jail. The Black jitney operators would not be facing their peers in the courtroom either. Thus, these ordinances sharply diminished potential profits through price caps and cost increases. With the combined threat of huge fines and jail time, jitney operators had fewer reasons to stay in business, though many continued for another decade serving the Black community, unlike in most other cities across the US, where the jitney businesses gradually petered out by the early 1920s.

C. A City-Enforced Cartel: Safe Bus Company Is Formed

By 1926, the city was tired of the complaints from citizens about jitneys as well as the pressure from the streetcar company. What happened behind closed doors is unknown, but the outcome was not modest recommendations on regulating jitneys so they could operate safely and efficiently. Instead, Mayor Thomas Barber mandated a meeting with the various jitney owners and issued an ultimatum: either "work together or stop operating" (Ford 2017). He was, in effect, demanding that they form a cartel. By then, thirteen of the thirty-one jitney operators had decided to strike a deal with the city. It was clear that the new regulations were simply too expensive for most jitney owners on their own, as revenues were squeezed through regulatory price caps and costs were rising with mandatory and expensive insurance policies.

At a May 21, 1926, meeting, Safe Bus Company was formally incorporated. Its stated purpose was to "reduce the number of jitneys" and operate on routes with the "proper number" of jitneys, with routes and numbers as set by the board of aldermen, according to the minutes of the meeting. "The further purpose," the company wrote, was "to eliminate all racing between jitneys and to place the aforesaid jitneys upon schedule, thereby avoiding all traffic congestion and reducing the possibility of accidents." It was clear that the heavy hand of the board of aldermen would decide what was proper, rather than the market forces of supply and demand. Rather than using a light touch with police to enforce speed limits and safety requirements, the board decided to prescribe for jitneys exact routes, times of service, number of operators, and appropriate level of congestion (City of Winston-Salem 1925). Given that the entire city had only thirty or so jitneys operating, and they carried far more people than a private vehicle, the idea of their contributing to congestion, at least in the modern sense, seems a bit far-fetched. The transitional gains trap was fully in place, disallowing competition and retaining profits for the streetcar company, at least for the present and near future. The board further clamped down on jitney service, forbidding any competition with either Safe Bus's routes or the streetcar routes. As a result, only nine jitney owners remained (City of Winston-Salem 1926). Meanwhile, by 1936 Southern Public Utilities ceased its streetcar service in Winston-Salem because of falling revenues.

Safe Bus did pass a significant milestone and provided good service. By 1947, fifty-four buses carried seven million passengers a year, and it employed a hundred drivers (Miller, p. 246). Lost in the stories about it, and sometimes denigrated in passing, was the story of the jitney services. For example, in a June 1935 story saluting Safe Bus, *State* magazine, based in Raleigh, reported that "the Negro" jitney operators' service was "rather inefficient" (Wallace 1935). There was little effort to adhere to any fixed schedule, the article explained, nor did the operators have their work systemized to any extent whatsoever—as if this was a drawback. The article continued, "The [jitney] buses ran all over town, and every bus-owner picked out whatever route suited his fancy. Usually, the driver of the bus was also president, treasurer and secretary of his company, as well as being chief mechanic."

By the early 1970s, Safe Bus had been losing increasing amounts of money as more people purchased vehicles. It was eventually absorbed by the newly created Winston-Salem Transit Authority in 1972, overseen by the city of Winston-Salem. The legacy of the city's pressure on jitney operators to exit their businesses has been a fixed-route bus service, offering once-an-hour service in 2023 that links to a downtown bus hub. This hub, also a relic of the manufacturing district's past, is just a transfer point that lengthens trips rather than plugging into a thriving downtown city center with jobs for bus riders, as in years past.

The city's decades of transportation priorities have had a measurable impact on generations of low-income Blacks of limited resources living on the eastern side of Winston-Salem. Three of their bedrocks—easy access to work, grocery stores, and home—were vulnerable to splintering when the city moved from the jitney model to a fixed-route bus-system model. The formerly healthy ecosystem serving hundreds of Black families in the early part of the twentieth century, which connected East Winston to the rest of the city—with jobs, housing, and stores all in one place—was ultimately dealt a devastating blow by the US Route 52 project in the 1960s. Cutting the city in half between the east and west sides is a massive four-lane divided highway. Building it demolished the Black business district and made it far more difficult for East Winston residents to access the largely white residential area of the city, where the vast majority of the economic activity lies. Tagged as urban renewal, it led to East Winston's being hemmed in by three major thoroughfares, forming three sides of a square that has been a stagnant economic area for the past two decades.

VI. Conclusion

This paper has argued that the national movement to put jitneys out of business led to a path dependency on fixed-route bus systems. These systems sharply limit upward economic mobility in cities with low density and polycentric commercial hubs. This has been compounded by 1960s-era urban renewal highway projects throughout the nation that created further socioeconomic and concrete barriers.

Economic mobility for those at the bottom of the economic ladder depends on flexibility in transportation options, particularly as the areas in which one shops, lives, and works grow farther apart. Cities that ignore this fact are likely to stay at the bottom of the pack when it comes to upward economic mobility. As discussed, other US cities have recently employed successful micro-transit systems that resemble the fluid and more efficient jitneys of years past. For the past fifty years, Winston-Salem and hundreds of other US cities have focused on poverty alleviation and affordable housing projects without considering how vital it is to have flexibility in transportation options. This flexibility was provided through the use of jitneys, which connected the key pillars of economic activity—live, work, and shop—for those without a car.

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