Transportation Center Seminar Series presents……

A Political Economy Model of Road Pricing: Why Road Pricing is Not Implemented

Bruno De Borger
Professor of Economics
University of Antwerp

Thursday – April 22, 2010
4:00 - 5:00 pm
Refreshments available at 3:30 pm
Location:
Transportation Center – Lower level
Northwestern University
Chambers Hall - 600 Foster
Evanston, IL

Abstract: In this paper, we take a political economy approach to study the introduction of road tolls, using a simple majority voting model. Charging users for external congestion costs may seem an obvious reform to an economist, but successful introduction of road pricing is quite uncommon. Moreover, in cases were congestion pricing has been implemented (e.g., London and Stockholm), its introduction was characterized by two salient features: (i) A majority of the population was against road pricing ex ante, but once the policy was introduced a majority seemed to favor it; (ii) Toll revenues were tied to public transport improvements and subsidies. In this paper, we construct a simple political economy model that is consistent with these observations. The model considers two transport modes and allows for idiosyncratic uncertainty with respect to modal switching costs. We show that, first, uncertainty implies that a majority may vote against although a majority is in favor once the uncertainty is resolved. Second, if there is a majority against road pricing ex ante there will also not be a majority in favor of a trial that resolves the uncertainty. Third, it is easier to obtain a majority for road pricing when the toll revenues are used to subsidize public transport than when they are used for a general tax refund. Finally, the results of this paper suggest that, to make road pricing a success, it may have to be implemented against the will of the majority.

BIO: Bruno De Borger is a professor of economics at the University of Antwerp, Belgium, where he teaches microeconomics, public policy, and transport economics. His recent research has focused on the economics of transport pricing. It includes, among others, work on road pricing and the labor market, the economics of toll competition on simple networks, congestion pricing and the problem of company cars in Europe, port access pricing and hinterland congestion, and cost-benefit analysis of transport projects in distorted economies. His other research interests include local government finance, efficiency measurement in the public sector, the economics of education, and development economics. He was briefly affiliated with the Pennsylvania State University and the Catholic University-Leuven. Moreover, he served as a consultant for various organizations and was involved in consulting and educational projects in, among others, Slovakia, Mali and Bolivia.