

Barriers to Implementing Pricing Innovation

Summary of Barriers to Implementing Pricing Innovation

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It is now more than 20 years since the first suggestions were advanced that the price of using the city streets should reflect the costs, including the additional congestion costs of other vehicles. So far only one major city of the world, Singapore, has actually introduced a more or less comprehensive road pricing scheme. Others have taken some pertinent measures such as increasing the parking fee in central areas and are discussing further applications. Many cities, however, are resolutely set against such pricing restraints.

This might be considered a tortoise pace, but I think such an imputation would be unfair. The ideas have become very widely accepted, even among the bitterest professional critics. Even the technology and administration of such schemes are becoming well known and, although there are still problems, there is really little cause for concern that implementation may prove to make things worse. But the main and abiding failure has been on the political front. So far as I am aware, road pricing has never been embraced by a political party in a democratic environment. Road pricing has been the progeny of the technocrat or even the administrator, but politicians have generally disowned it.

This is indeed evident in the papers presented here. The federal government has provided tempting funds to explore the potentials and the Secretary of Transportation has urged cities to adopt measures of restraint by pricing. But the debutantes have been reluctant.

Why? I think that the overall appeal of road pricing is to efficiency and avoidance of waste. These are less attractive goals than the shrill calls for compassion and doing good by redistributing income from the undeserving rich to the deserving poor. Road pricing gives no politician the opportunity for displaying his moral superiority, nor does it enable him to pay off political debts. It probably benefits a very large fraction of the community to a moderately small degree at the expense of injuring a very vocal minority. But it is the minority who make the noise—and, like donkeys, politicians have large ears.

Clearly we need some system of bribing the minority to go along with proposals for road pricing. There are various ways that might be tried. In Los Angeles one

of the main tasks of the planning team was to identify negative impacts that might be due to misunderstanding, bad planning, or simply unforeseen contingencies. Anticipating trouble and preparing a necessary, if not a sufficient, answer are one condition for successful implementation. And since the negative impacts are likely to be different for each community, this suggests that only the most pragmatic measures can be adopted. But what measures can be used to mollify opposition or bring around those opposed to active support or at least passive acceptance?

The most dramatic and complete solution would be to develop a system such that the disaffected motorists would be better off than under the unpriced system. The authorities would "buy" their votes for road pricing. This is generally thought to be an infeasible arrangement—partly because of legal constraints but also because of the enormous difficulties in implementation, not to mention moral objections to such shenanigans.

The majority opinion seems to favor the approach of trying to persuade the majority that it is in their interests to have some constraints. It is anticipated that, in spite of the opposition of the disaffected minority, the appropriate measures will be introduced. Many doubt that such persuasion will be effective. If one examines the lessons of history, such as the repeal of the Corn Laws in 1832 in Britain (a measure that benefited the many consumers to the discomfiture of a few landowners and farmers), one finds that it was a long intellectual conversion rather than a surge of popular sentiment that ushered in the free trade era. It is not possible to discern a similar intellectual and political conversion to road pricing. We live in an age that distrusts the free market pricing mechanism and that blames it, quite unjustly and without foundation, for many of the evils that afflict society. We live in an age of booming bureaucracy in which solutions are sought in planning restrictions, regulations, and directives rather than in pricing mechanisms. Life for the urban motorist is likely to be made unendurable by bureaucratic muddle rather than more highly taxed by a rational and efficient road authority.