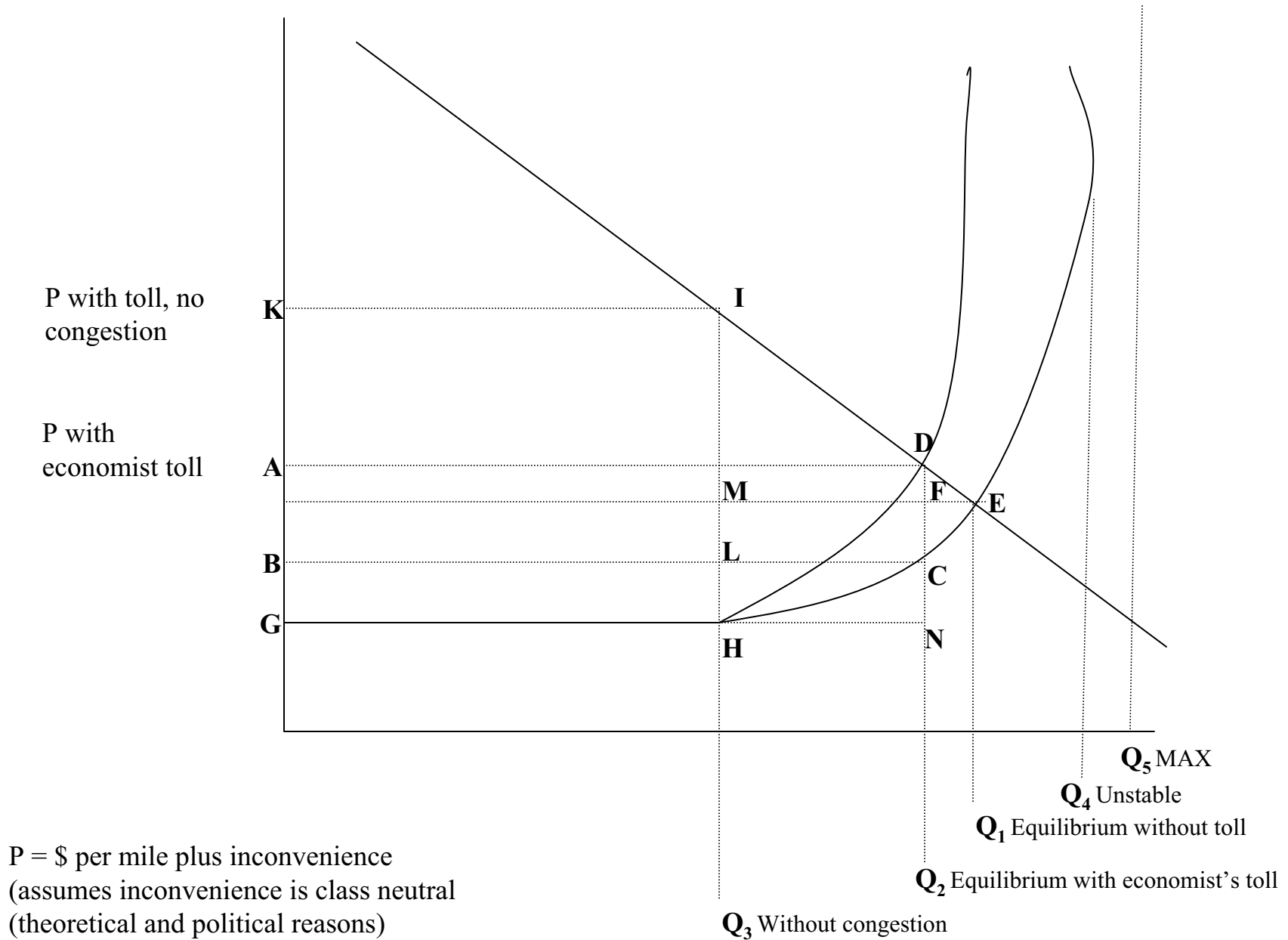
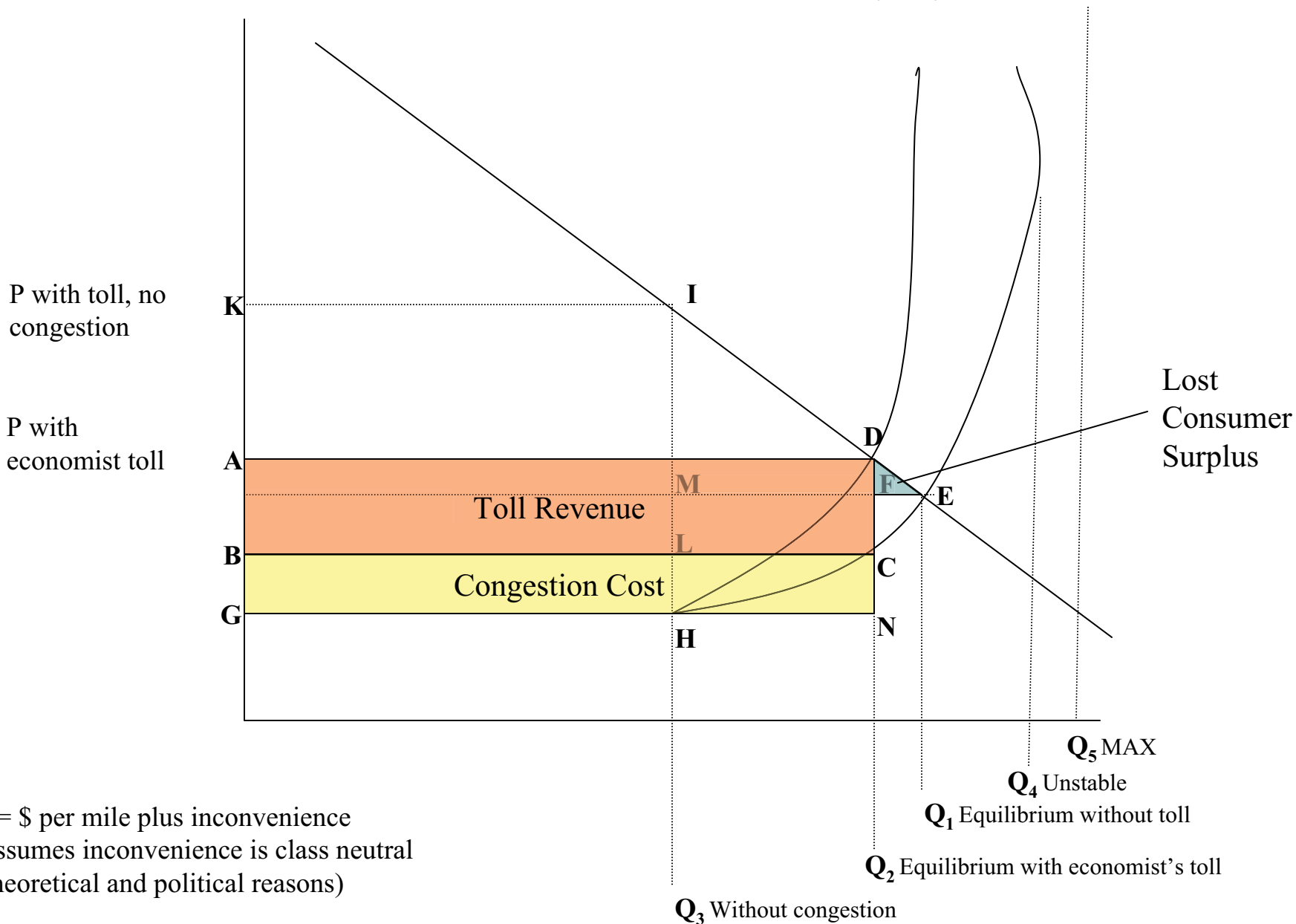


Congestion Pricing



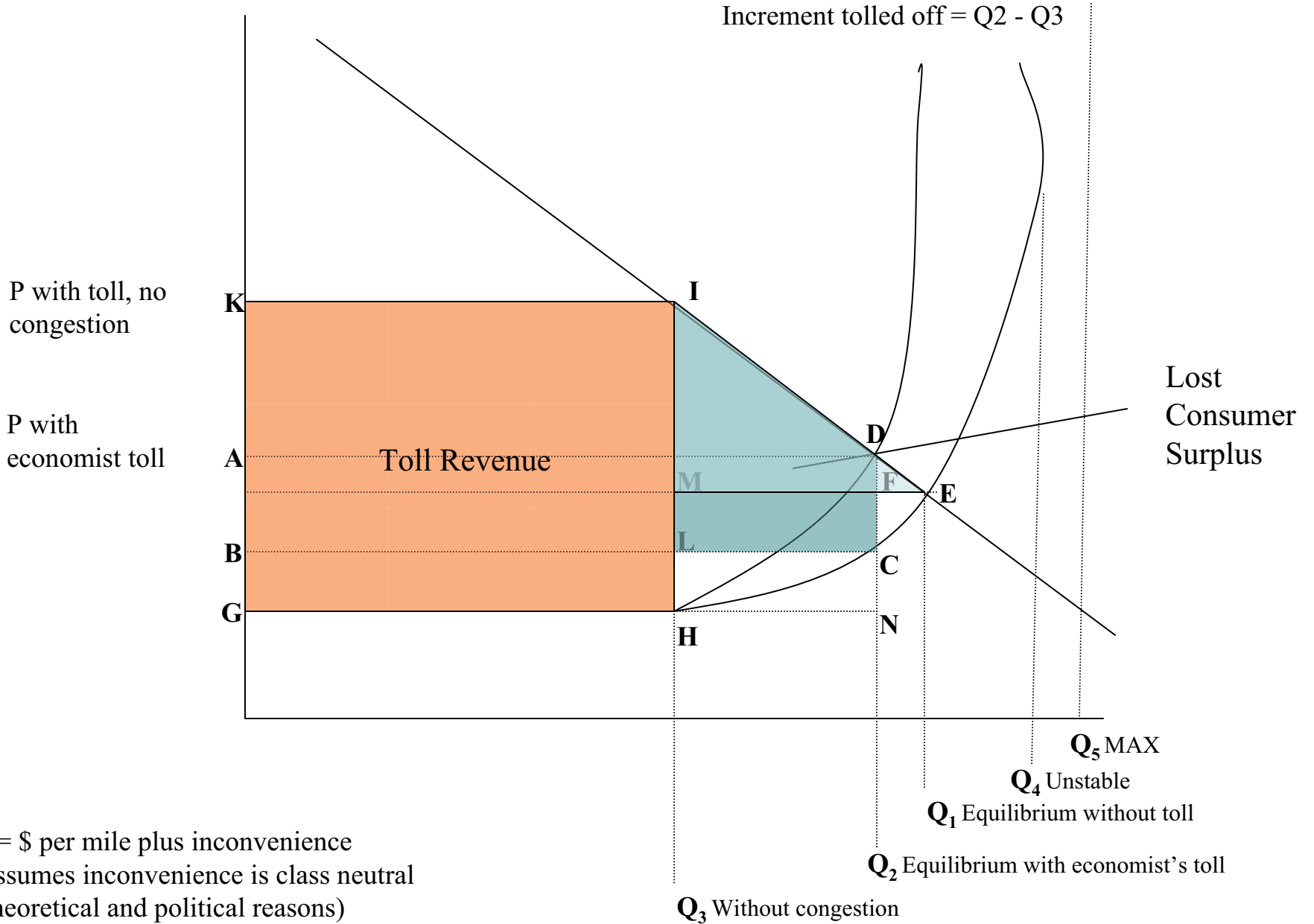
Economist Case

Tolled = Q_2
 Tolled off = $Q_2 - Q_1$



Toll too high (no congestion)

Tolled = Q_3
 Tolled off = $Q_1 - Q_3$
 Increment tolled off = $Q_2 - Q_3$



Note: Toll revenue KIGH is larger than
Toll revenue ABCD but less than
Toll revenue ABCD plus consumer surplus ILDC

Problem: Surplus FCE and LHC are not real because congestion destroys it

Note: Toll authority has temptation to “overtoll”

But assume “technology”, such as

-Transit or

-Larger aircraft or

-Off-peak discounted tolls and or

-Assume toll recovery helps to buy the “technology” transit expansion