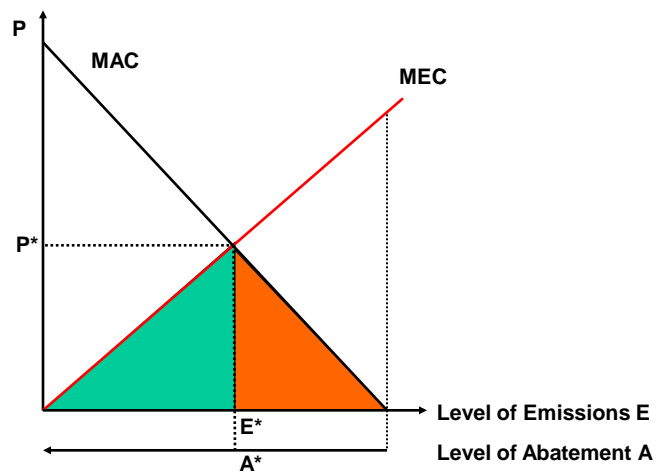


Introduction to Public Policy
Class 10

**Economic Incentives vs Command
and Control**



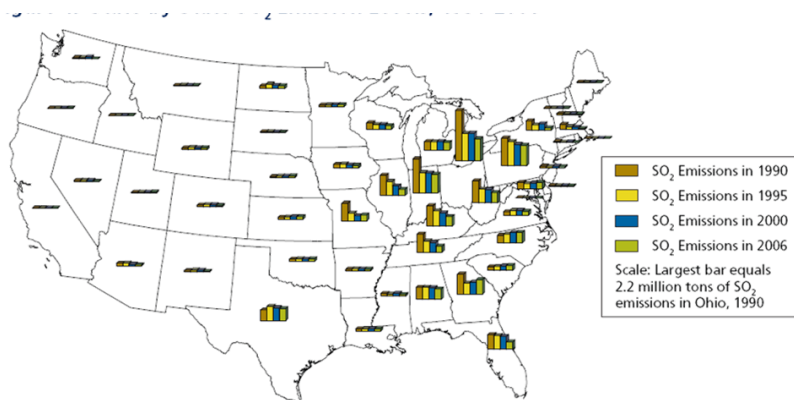
The optimal level of pollution



Pollution control methods

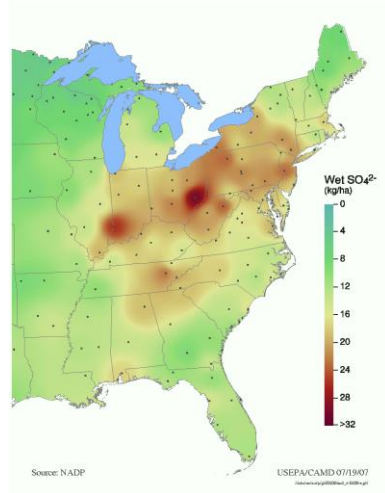
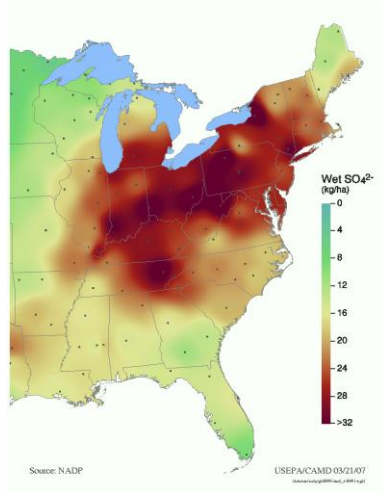
- Command and Control
 - Ambient standards
 - Technology standards
 - Emissions standards
- Economic Incentives (Market Based Instruments)
 - Taxes and subsidies
 - Deposit-refund systems
 - Marketable permits

SO₂ emissions 1990-2006

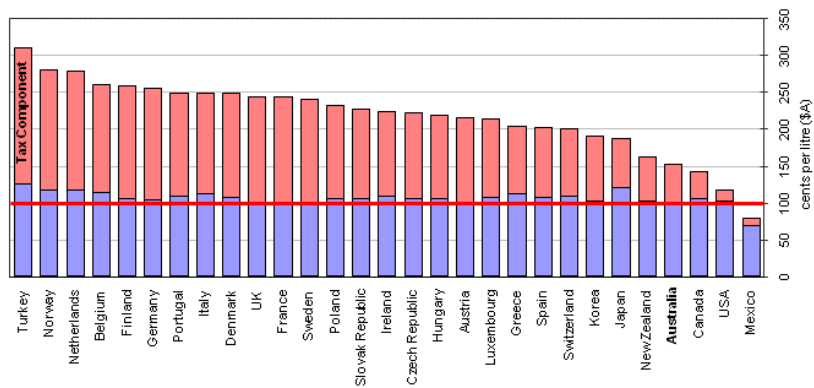


Source: EPA, 2007

Annual mean wet sulfate deposition, 1989-1991 and 2004-2006



Fuel taxes OECD 2008



Impact of the London Congestion Charge (vehicle-kilometers, thousands)

	2002		2003		Percentage change
Cars	771	(47%)	507	(35%)	-34%
Vans	287	(18%)	273	(19%)	-5%
Trucks	73	(4%)	68	(5%)	-7%
Taxis	256	(16%)	312	(21%)	22%
Buses	54	(3%)	65	(5%)	21%
Motorcycles	129	(8%)	137	(9%)	6%
Bicycles	69	(4%)	89	(6%)	28%
All vehicles	1,640	(100%)	1,451	(100%)	-12%

Source: Leape 2006

Social Costs and Benefits

- **Costs: £50 million**
 - Cancelled trips, costing £31 million to drivers and businesses.
 - Compliance costs £19 million.
- **Benefits: £331**
 - Saved time and improved travel reliability of £260 million.
 - Drivers save £28 million in vehicle operating costs.
 - Bus riders save £43 million worth of time.
 - Not quantified: few road accidents, carbon emissions.

(Note that £236 million in tolls is not a cost, as it is a transfer)

Would it work in Ho Chi Minh City?

- Challenges
 - Technical issues
 - Political issues
 - Distribution of costs and benefits
 - Choosing the area of the cordon
 - Lack of public transport
- Alternatives to finance public transport
 - Parking charges
 - Tolls