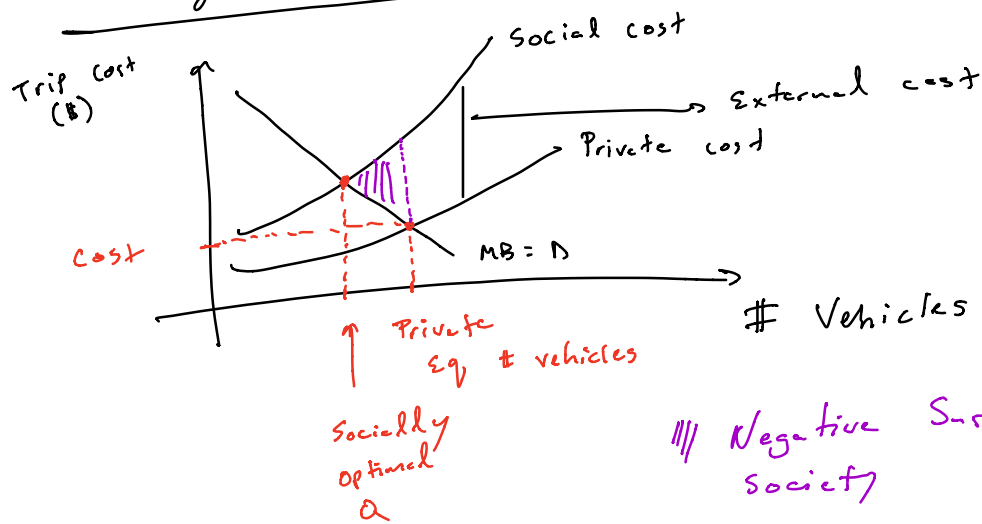


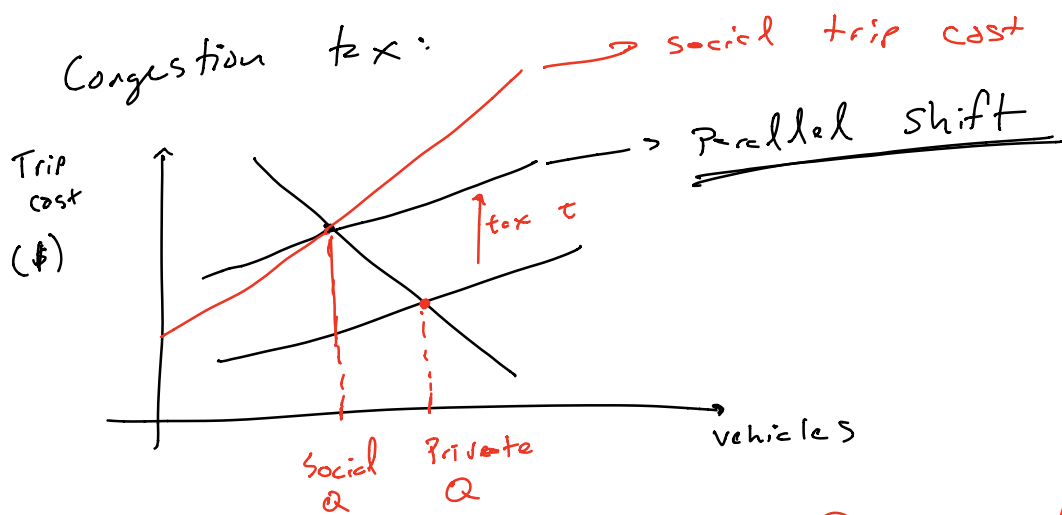
# Congestion Externalities



Eg:  $MB = MC$

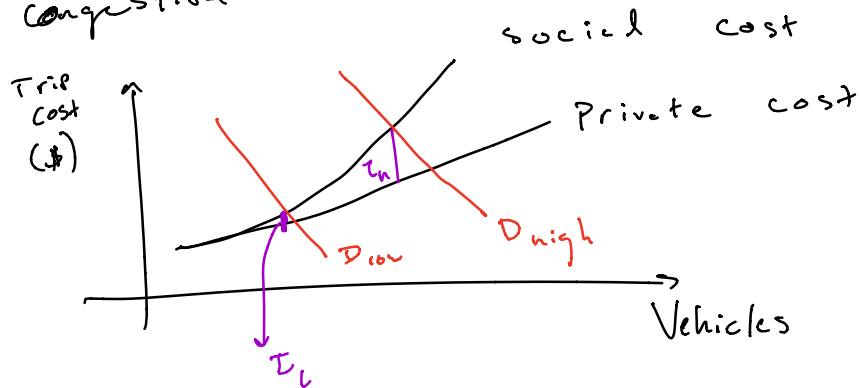
$MB (MV)$ :  
 Price high  
 # Vehicles low

Note: External cost is larger for more vehicles on Road



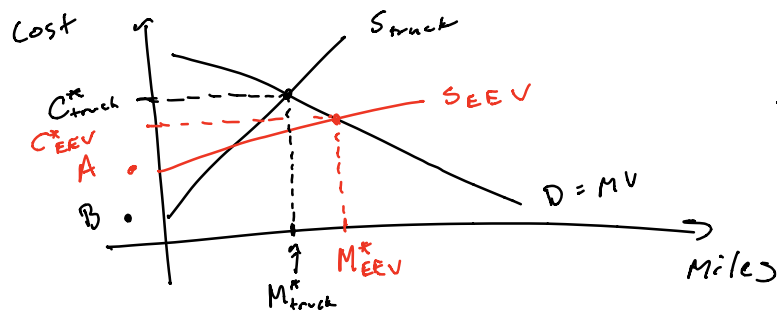
tax set to external cost @ socially optimal quantity

Congestion Tax w/ Varying Demand



$\tau_H > \tau_L \Rightarrow$  need dynamic congestion pricing.  
higher demand calls for a higher tax!

## EEVs : Congestion



A: higher FC

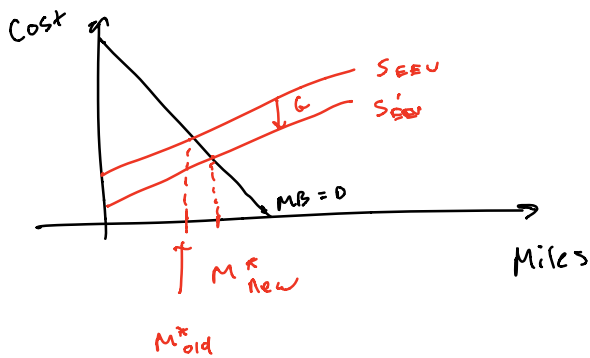
B: lower FC

here:  $M_{EEV}^* < M_{truck}^*$

Slope  $EEV < \text{slope truck}$

Takeaway: trucks have lower FC but higher MC

## EEV subsidy



Flat subsidy  $G$

EEV subsidies  $\Rightarrow$   
Expect total  
miles to increase