

Practical Approaches for Correcting Car Externalities

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Abstract

Local air pollution and congestion are serious problems in many cities around the world because of the steady increase in car use; particularly in emerging and developing economies with high rates of motorization and aging fleets. Key in this challenge is to target the existing fleet (imposing tougher standards on new cars may not be sufficient and sometimes counterproductive by increasing the life of existing vehicles). In this keynote lecture, I will go over current approaches authorities are taken to target the existing fleet (with particular attention to emerging economies), which are increasingly relying on some form of rationing or driving restriction (e.g., license-plate bans, low-emission zones,) as opposed to price-based instruments (e.g., congestion pricing, pollution-based taxes, green subsidies). We will look at the short- and long-run performance (including implementation's political economy and distributional impacts) of these and other (e.g., gasoline taxes, scrappage subsidies, smog checks) policy instruments, combining theory and evidence.