Abstract
Technology appears to be making fine-scale charging (as in tolls on roads that depend on time of day or even on current and anticipated levels of congestion) increasingly feasible. And such charging appears to be increasingly desirable, as traffic on roads continues to grow, and costs and public opposition limit new construction. Similar incentives towards fine-scale charging also appear to be operating in communications and other areas, such as electricity usage. Standard economic theory supports such measures, and technology is being developed and deployed to implement them. But their spread is not very rapid, and prospects for the future are uncertain. This paper presents a collection of sketches, ranging from ancient history to very recent developments, that illustrate the costs that charging imposes. Some of those costs are explicit (in terms of the monetary costs to users, and the costs of implementing the charging mechanisms). Others are implicit, such as the time or the mental processing costs of users. These argue that the case for fine-scale charging is not unambiguous, and that in many cases such charging may lead to undesirable outcomes.

Consumers’ more willing to pay for simple pricing:

What was the biggest complaint of AOL users? Not the widely mocked and irritating blue bar that appeared when members downloaded information. Not the frequent unsolicited junk e-mail. Not dropped connections. Their overwhelming gripe: the ticking clock. Users didn’t want to pay by the hour anymore.

Case had heard from one AOL member who insisted that she was being cheated by AOL’s hourly rate pricing. When he checked her average monthly usage he found that she would be paying AOL more under the flat-rate price of $19.95. When Case informed the user of that fact, her reaction was immediate.

‘I don’t care;’ she told an incredulous Case. ‘I am being cheated by you.’


The reduction in the salience of the electronically collected toll allows agencies to increase tolls beyond what they may have been able to do were the out-of-pocket charge felt directly. People are willing to pay more if they don’t feel the payment.