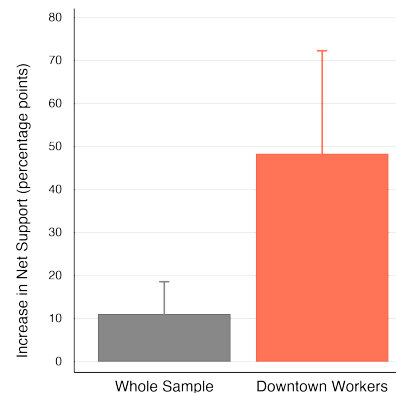


Making Efficient Policies Politically Feasible: Designing for Equilibrium Neglect

Overview

Efficient reforms can be hard to enact when their costs are immediate but their benefits depend on how people respond. Congestion pricing is a clear example: drivers see a toll but may overlook the traffic reduction it produces. Contingent compensation promises affected people a payment only if monitored traffic fails to improve. Bnaya Dreyfuss (University of Pittsburgh) shows that overlooking these equilibrium effects can block efficient reforms. The paper combines an experiment with 2,056 US adults and surveys of policymakers. 58 civil servants from Warwick's Policymakers Lab assessed the policy alongside 117–118 US state legislators. Civil servants generally understood the traffic benefits, yet their net support fell from +50.9 to 0 when contingent compensation was added—even as they expected it to improve public support. By contrast, 43% of state legislators predicted no meaningful traffic improvement, and their support rose by more than 26 points under the compensated design. Voters were also pessimistic: 63.2% opposed standard congestion pricing, 60% predicted it would not improve their

driving time, and 65% underestimated New York's observed 12-minute reduction in Holland Tunnel travel time. Contingent compensation increased net support by 11.0 points overall and 48.3 points among those eligible for compensation – downtown workers (figure).



Contingent compensation increased net support by 11.0 points overall (grey) and 48.3 points for downtown workers (orange). Error bars show 95% confidence intervals.

Highlights

Contingent compensation increased net support by 48.3 points among targeted workers and 11.0 points overall.

Conditional payments address pessimism without weakening the toll's incentives. Policy takeaways:

- Monitor whether indirect benefits emerge.
- Compensate affected groups if promised gains fail to materialise.

The Study

The research combined a theoretical policy-design framework with evidence from:

- **2,056 adults in six major US metropolitan areas**
- **58 civil servants recruited through Warwick's Polymakers Lab and 117–118 US state legislators**

In the general-public experiment, participants first evaluated a standard \$15 congestion-pricing policy. They were then randomly assigned to one of three modified policies: (1) a monitoring-only policy, under which traffic levels would be published each month; (2) a contingent-compensation policy, which added a \$120 monthly payment for downtown workers whenever traffic fell by less than 8% relative to its baseline level; or (3) a reduced-toll policy, which lowered the charge from \$15 to \$9.

In the polymakers experiments, participants evaluated the monitoring-only and contingent compensation policies and reported their beliefs about its traffic effects, their own support, and their expectations of public support.

Key Results

- 43% of legislators expected no traffic improvement, compared with 15% of civil servants.
- Compensation raised legislators' support but reduced civil servants' support.
- Among the general public, 63.2% opposed congestion pricing and 65% underestimated its traffic benefits. Compared with monitoring alone, compensation raised net support by 48.3 points among downtown workers and 11.0 points overall.

Policy Design Takeaways

1. Publish clear measures of whether a policy is delivering its promised benefits.
2. Promise compensation to affected groups if those benefits do not materialize. For congestion pricing, this could mean paying downtown workers if traffic does not fall sufficiently. This serves as "warranty" meant to appease opposition: when congestion falls (as is typically the case), the compensation does not trigger.
3. Make sure the justification for the contingent compensation is clear to the officials responsible for implementation. Civil servants understood that compensation could increase public support but were less supportive of the compensated policy themselves. Open-ended responses suggest worries about deficit and admin cost.

Further Information

This briefing is based on: Dreyfuss, B. (2026) "Equilibrium Neglect and Political Feasibility," Working Paper.