

**Differentiated Road Pricing, Express Lanes, and Carpools:  
Exploiting Heterogeneous Preferences in Policy Design**

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In the face of rising congestion on the nation's road system, policymakers have explored ways to reduce travel delays. One approach has been to allocate reserved lanes—called high-occupancy-vehicle (HOV) lanes—to vehicles carrying two or more people. A recent innovation is to allow solo drivers to use the HOV lanes if they pay a toll. These so-called high-occupancy-toll (HOT) lanes can be found in Los Angeles, San Diego, Houston, and Minneapolis and are under consideration in several other urban areas. In this paper, we argue that HOV and HOT lanes sacrifice efficiency by failing to price all lanes. Moreover, we show that it is possible to set prices on all lanes that improve on the efficiency of HOV and HOT policies, which by catering to motorists' varying preferences can meet the test of political acceptability.