

Authors

Martin Rotemberg

Researchers

Dean Karlan

Northwestern University

What's the cost of a fair price?

What's the cost of a fair price?

IPA's President, Dean Karlan, recently came to La Paz for a jam-packed day of meeting with all of our partners. Of course, at above 12,000 feet, La Paz isn't a good place to arrive just in time for an exhausting day with no lunch. Unsurprisingly, by 7pm we were suffering, so we struck out for the country director's house down in the suburbs, where there's more air.

Sadly, it took us forever to find a cab. For one thing, most were full because it was rush hour. For another, the few cabs that were empty just flat out drove off when they heard our destination. Now, La Paz is not a city with metered cabs, so the drivers could have quoted us any price. They would have been in luck, too: I was willing to pay anything, since I have no desire to be responsible for altitude sickness. But here, there's an accepted price for the trip to the suburbs, and most cab drivers preferred not taking us at all to charging more than the socially accepted fare.

I usually think that, because there's little haggling, taking cabs in La Paz is a pretty low-stress activity, but just this once, I would have given almost anything for a driver to quote me a ridiculous price.

September 09, 2009