



Would you choose the standard or hybrid version?

The “rational” view of car-buying behavior

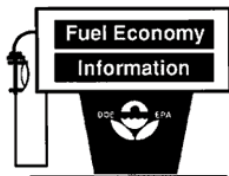
You walk into a dealership, choose a car based on brand, color, cylinders, looks and general feel and then start comparing prices among different options. You also look at gas mileage, today’s price per gallon, form an opinion about future gas price trends, attach probabilities to them, calculate expected total gas costs over the lifetime of the car, balance all of that information against expectations over future inflation rates and interest paid were you to just leave your money in the bank, take into account how your preferences for driving will evolve over time, make a few assumptions about how future buyers will perceive your choice when you are ready to sell the car, and do all that (and probably a few things I’m missing), while the car salesman at the dealership explains to you the awesome industry-leading warranty and zero-down loan program offered through the end of the month...

As if...



CITY MPG
23

Actual Mileage will vary with options, driving conditions, driving habits and vehicle's condition. Results reported to EPA indicate that the majority of vehicles with these estimates will achieve between 19 and 27 mpg in the city and between 26 and 35 mpg on the highway.



1993 CANARY 2.0 LITER
L4 ENGINE FUEL INJECTED
AUTO 3 SPD TRANS CATALYST
FEEDBACK FUEL SYSTEM

Estimated Annual Fuel Cost:

\$850

HIGHWAY MPG
30

For Comparison Shopping, all vehicles classified as **COMPACT** have been issued mileage ratings ranging from 1 to 31 mpg city and 16 to 41 mpg highway.

EPA DOT Fuel Economy and Environment

Gasoline Vehicle

Fuel Economy
 26 MPG
combined city/hwy
22 city
32 highway
3.8 gallons per 100 miles

Small SUVs range from 16 to 32 MPG. The best vehicle rates 99 MPGe.

You save \$1,850
in fuel costs over 5 years compared to the average new vehicle.

Annual fuel cost \$2,150



Actual results will vary for many reasons, including driving conditions and how you drive and maintain your vehicle. The average new vehicle gets 22 MPG and costs \$12,600 to fuel over 5 years. Cost estimates are based on 15,000 miles per year at \$3.70 per gallon. MPGe is miles per gasoline gallon equivalent. Vehicle emissions are a significant cause of climate change and smog.

fuelconomy.gov

Calculate personalized estimates and compare vehicles



New fuel economy labels are here to help

Back to zombie-style, “rational” economics...

Table 6: Alternative Gas Prices

Specification:	(1) Futures Forecast	(2) Martingale Forecast	(3) Both
G	-0.72 (0.048)		-0.67 (0.049)
G_m		-0.50 (0.032)	
$[G_m - G]$			-0.226 (0.058)
Observations	854,248	854,248	854,248
<i>Partial R</i> ²	0.435	0.419	0.453



Car buyers are “70% rational” in most traditional, standard economic sense

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Partial R^2	0.435	0.419	0.453

For every \$1 in fuel savings later, car buyers spend \$0.72 more today

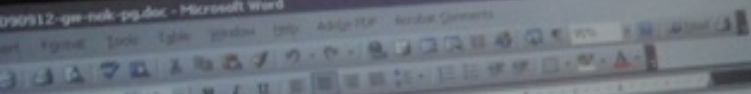


In car purchasing
example, zombie-style,
“rational” economics
“gets it 70% right.”



small cap
for footprints

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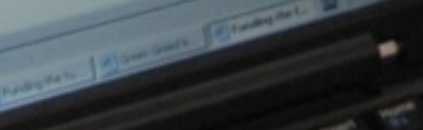


Funding the turn to safety



SEPTEMBER 12, 2009

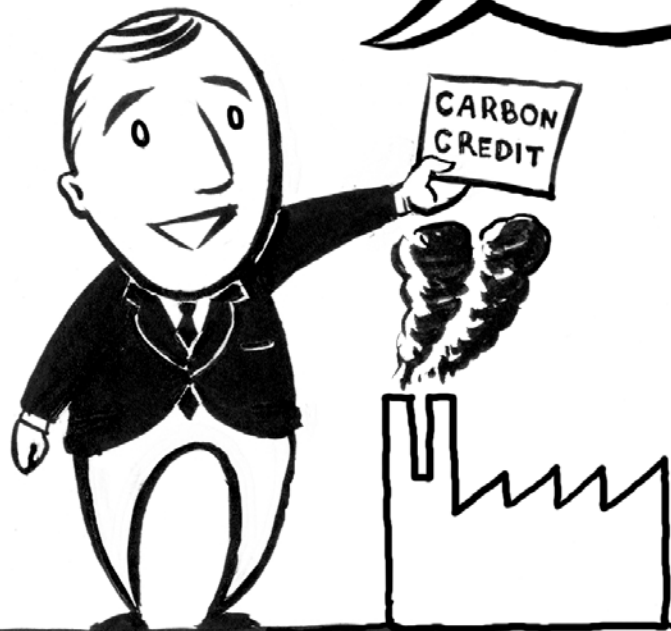
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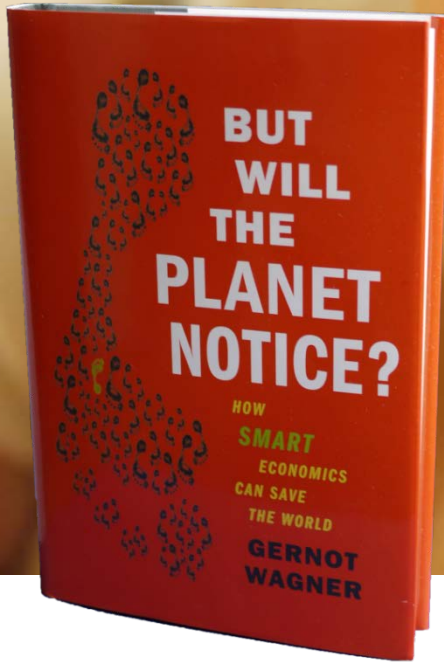


POLLUTION CAP

I'LL GLADLY
TAKE YOUR
MONEY

CARBON
CREDIT





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