



Demand for Fuel Economy in the Indian Car Market

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Contributions

- Testing rationality of consumers' demand for fuel efficiency
- Estimating WTP for fuel efficiency difficult because of endogeneity
 - weight, power, fuel efficiency



Paper summary

- Drivers decide rationally between diesel and petrol vehicles
- Sedan drivers more rational than hatchback drivers



Comment I

- Differences in responses by class
 - Sedans twice as expensive as hatchbacks
 - Business owners (sedans) more rational?



Comment II

- Purchase decision also depends on:
 - Liquidity constraints
 - Certainty about future miles driven
 - Other policies related to petrol or diesel
 - Differences in maintenance costs?



Comment III

- How do estimates compare to industrialized countries
 - Atikson and Halvorsen (1984), *Rev. of Econ. and Stats.*
 - Ohta and Griliches (1986), *J. of Bus. and Econ. Studies*



Comment IV

- Link to the environment:
 - Diesel more polluting?
 - Implicit tax on fuel?



Summary

- Paper very interesting given emergence of India in the world vehicle market
- Interesting to see policy prescriptions that come out of these finding