Do High Gas Prices Sell Smaller Cars? An Empirical Study of the Impact of Fuel Prices on Automotive Sales

Nathan Wheatley  
*Illinois Wesleyan University*

Robert Leekley, Faculty Advisor  
*Illinois Wesleyan University*

Follow this and additional works at: https://digitalcommons.iwu.edu/jwprc

Part of the Economics Commons

https://digitalcommons.iwu.edu/jwprc/2010/posters2/29

This Event is protected by copyright and/or related rights. It has been brought to you by Digital Commons @ IWU with permission from the rights-holder(s). You are free to use this material in any way that is permitted by the copyright and related rights legislation that applies to your use. For other uses you need to obtain permission from the rights-holder(s) directly, unless additional rights are indicated by a Creative Commons license in the record and/or on the work itself. This material has been accepted for inclusion by faculty at Illinois Wesleyan University. For more information, please contact digitalcommons@iwu.edu.  
©Copyright is owned by the author of this document.
DO HIGH GAS PRICES SELL SMALLER CARS? AN EMPIRICAL STUDY OF THE IMPACT OF FUEL PRICES ON AUTOMOTIVE SALES

Nathan Wheatley and Robert Leekley*
Economics Department, Illinois Wesleyan University

Some have suggested artificially raising the price of gasoline in the United States would create a demand for more fuel-efficient vehicles. From 2005 to 2009, average U.S. gas prices swung from a low of $1.59/gallon to $4.05/gallon (with many areas seeing prices shoot higher still). If higher fuel prices led to changes in consumer preferences in the market for automobiles, this should be readily apparent in vehicle sales figures. This paper attempts to explain vehicle sales through nominal fuel prices, and finds that the sale of small cars responds well to changes in these fuel prices. However, sales of larger cars and light trucks are not responsive to changes in nominal fuel prices.