



## Comments

- Excellent paper, extremely well written and very well executed.
- 3 things that I really liked about this paper:
  1. Extremely credible empirical evidence
  2. Important market setting – “large stakes”, information not shrouded.
  3. Really nice simple and intuitive behavioral model delivering a parameter with nice interpretation
- Topics for discussion:
  - Interpretation of inattention estimate, welfare, quantity response, empirical test of final consumers vs. used-car dealers,
- Related research ideas

## Interpretation of $\hat{\alpha}$

- Claim: “30% of the depreciation that a car experiences due to mileage increases occurs discontinuously at 10,000-mile thresholds”.
- Several caveats:

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# Welfare



## Volume discontinuity

- Uncover evidence that relatively more “dealer only” cars brought to auction immediately before mileage threshold.
- Does increased supply before threshold lower equilibrium price? Perhaps inattention is even greater if price is attenuated by volume response?
- Volume discontinuity of dealers could be an interesting behavioral outcome rather than a “selection problem”. Response should be a function of

$$V(\hat{m}) - V(m)$$

## Final Consumers vs. Used-car Dealers

- Assume final consumers who have bias, not used-car dealers. Hypothesis is that *inexperienced* dealers locate more to right of threshold than to left since unaware of salience effects and respond to lower price.
- Current empirical test uses *share* of cars purchased by experienced dealers. A more direct test would focus exclusively on cars purchased by inexperienced dealers.

## Related Research

- Miles vs. kilometers
  - compare price of a 2000 Honda Civic with 1000 miles on odometer to price of 2000 Honda Civic with 1610 kilometers
- Price depends on age in calendar years rather than months
  - Compare price of same car bought in December 2004 versus January 2005
- Very nice work!