

A central question in the analysis of fuel-economy policy is whether consumers are myopic with regards to future fuel costs. We provide the first evidence on consumer valuation of fuel economy from a natural experiment that provides exogenous variation in fuel-economy ratings. We examine the short-run equilibrium effects of a restatement of fuel-economy ratings that affected 1.6 million vehicles. Using the implied changes in willingness-to-pay, we find that consumers act myopically: consumers are indifferent between \$1 in discounted fuel costs and 16-39 cents in the purchase price when discounting at 4%. This undervaluation persists under a wide range of assumptions.