**Research proposal**  
IO and Econometrics Workshop 2021

Methodology: BLP demand estimation

Data: new cars sales in Israel 2018-2021 (by quarters), combined with data from (Data.gov) on car prices. Is this a publicly available dataset with prices and quantities? I was not aware that one exists.

Two possible research questions:

1. Electric cars, Tesla, and effect on hybrid cars demand.

At the start of 2021, Tesla, an electric car company, obtained a commercial import license from the Ministry of Transportation, and has begun selling in Israel. We propose to attempt to predict the effect of Tesla’s entry on market shares, in particular of hybrid cars which we might assume to be closer substitutes.

Challenge here: the "big" question is how valued would Tesla's brand be among Israeli consumers. You could try to argue that its "xi" will be the highest in the observed sample, and run your counterfactual in that way.

1. South Korea trade agreement effect and predicted market share for Korean cars.

Korea is one of the largest car manufacturers, with popular brands such as Kia and Hyundai. The car industry in Israel is based on imported cars only and is affected to a large extent by custom duty taxation. Each car imported to Israel is taxed with 7% and exemptions are given to cars whose country of origin has a free-trade agreement with Israel. In May 2021, Israel signed a new trade agreement with South Korea, which will be implemented in a few months from today.

Research question: How will the free-trade agreement with South Korea affect the demand for Korean cars?

This is perhaps a better question than the first one (though both are legitimate – you choose). Here you should compute markups as we learned in class, back out marginal costs, then change the mc to reflect lower import taxes, and re-solve to see what the equilibrium prices would have been in, say, 2019, had this agreement entered into effect then.

You can also do something simpler: consider simple scenarios where you simply assume that x% of the tax reduction is passed to consumers. But then you do not calculate the response of rivals.

As you implement this part, you can contact me for more advice on this.

Bottom line: I approve your project, and I think the second question is a better choice.