

Dear Petrol, back again

The Economist

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Clean Development Mechanism

- The last few years have been full of ups and downs for the American economy, but one unpleasant trend has been a constant.
- Each year since 2008, an economy seemingly regaining its footing after a difficult winter has found itself facing the drag from rising petrol prices.

Hope for a better outcome

- There is some reason to hope for a better outcome this year (2012) compared with 2011
- That is, simply, that demand for petrol is more **price elastic** over the long term than in the short term.

Elastic demand

- The longer the market is confronted by expensive petrol, ...
- the more willing consumers will be to alter their consumption patterns, and the better the market will become at supplying substitutes.

Implication

- A greater share of vehicles on the road should be highly fuel-efficient
- This allows households to handle a rise in petrol costs without having to reduce expenditure on other items as much as they might have previously