

Car Prices and State Entry Restrictions Revisited

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Abstract

Most states allow existing retail vehicle dealerships to challenge the entry of a new dealership into their retail market area. Earlier studies found these restrictions on firm entry resulted in higher vehicle retail prices. However, the studies suffer from poor quality price data. The studies used average vehicle prices or proxies for average prices and were not able to control for the numerous features and amenities that differentiate vehicles and have impacts on retail prices. This study tests the impact of state entry restrictions using a new data set that carefully accounts for differences in vehicle characteristics. Regression analysis reveals no statistically significant impact of state entry restrictions on vehicle retail prices. Reasons are offered for the new finding.

Endnotes

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