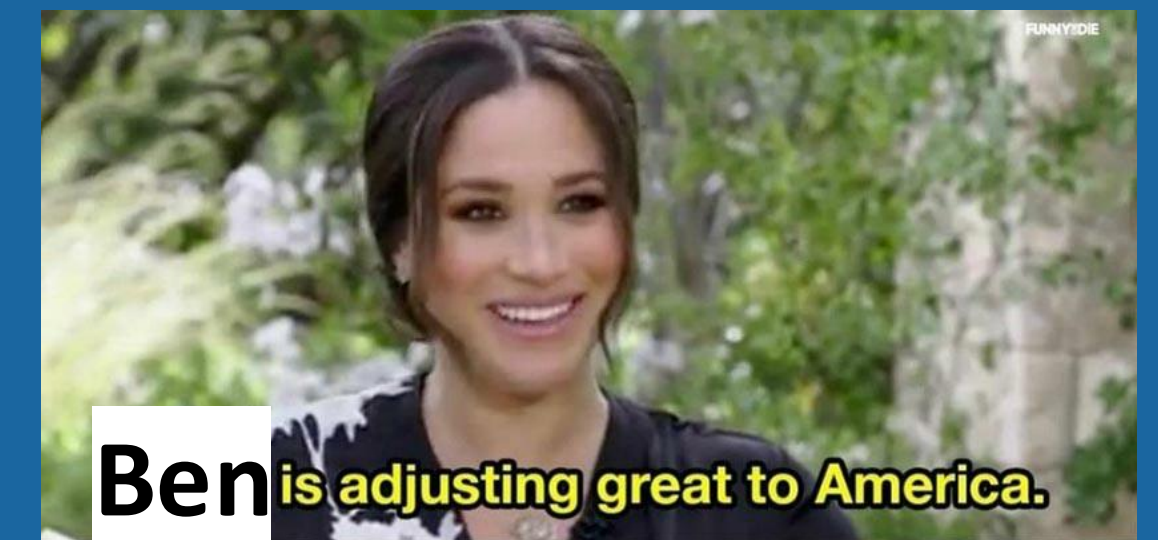


# How Do Consumers Respond To Gas Price Shocks?

Benedict Guttman-Kenney  
Rice University

BPSA Conference, 1 May 2025



# Gas Prices Are Highly Visible To Consumers And Are Economically & Politically Important

The New York Times



U.S. Economy

Inflation Report

Debt's 'Significant Risks'

Inflation Remained Sticky

The Fed's Decisions

The Market Under Trump

## Why the Price of Gas Has Such Power Over Us

“When prices go up, we have this feeling of oppression that we can’t do everything we want.”

### How Higher Gas Prices Hurt Less Affluent Consumers and the Economy

Isabel V. Sawhill  
March 6, 2012

### White House will ‘make sure gas prices remain affordable’ heading into summer, Biden advisor says

PUBLISHED THU, APR 18 2024 4:40 PM EDT | UPDATED THU, APR 18 2024 5:24 PM EDT



Spencer Kimball  
@SPENCEKIMBALL

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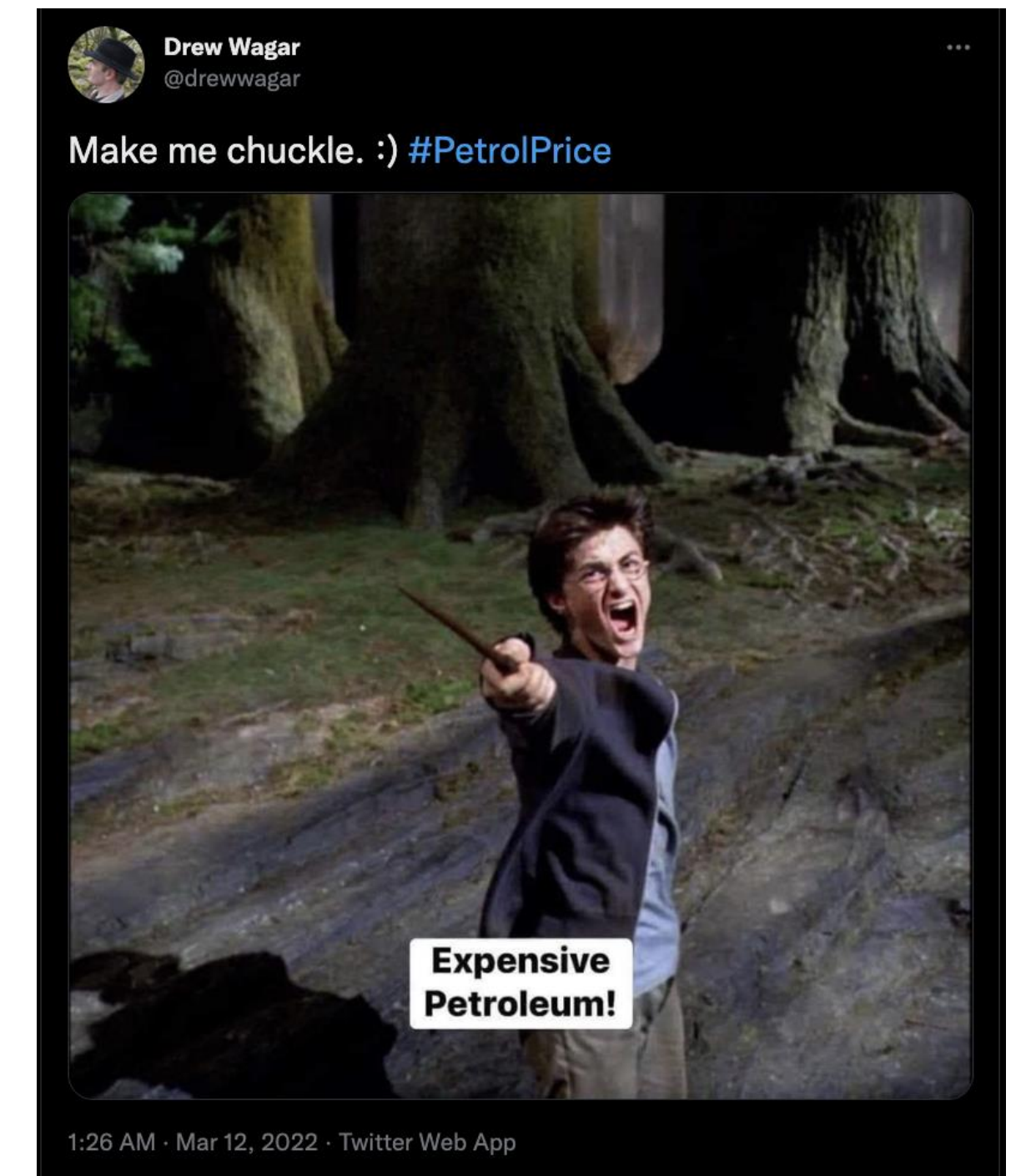
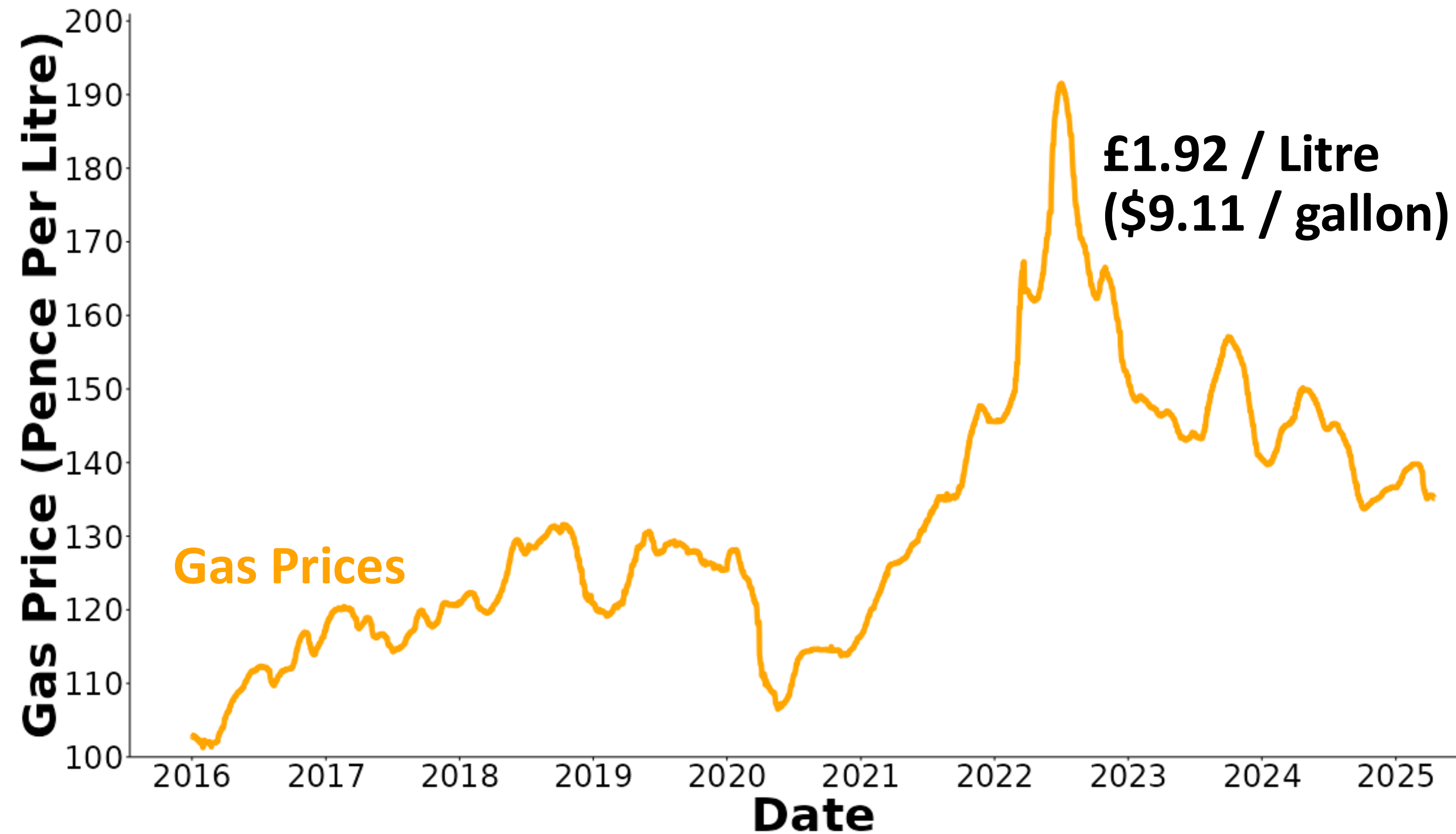
### Bad news bias in gasoline price coverage

TV coverage of gas prices is negatively skewed and it's only getting worse

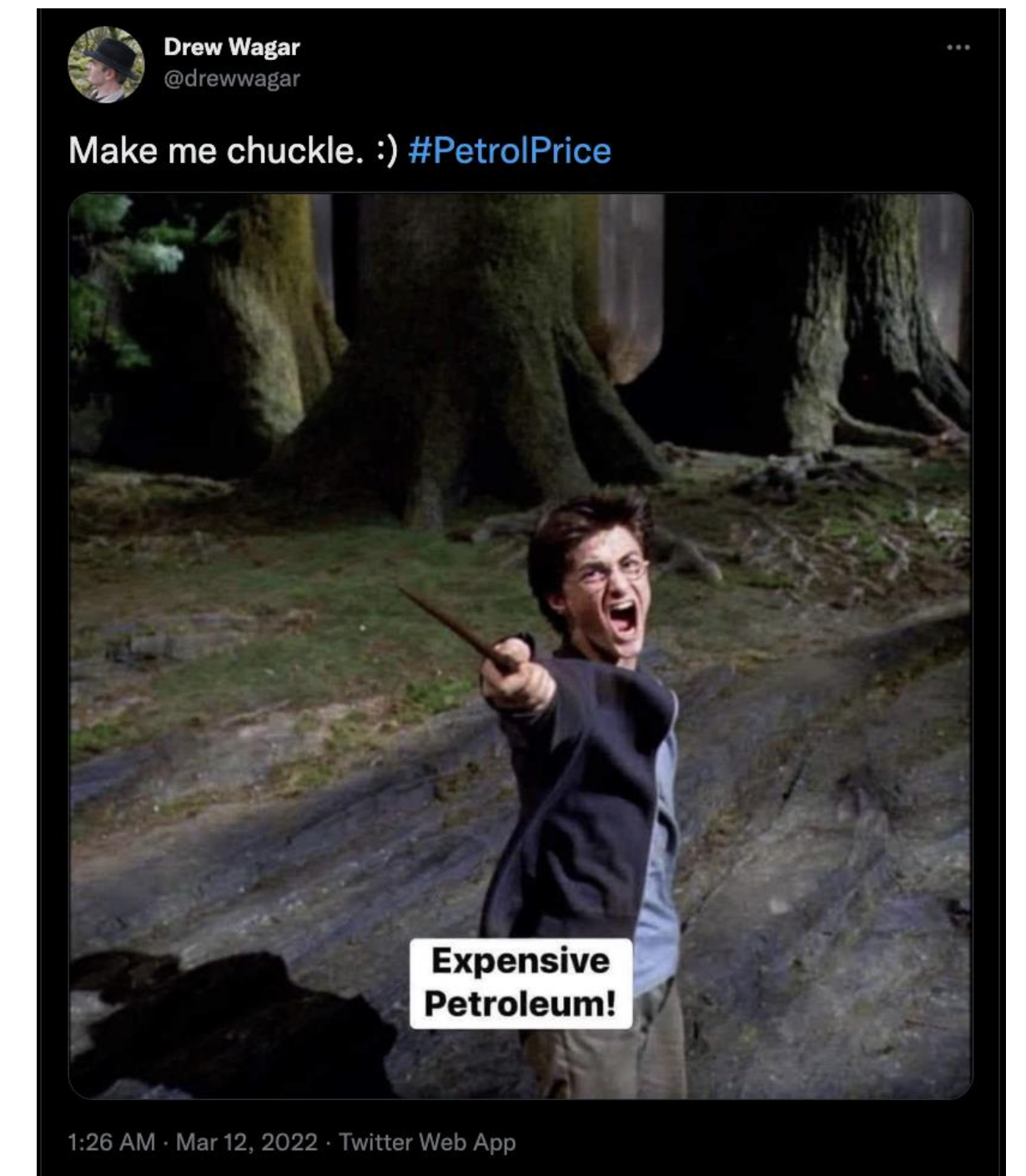
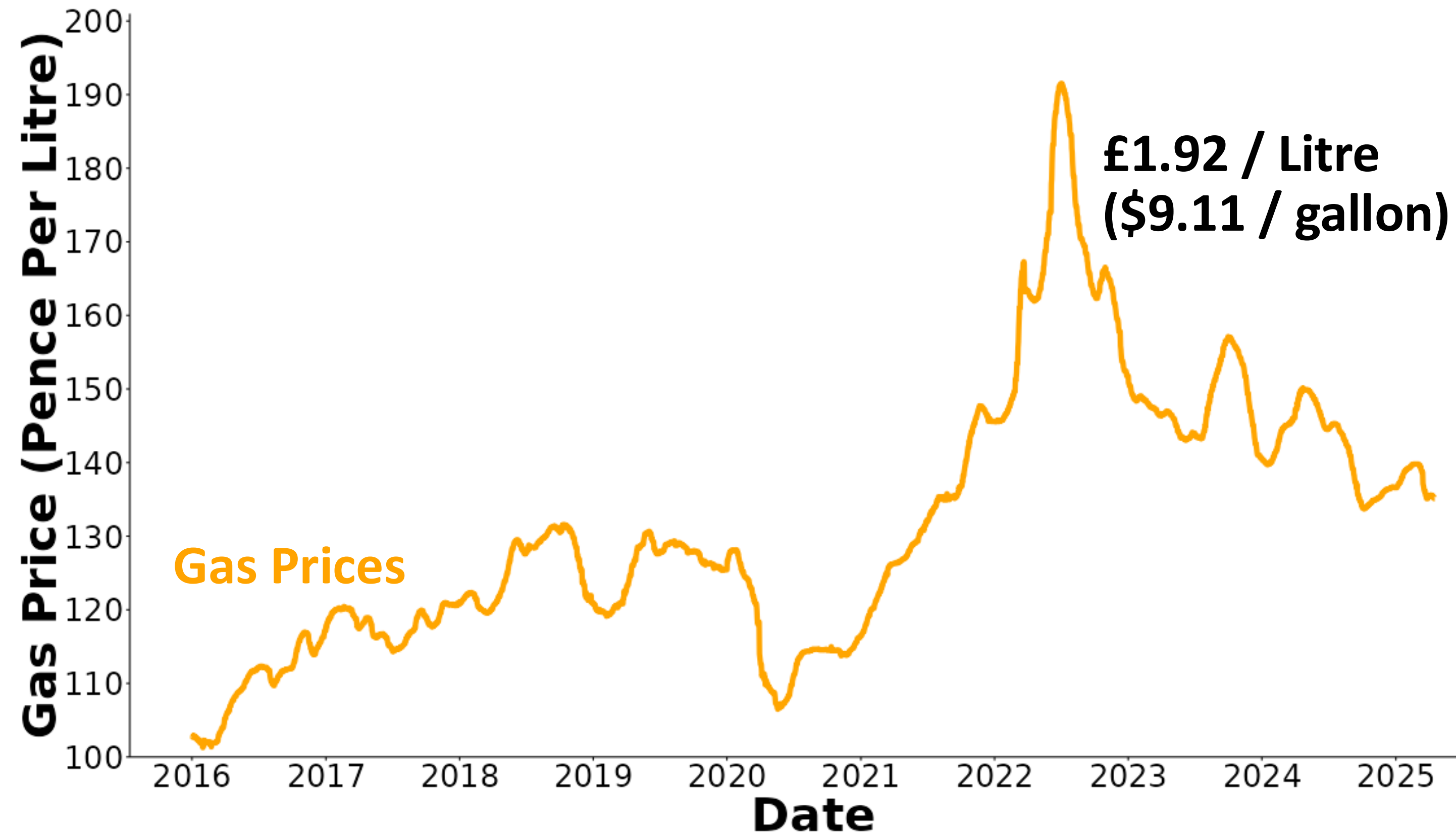


RYAN CUMMINGS, GIACOMO FRACCAROLI, AND NEALE MAHONEY  
MAY 06, 2024

# British Consumers Experience High & Volatile Gas Prices

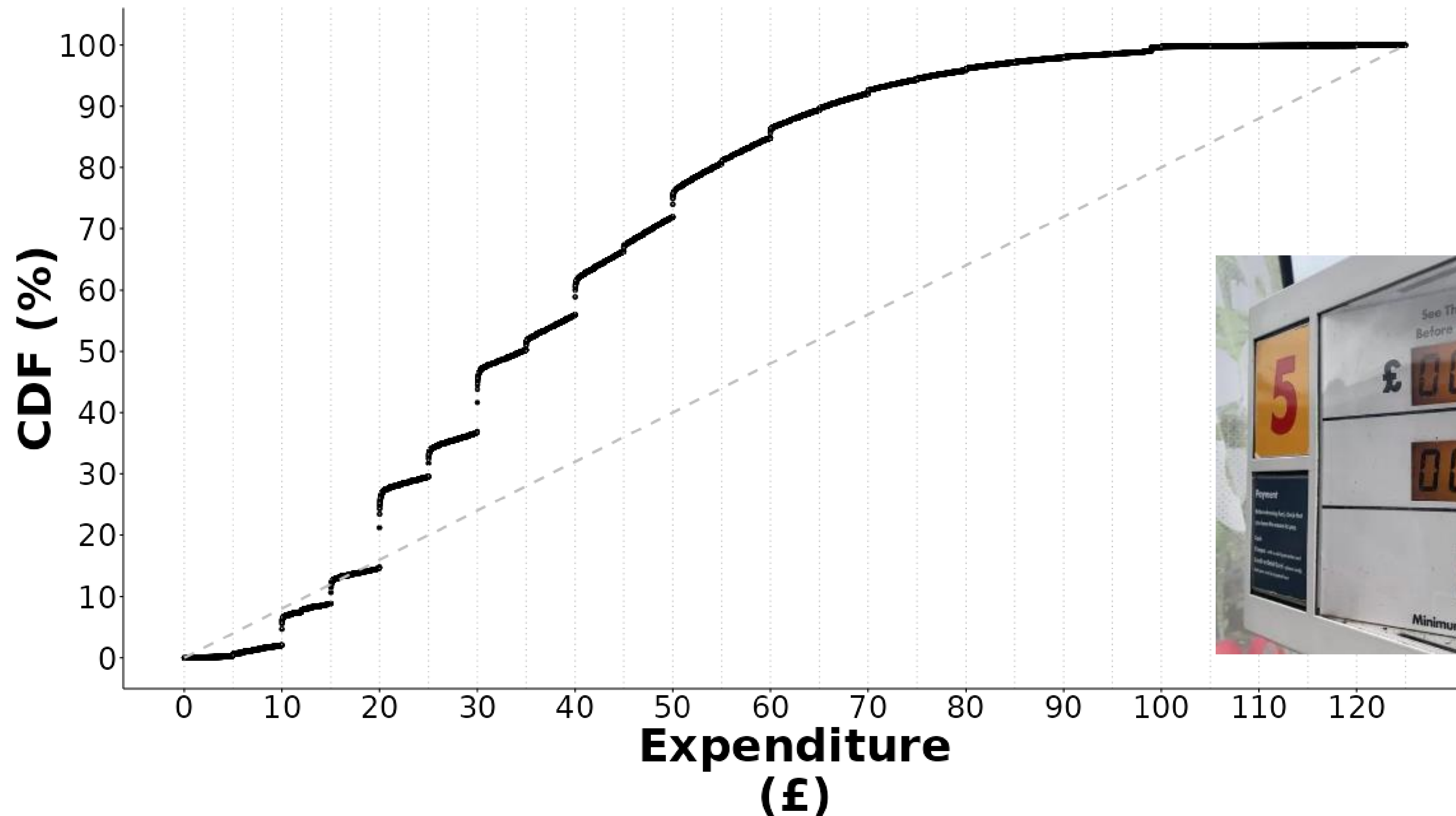


# British Consumers Experience High & Volatile Gas Prices

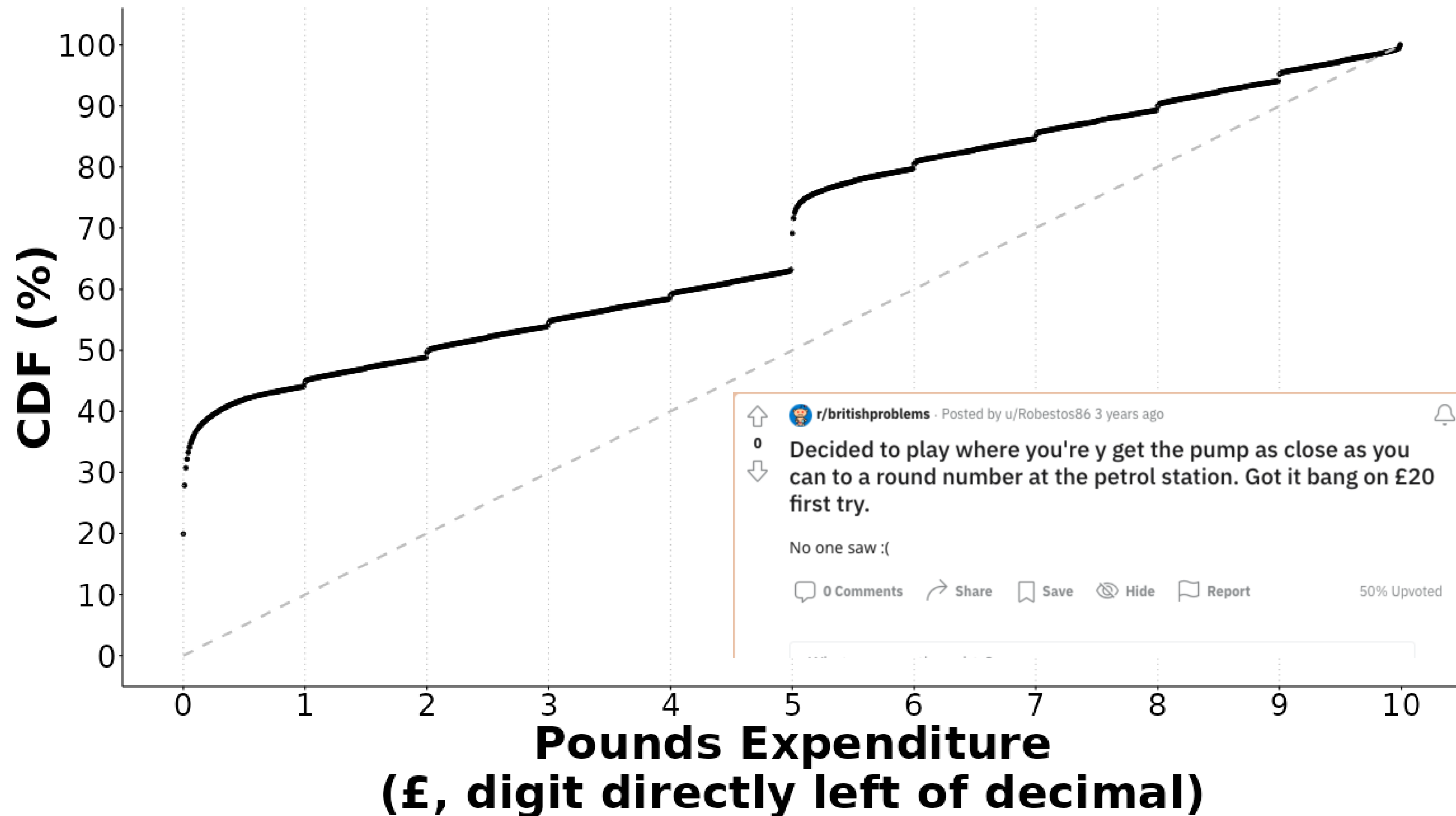


## How Do Consumers Respond To Price Changes?

# British Consumers Commonly Use A Rule-Of-Thumb: Choosing A Round Numbered Expenditure Amount (e.g., £20.00 Of Gas)



# British Consumers Commonly Use A Rule-Of-Thumb: Choosing A Round Numbered Expenditure Amount (e.g., £20 Of Gas)



r/britishproblems · Posted by u/Robestos86 3 years ago

Decided to play where you're y get the pump as close as you can to a round number at the petrol station. Got it bang on £20 first try.

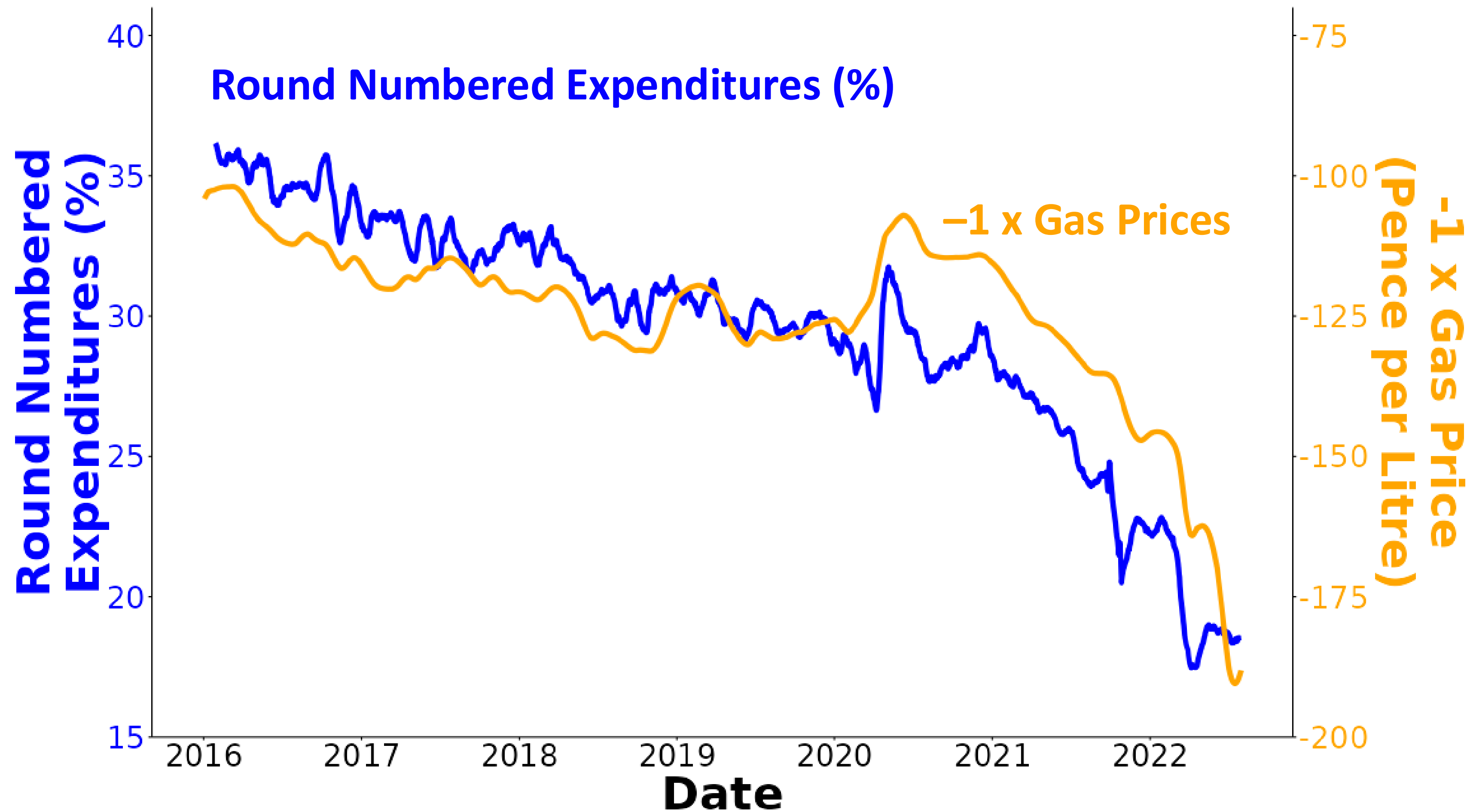
No one saw :(

0 Comments Share Save Hide Report 50% Upvoted

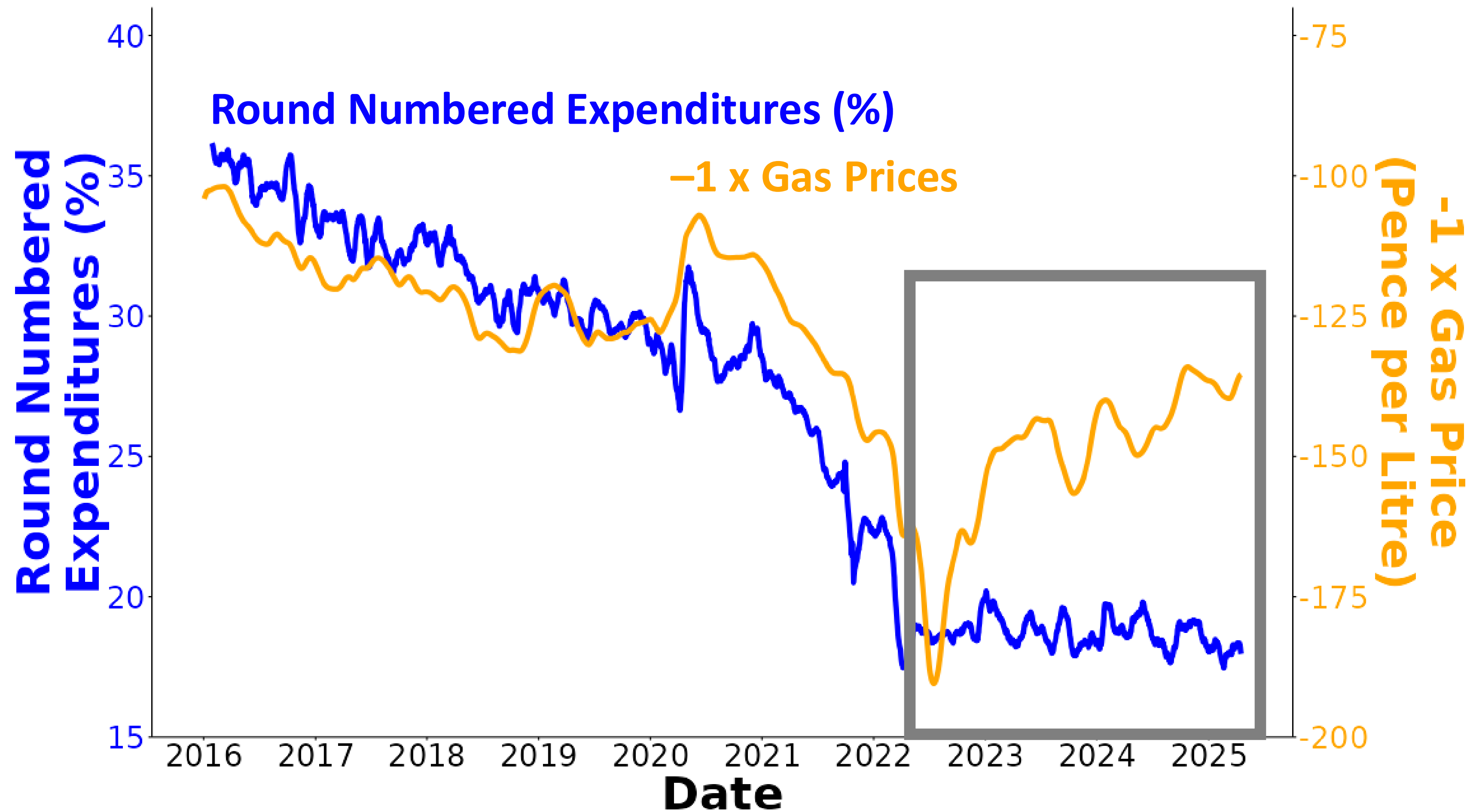
**718k** Cold cups of tea **1.7k** Broken biscuits

# Rule-Of-Thumb Responds To Price Changes ("Dynamic Heuristics")

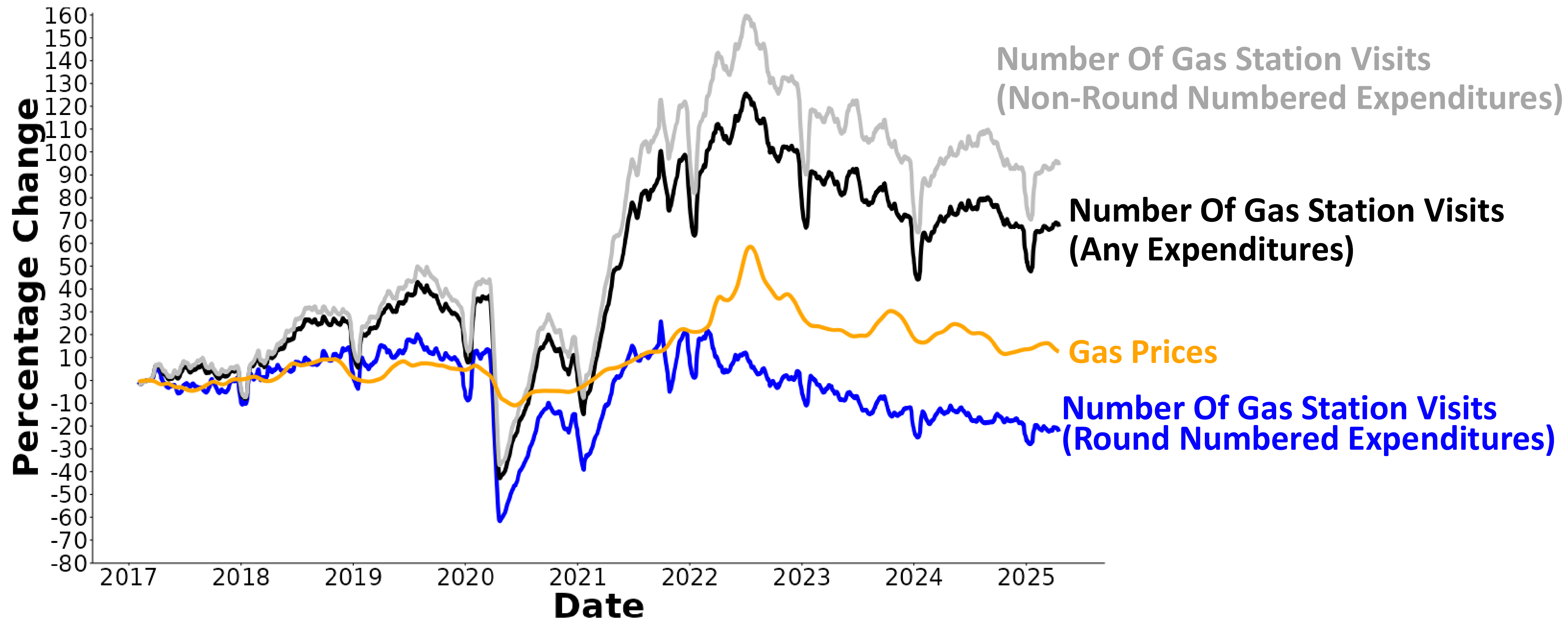
When Gas Prices , Consumers' Use Rule-of-Thumb 









But...If Recent **Price**  Have Been **Very Large**   
Rule-Of-Thumb Stops Responding To **Price**   
("Dynamic Heuristics")



# When Gas Prices Consumers Gas Station Visits



# Takeaways

- Consumers Often Use A Rule-Of-Thumb (Heuristics / Mental Accounts) Selecting A Round-Numbered Expenditure Amount (e.g., £20.00) of Gas
- When Prices , Consumer Use of These Rule-Of-Thumb  But Become Insensitive Following Very Large Price  (“Dynamic Heuristics”)
- When Prices , Consumer Gas Station Visits 
- Past Price  Have Persistent Effect on Consumer Spending, Suggesting Predictable (Potentially Mistaken?) Responses To Shocks

Thank You!



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