

This paper assesses the impacts of the 2009 eco-car subsidy with scrap incentives introduced in Japan on car sales in short- and medium-run. To identify the effects of the policy, we exploit the variation across prefectures in ex ante exposure to the policy, which is measured as the stock of cars with age greater than or equals to 13 that were required to be scrapped upon the application of the subsidy. Our empirical analyses reveal that the car sales during the subsidy period was larger in higher exposure prefectures, while in the periods before and after the subsidy, there was no statistically and economically significant difference in car sales among low and high exposure prefectures. This indicates that the short-run increase in the car sales induced by the policy did not incorporate the intertemporal substitution of car purchases.