

CMD 522

522 - An experimental investigation of the impact of fat taxes: Price effects, food stigma, and information effects on economic instruments to improve dietary health

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Research Summary

There is currently no published research on how food taxes may affect consumer behaviour when the imposition of the tax itself may be considered a source of consumer information. The proposed research would address this gap in the literature by using experimental methods to enhance understanding on the joint effects of price changes induced by a fat tax and the stigma associated with the application of the tax. Previous studies rely on highly stylized assumption regarding economic behaviour (Marshall, 2000) or estimated of food price response based on cross-sectional observation (Cash et al., 2005; Kuchler et al., Schroeter et al., 2005). None of this allows investigation of how consumers would respond to a fat tax that is labeled as such – that is, where the imposition of the tax itself is a signal to consumers regarding the quality of the product. The role of stigma in influencing consumer choice is something that is not well developed in the economic literature, but is clearly relevant to a variety of policy situations. The current proposal is therefore a starting point for a novel collaborative research direction in stigma, policy interventions, and public health. Partial funding for this project has already been granted by the Social Sciences and Humanities Research Council of Canada.

Significance of Research

The proposed research agenda will eventually allow us to test hypotheses such as: (1) fat taxes will have greater behavioural impact when accompanied with a stigmatizing label; (2) both the relationship of stigma to price effects and the overall effectiveness of economic incentives will vary across demographic groups; (3) economic incentives can affect health and wellness measures through dietary changes; (4) the impact of economic incentives will vary across demographic groups; and, (5) fat taxes may prove to be regressive, in that they will impose higher costs on lower-income consumers.

The current project seeks to develop new conceptual and methodological tools that will have direct application to a pressing policy issue. A thorough understanding of how fat taxes will influence consumer choice requires understanding not just how consumers respond to price effects, but also how they will respond to the potentially stigmatizing information that would accompany some tax designs. More broadly, economics has largely ignored the question of how stigma affects consumer choice. A major contribution of this work will be to improve our understanding of behaviour in the face of stigma.