

Centre For Health Economics Seminar Series 2017

THE INCIDENCE OF SOFT-DRINK TAXES ON CONSUMER PRICES: EVIDENCE FROM THE FRENCH “SODA TAX”

Presenter: Prof Fabrice Etilé, Paris School of Economics
Date: Thursday 23 Nov 2017
Time: 12.00pm -1.00pm
Venue: RB Scotton Room
Centre for Health Economics



Abstract:

Public health advocates have proposed taxing Sugar-Sweetened Beverages (SSB) to curb the rise of obesity and diabetes. The effectiveness of this policy depends crucially on the incidence of a tax on consumer prices. We here use Kantar WorldPanel Homescan data to evaluate the incidence of the French soda tax, which is a unit excise tax of 0.0716 Euro/Liter on sugar-sweetened beverages implemented in January 2012. We construct a local nested-CES exact price index for aggregate SSB consumption, which accounts for product heterogeneity, consumer ability to substitute between product varieties, and variations in product availability and consumer taste across local markets and time. We then find that the soda tax has had a small yet significant impact on the price of soft-drinks (around +4.1%), corresponding to a pass-through of 39%. We do not find evidence of significant heterogeneity in incidence across income groups or consumption levels. Tax incidence decreases with local supermarket competition, and it increases with market size and affluence. Overall, our findings support the assumption that SSB taxes effectively affect prices. But they also imply that ex-ante evaluation studies are over-optimistic about the pass-through rates of behavioural taxes. (Joint with S. Lecocq and S. Boizot-Szantai)

Presenter:

Professor Fabrice Etilé is INRA Research Professor at the Paris School of Economics. His research interests span a number of issues related to preferences, health behaviours, consumption and public policies. In the food domain, he has specifically worked on identifying the heterogeneity of consumer price reactions. He has recently become a member of the Conseil National de l'Alimentation (National Food Council), which serves as an advisory body on food and agricultural issues for the French government.

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