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Marit Hinno Saar



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Time Inconsistency and Alcohol Sales Restrictions *

Marit Hinnosaar †

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Abstract

Restrictions on alcohol sales hours or days are commonly used tools in order to reduce alcohol consumption. However, a forward-looking consumer can buy in advance, and thereby mostly undo the impact of the restriction. I study whether time inconsistent consumer preferences can provide a justification for restrictions on alcohol sales time. I estimate a demand model, which allows a fraction of consumers to be time inconsistent, using scanner data of beer purchases and other shopping behavior. According to the estimation results, 16% of regular beer buyers, or only 3% of all consumers, behave as if they are time inconsistent. I find that in terms of consumer welfare, the sales restriction may be welfare improving, but is worse than increasing taxes.

Keywords: behavioral economics, time inconsistent preferences, consumer demand, alcohol, public health policy.

JEL Codes: D03, D12, I18, L51, L66.

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†Collegio Carlo Alberto, E-mail: marit.hinnosaar@gmail.com

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