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An in-depth investigation of temptation goods: Definitions from Cambodian smallholder farmers

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What to tax? An investigation of temptation goods in rural Cambodia

GEORG-AUGUST-UNIVERSITÄT
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RESEARCH IDEA

- We all spend money on goods that **satisfy oneself at the moment** but not necessarily in the future: **temptation goods**
- However, with very low income, **spending on temptation goods can potentially trap a household in chronic poverty**
- Yet, there is **no empirical in-depth investigation of what exactly is perceived as a temptation good** by one of the most marginalized groups: **smallholder farmers**
- Typically, alcohol and tobacco are pre-defined as temptation goods (Evans and Popova, 2017), but what if people living in poverty perceive something else as tempting?
- Knowing this can inform what to tax or substitute.

RESEARCH QUESTIONS

- 1) What do smallholder farmers view as a temptation good?
- 2) Are their patterns in the perception of a temptation goods among the farmers?

RESEARCH AREA

The data collection took place in fall 2018 with **277 smallholder farmers**, in Ratanakiri, **north eastern Cambodia**. With a GNI per capita of 1,075 USD, Cambodia is clustered as a least developed country (United Nations, 2018) and thus a highly reasonable area in which to conduct our study.

RESEARCH METHOD

- In addition to the standard socio-economic information, **we asked the farmers about their perception of temptation goods**.
- We developed an **extensive list of typical food and non-food goods/ services** and asked the farmers whether they would rate this good as a temptation good (**yes or no**).
- We explained the concept of temptation goods to the participants following the example from Banerjee et al. (2015).
- We undertake a **hierarchical cluster analysis** to find groups of individuals who perceive certain goods/ services as tempting.
- We selected the **clustering variables** based on frequency (top 10 rated temptation goods).

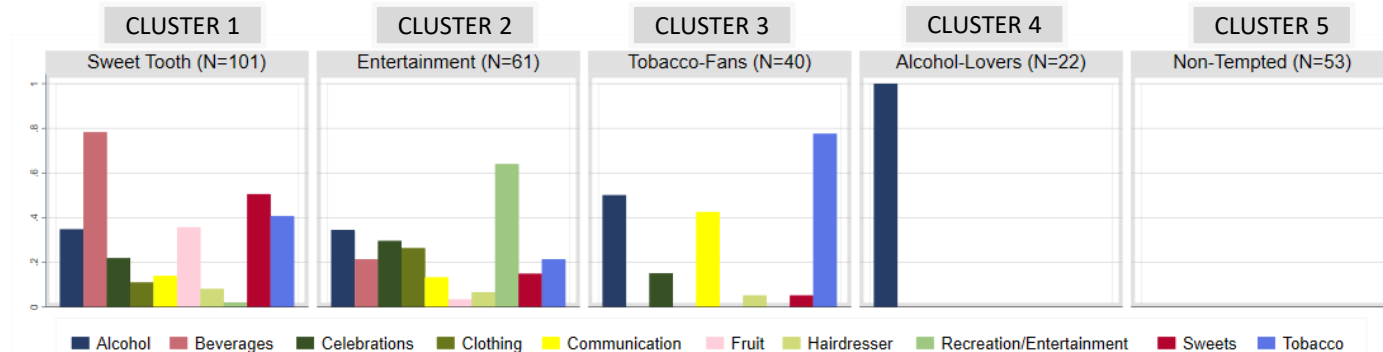
RESULTS

TOP 10 TEMPTATION GOODS:

Good/Service	N*
Alcohol	98
Beverages	92
Tobacco	85
Sweets	62
Celebrations and funerals	46
Recreation and entertainment	41
Communication	39
Fruits	38
Clothing	27
Hairdresser	14

*number of participants who rated this item as a temptation good

CLUSTER ANALYSIS:



CONCLUSION

- A temptation good is **much more than only alcohol and cigarettes** and can be anything from fruit to celebrations and funerals
- The perception of a temptation good differs and **synergies can be found** between certain temptation goods such as alcohol, tobacco, and communication or sweets, sweet beverages, and fruits
- Results hold strong importance for accurate calculations (e.g. in the impact analysis of **cash transfers**) and for designing custom-fit policy interventions promoting long-term welfare-increasing consumption
- While **taxing** alcohol and tobacco might bring change, so might **substituting** certain goods. For example: fruits, sweets, and sweet beverages are perceived as tempting (cluster 1). Promoting fruits can be a way to drive a more sustainable consumption that is welcomed by the consumers

COME TALK
TO US:



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