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# To Charge or Not to Charge: Evidence from a Health Products Experiment in Uganda

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## Abstract

In a field experiment in Uganda, a free distribution of three health products lowers subsequent demand relative to a sale distribution. This contrasts with work on insecticide-treated bed nets, highlighting the importance of product characteristics in determining pricing policy. We put forward a model to illustrate the potential tension between two of these important factors, learning and anchoring, and then test this model with three products selected specifically for their variation in the scope for learning. We find the rank order of percentage change of shifts in demand matches theoretical predictions, although the differences are not statistically significant, and only two of three pairwise comparisons match when the reductions are specified in percent terms. These results highlight the importance of understanding pricing policy with respect to product, market, and household characteristics.

**JEL:** D11, D12, D83, I11, I18, O12

**Keywords:** subsidies; health; pricing; learning

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# To charge or not to charge: Evidence from a health products experiment in Uganda

In a field experiment in Uganda, we find that demand after a free distribution of three health products is lower than after a sale distribution. This contrasts with work on insecticide-treated bed nets, highlighting the importance of product characteristics in determining pricing policy. We put forward a model to illustrate the potential tension between two important factors,

learning and anchoring, and then test this model with three products selected specifically for their variation in the scope for learning. We find the rank order of shifts in demand matches with the theoretical prediction, although the differences are not statistically significant.

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