

## Authors

Nava Ashraf  
London School of Economics and Political Science

James Berry  
Cornell University

Jesse Shapiro  
Brown University

*American Economic Review* 2010, December 2010; 2003–2417  
<http://www.aeaweb.org/articles.php?doi=10.1257/aer.100.5.2383>

## Can Higher Prices Stimulate Product Use? Evidence from a Field Experiment in Zambia

By NAVA ASHRAF, JAMES BERRY, AND JESSE M. SHAPIRO

*The controversy over how much to charge for health products in the developing world rests, in part, on whether higher prices can increase use, either by targeting distribution to high-use households (a screening effect), or by stimulating use psychologically through a sunk-cost effect. We develop a methodology for separating these two effects. We implement the methodology in a field experiment in Zambia using door-to-door marketing of a home water purification solution. We find evidence of economically important screening effects. By contrast, we find no consistent evidence of sunk-cost effects. (JEL C93, D12, I11, M31, O62)*

Nonprofit approaches to the distribution of health products in developing countries are often grouped into “social marketing” and “public health” categories, with the former emphasizing retail sales and the latter emphasizing free distribution through health clinics. Advocates of the public health approach often object to the use of prices to modulate distribution. Critics of pricing argue that “charging people for basic health care...[is] unfair” and that fees ensure that goods only reach “the richest of the poor.” Advocates of pricing counter that “when products are given away free, the recipient often does not value them or even use them.”

The latter argument is commonly interpreted to mean that higher prices cause greater product use through a sunk-cost effect (Richard Thaler 1980; Erik Eyster 2002). An equally plausible

\* Ashraf: Harvard Business School, Baker Library 445, Boston, MA 02163 (e-mail: [nasha@hbs.edu](mailto:nasha@hbs.edu)); Berry: Department of Economics, Cornell University, 480 Uris Hall, Ithaca, NY 14853 (e-mail: [jberry@cornell.edu](mailto:jberry@cornell.edu)); Shapiro: University of Chicago Booth School of Business, 5807 South Woodlawn Avenue, Chicago, IL 60637 (e-mail: [jesse.shapiro@booth.uchicago.edu](mailto:jesse.shapiro@booth.uchicago.edu)). We are grateful to Gary Becker, Stefano DellaVigna, Dave Donaldson, Erik Eyster, Matthew Gentzkow, Jerry Green, Ash Hensgens, Einar Kvernvik, Devin Karlan, Larry Katz, Michael Kremer, Stephen Linder, Steve Levitt, John List, Kevin M. Murphy, Shantanu Dutta, Anil Prasad, Matt Ralston, Mark Rosenzweig, Peter Rossi, Al Roth, Philipp Schuett, Andrei Shleifer, Richard Thaler, Juan Tribe, Tom Willeming, Jonathan Zinman, and seminar participants at the Harvard Business School, the University of Chicago, the Massachusetts Institute of Technology, the London School of Economics, the Paris-Saclay Sciences Economics, the Institute d'Economie Industrielle, Toulouse, the UQAM/CIPRII Conference on Development Economics, Yale University, Washington University in St. Louis, and Princeton University for helpful comments and Rob Quirk at the Centers for Disease Control for his guidance on the technical aspects of water testing and treatment. We wish to thank Steve Chapman, Research Director of Population Services International (PSI), for his support, and the Society for Family Health in Zambia for coordinating the fieldwork, particularly Richard Harrison and T. Kasontho, as well as Cyndie Robinson, Rosara Mwanza, Mwan Mupetole, Nicholas Shillya, Brian McKenna, and Shema Carry de Brancat. Mario Hoffmeier provided outstanding assistance with our in-depth interviews on alternative uses of Chlorin, and Kirby Jack provided numerous insights based on her field experience. Emily Oster provided valuable discussions of demographic characteristics from the DHS. Michael Kremer suggested conducting in-depth interviews to learn more about alternative uses of Chlorin. We gratefully acknowledge financial support from the Division of Faculty Research and Development at Harvard Business School, the George and Olivia Schultz Fund at the Massachusetts Institute of Technology, and the Woodrow-Wilson Family Fellowship at the University of Chicago Booth School of Business.

<sup>1</sup> Ben Hilary, 2006, “Marketing Our Products in Poor Countries,” Speech, London School of Hygiene and Tropical Medicine, London, June 15, 2006. <http://web.archive.org/web/2006/06/15/http://www.dfid.gov.uk/Media/Recent/Speeches-and-articles/2006-06-15-Marketing-our-products-in-poor-countries/>

<sup>2</sup> Michael Doucoulires, 2005, “A Program to Fight Malaria in Africa Draws Questions,” *New York Times*, June 11.

<sup>3</sup> Population Services International (PSI), 2006, “What is Social Marketing?” [http://www.psi.org/resources/what\\_is\\_socialmarketing](http://www.psi.org/resources/what_is_socialmarketing) (accessed September 4, 2006).

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December 01, 2010