

Saliency Effects: Evidence from the Consumption Tax Hike in Japan*

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Abstract

Chetty et al. (2009; AER) show underreaction of consumers to taxes that are not salient, by a field experiment in a grocery store. We examine the saliency effects on sales using the data from Japanese retail stores throughout the country as well as households, which covering a wide variety of goods. In order to estimate the salient effects of price tags on sales, a nationwide survey of retail stores is conducted to answer whether and when tax-inclusive prices tags change to pre-tax price tags. The survey allows us to identify which stores post tax-inclusive price tags or pre-tax price tags and estimate the salient effects of price tags on sales by a difference-in-difference analysis using store-level scanner data from retailers. We also examine the heterogeneous impacts of saliency on sales, using panel data on each household's consumption. This is the first study to examine the saliency effects of price tags using the data covering a wide range of goods.

JEL Classification: D12; D25; H71

Keywords: consumption tax; saliency; value-added tax

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