

# Public Economics Policy Application: Banning the Sale of Bottled Water at the University of Toronto

The University of Toronto has just banned (or will be phasing in a ban of) the sale of bottled water throughout the university. Given our interest in public policy, a primary question comes to mind: “Is this a good idea?”

## Objective

To address that question, it helps if we know what the *objective* of the policy is. One candidate objective would be to change tastes, on the basis that bottled water is somehow environmentally unfriendly and wasteful.<sup>1</sup>

Changing tastes is not something that economists usually have much to say about: tastes are typically taken as ‘primitives.’ Instead, one has to look to marketing to understand better what motivates people to buy things and how that motivation can be influenced (or manipulated). But the general idea would be to shake up people’s habits and perhaps get them to re-appraise whether they really need bottled water.

Hand-in-hand with the policy of banning bottled water is a move to make drinking fountains widely available across the university. This would be nice, if costly.

Some comments:

- i. I already mentioned: to assess a policy, we should identify its objective or objectives.
- ii. A very general principle that we shall see in operation many times during the course: markets do a lot well. So if we intervene in them, we should make sure we know what we are doing. That is, it is very easy for a well-intentioned policy to make things worse; and that is something we should be vigilant about.
- iii. How might that principle apply in this instance? Clearly, people like bottled water, at least in the minimal sense that they will allocate a portion of their good money to buying it without being coerced.

A ban is an extreme way to go. It eliminates one type of choice from consumers’ choice sets. And we would expect consumers to make adjustments in response. In practice, what might the consequences of the ban be, and what factors are likely to affect the policy’s success or failure?

iv. Causal channels: economics comes in handy here (at a general level) by providing a framework (called applied microeconomics) for understanding how consumers might adjust their behaviour in response to the policy.

v. Quantification

Having mapped out possible effects, we can actually gather data to shed light on how the policy worked (or is working) in practice. Here, we would like to know what the likely costs are and the

---

<sup>1</sup>As an aside, I actually think there’s a lot to that critique.

benefits.

Costs: Some of the costs we can put dollar values on. Installing drinks fountains costs a lot of money: these are capital costs. There are also non-trivial costs in ensuring the water that comes out of them is drinkable. And there are maintenance costs in ensuring that drinkable water is always on-stream. (The drinks fountain on the second floor of the Kaneff Centre basically never works. Which is a problem. [That was not a sentence.]

Benefits: I suspect the benefits are harder to gauge. How will consumption patterns change? Will bottled water consumption go down? Perhaps, but give that the ban is only partial, people may simply buy more bottled water off campus. In this case, it is conceivable that aggregate consumption would remain roughly the same, tastes would not change, and people would be inconvenienced by the policy.

Will people switch more to Coke, Pepsi etc.? Given they are still on sale, and water now is not, this seems likely. But these are surely worse for health?

#### vi. Public Education

Generally speaking, the stuff out of the tap is fine: it is regulated to be that way. But people still buy bottled water. So what are they missing?

The plastic needs to be produced, using up valuable hydrocarbons. Water is a solvent, so one presumably ends up drinking some of the plastic. The plastic fills landfills; it clearly entails a carbon footprint.

People can be educated about these costs.

#### vii. Alternative Policies

The policy amounts to a partial ban. A complete ban on bottled water does not seem likely in the short term.

As an alternative to bans or public education programs, one could raise the costs of bottled water to reflect any externalities. This would still give people the option of buying bottled water on campus.