

**House Bill 19-1102**

**from an Economic**

**Prospective**

House bill 19-1102 *Nonanimal and Lab Grown Meat Misbranding* proposes a regulation that will prohibit meat not derived from livestock flesh from being labeled as “meat” or any term used to describe meat according to the USDA Institutional Meat Purchase Specifications unless the label specifies “lab-grown” or “artificially cultured”. Violations will be considered misbranding. This regulation will concern both the conventional meat and artificial meat industries and their consumers. This paper analyzes the purpose and predicts the results of passing the bill from an economic prospective.

Markets should be regulated only if they are acting inefficiently. Inefficiencies can usually be categorized as either market imperfections or externalities. The bill directly addresses a major market imperfection that arises through information asymmetry. This condition exists when one party in a transaction has more or better information than the other. The bill attempts to answer the question of what meat consumers should know about the origin of the meat products they consume.

The bill does not directly address externalities associated with the production of meat but would have consequences for those externalities that should be discussed. Conventional meat production creates many environmental externalities which may be reduced by substituting livestock with artificial meat. The bill will reduce this substitution in the short run. However, those externalities would be better addressed with other policies. Ultimately this paper finds that the bill will prevent information asymmetry which will make the market more efficient. Thus, it supports the passing of HB19-1102 but suggests a minor amendment.

Artificial, lab-grown, cultured, or in-vitro meat is a relatively new product designed to be a substitute to traditional livestock meat. In the field of cellular agriculture scientists have developed and are refining tissue engineering practices to produce the artificial meats (Stephens sec.1). It is distinct from vegetarian alternatives to meat such as tofu. Artificial meat is made to replicate the appearance, tastes, and textures of traditional meat.

The motivation for developing artificial meat arises, at least in part, from concerns associated with the ethical implications of animal slaughter, environmental concerns, and the potential for zoonotic diseases.

Consumers should have full information about the stuff they eat. That is both ethical and essential to an efficient market. Therefore, proper distinction between meats derived artificially



The bill only intends to fix the information asymmetry but that is an adequate place to start. Others state legislations are doing this as well. One of which; Kentucky has passed in their house HB311 which addresses the same issue (Kentucky). The federal government (FDA) and (USDA) are also having the debate about what artificial meat should be labeled and which organization will regulate it (Greene). The emissions tax is not a new concept but it is becoming more discussed in government due to the rising concerns about livestock externalities.

Because the bill can effectively reduce the information asymmetry this paper recommends passing HB19-1102. One thing to note is that terminology like “cultured” can be prejudicial to products. Because of that this paper also recommends expanding the list of terms allowed on artificial meat labels to give the industry more marketing flexibility. The terms just need to distinguish the product from livestock meat to effectively accomplish the goal. The general assembly should then consider developing appropriate emissions taxes to internalize the social cost of meat production in the livestock industry.

In conclusion, the meat industry creates concerning environmental externalities and that has led to an innovative technology to produce artificial meat possibly with far fewer resources and emission. Artificial meat however has a consumer acceptance issue or “low demand”. The industry could workaround that by passing their product off as livestock meat. This would result in an inefficient market for artificial meat with too high quantity and price creating an economic loss absorbed by consumers. Thus, it is beneficial for government intervention to make sure consumers know what they are buying. HB19-1102 will prevent this inefficient outcome. It will then be necessary for government to develop and implement an effective Pigouvian tax to internalize the environmental externalities associated with livestock.

Greene, Joel L., and Sahar Angadjivand. "Regulation of Cell-