



**tobaccoconomics**

Economic Research Informing  
Tobacco Control Policy

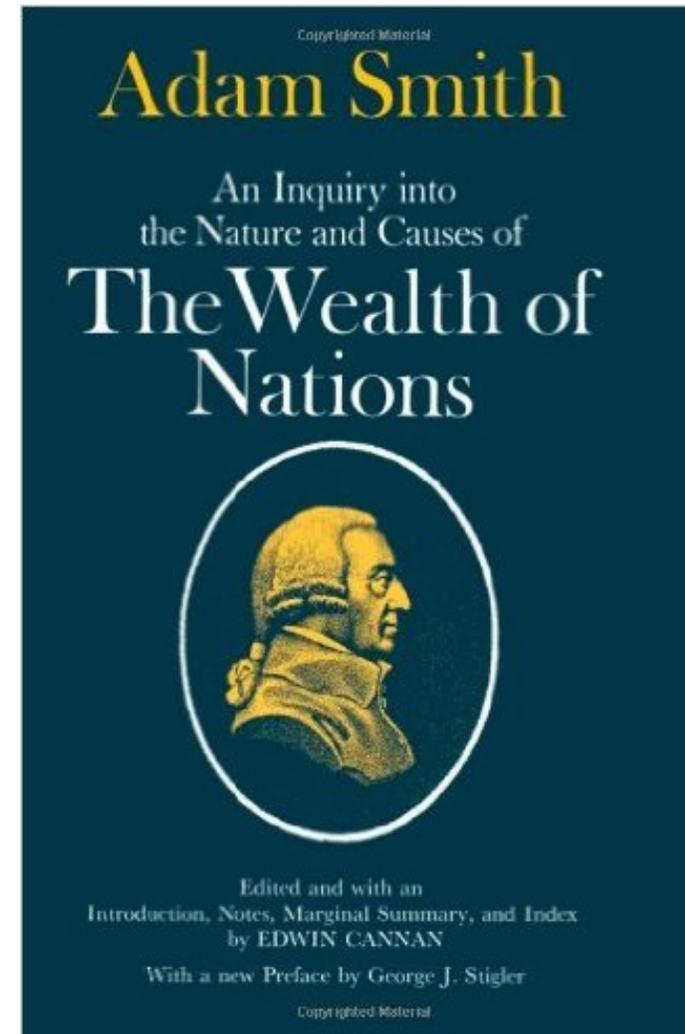
# Global Overview of the Effectiveness of Health Taxes

Frank J. Chaloupka, University of Illinois at Chicago

Health Taxes During the COVID-19 Pandemic: Is Timing Everything?

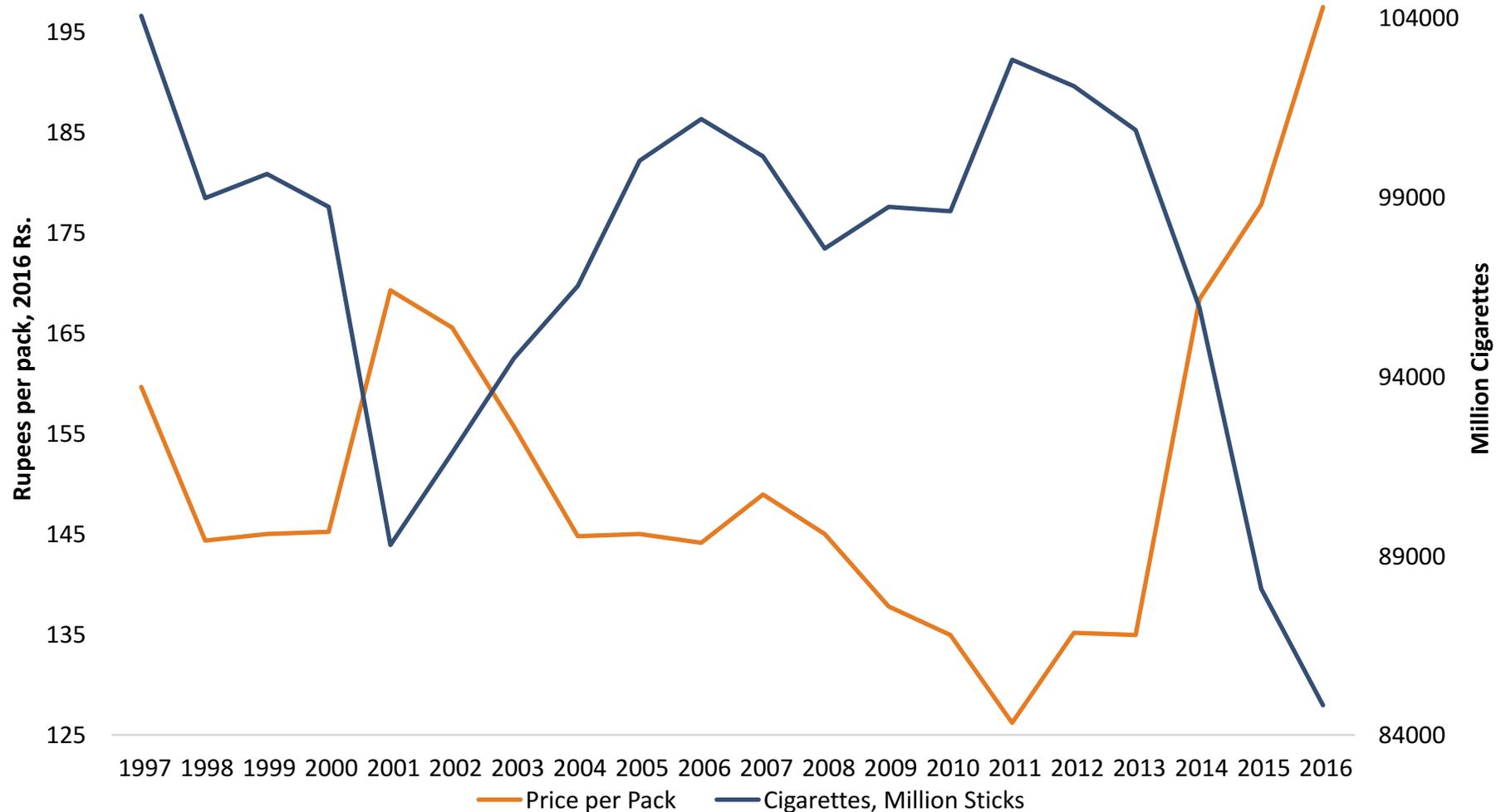
World Bank 5<sup>th</sup> Annual Health Financing Forum, December 8, 2020

*“**Sugar, rum, and tobacco**, are commodities which are nowhere necessaries of life, which are become objects of almost universal consumption, and which are therefore **extremely proper subjects of taxation.**”*



# Cigarette Price & Sales, India

Inflation Adjusted, 1997-2016

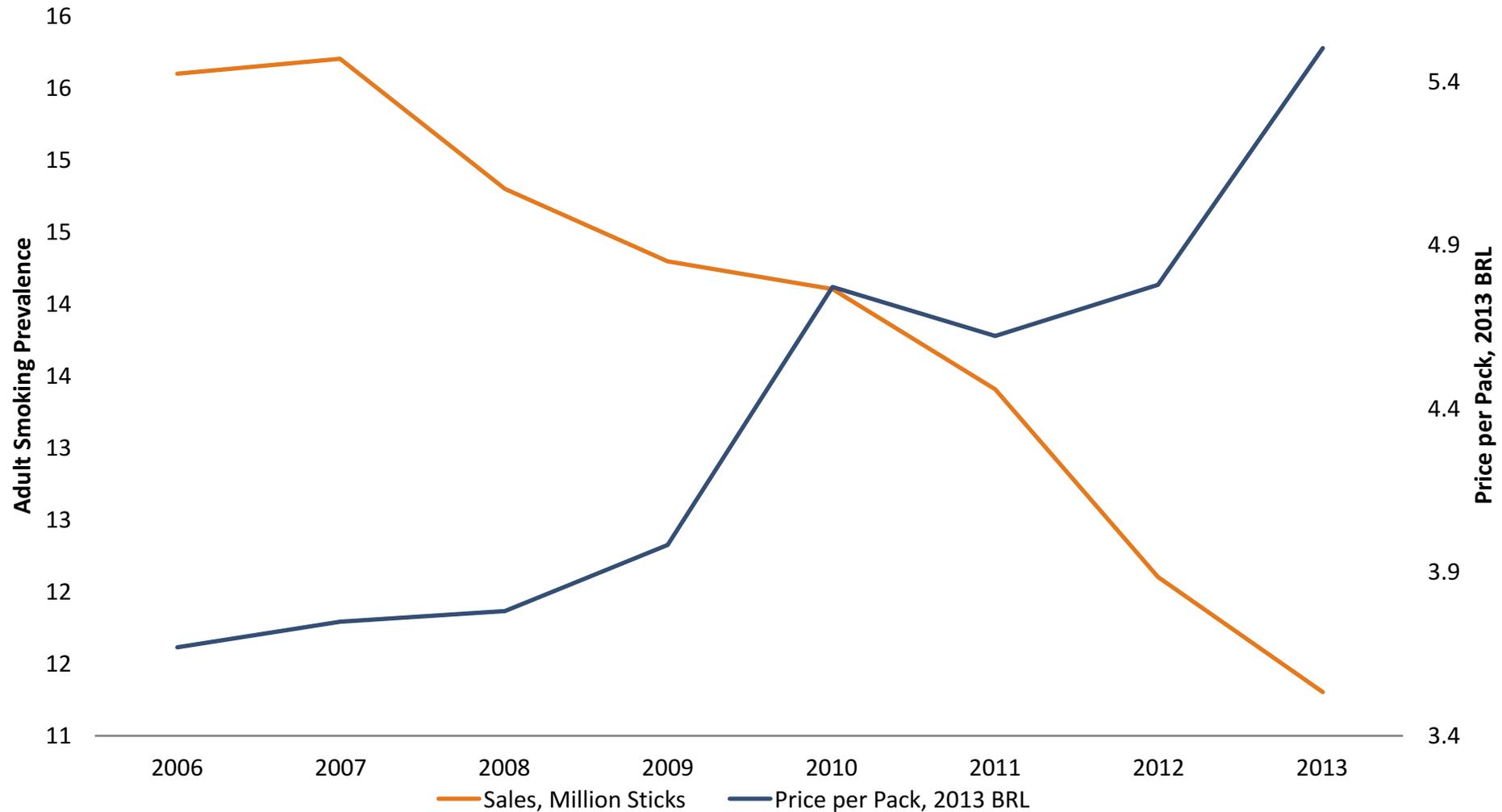


Sources: EIU, ERC, World Bank, and author's calculations



# Adult Prevalence & Price, Brazil

Inflation Adjusted, 2006-2013

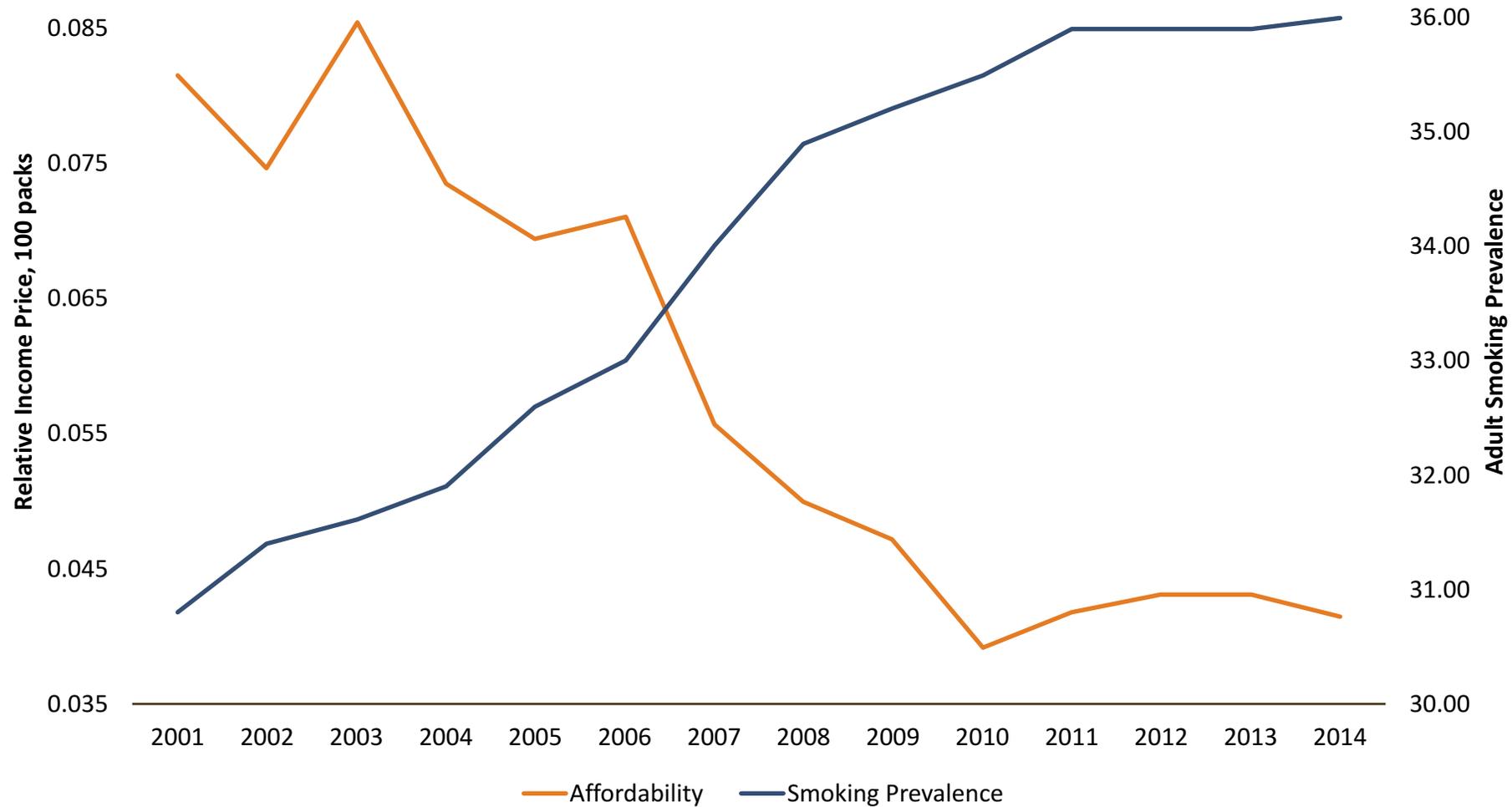


Sources: Ministry of Health, Brazil; EIU; World Bank



# Affordability & Adult Prevalence, Indonesia

2001-2014

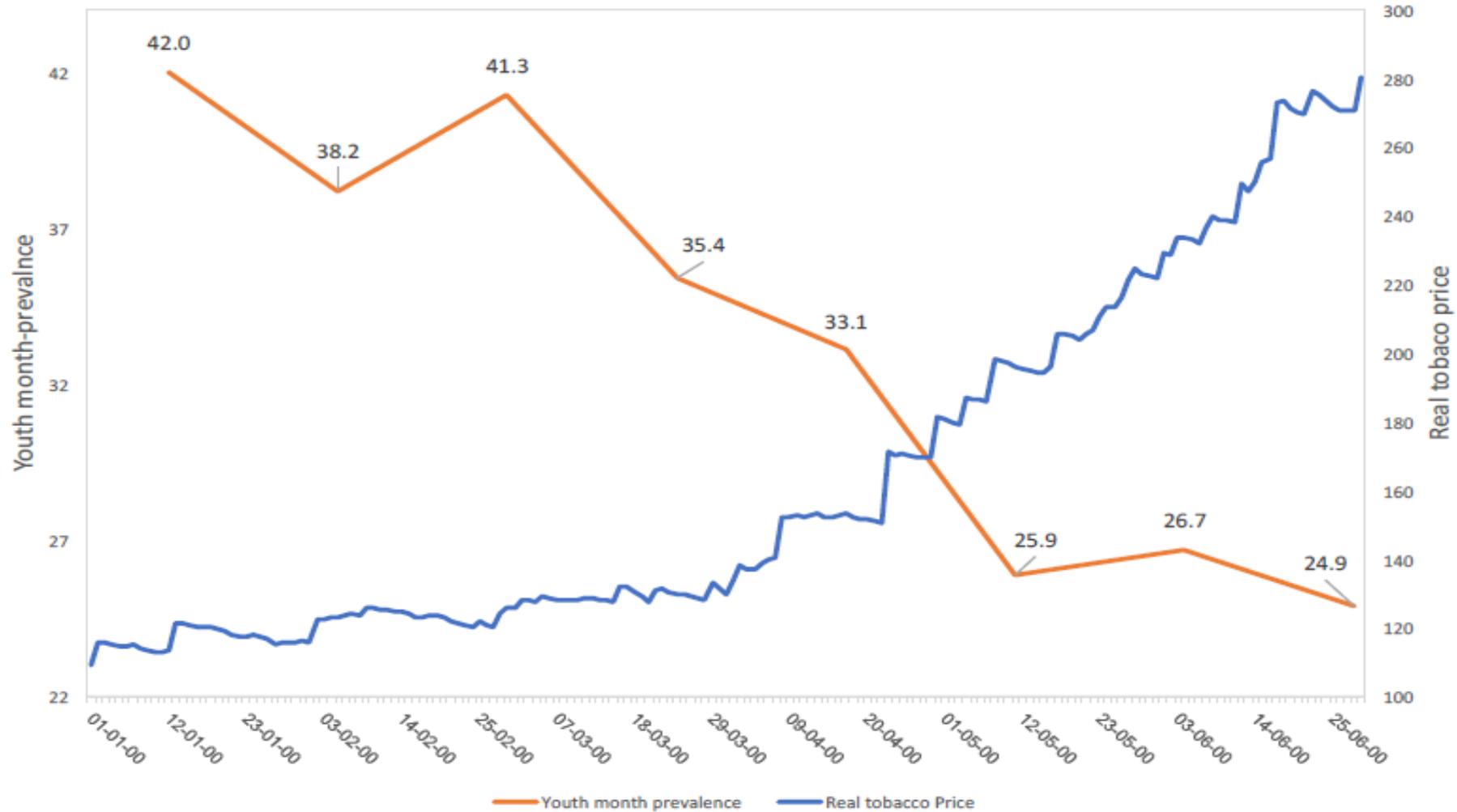


Sources: Euromonitor, EIU, World Bank



# Cigarette Price & Youth Smoking Prevalence, Chile

2000-2015

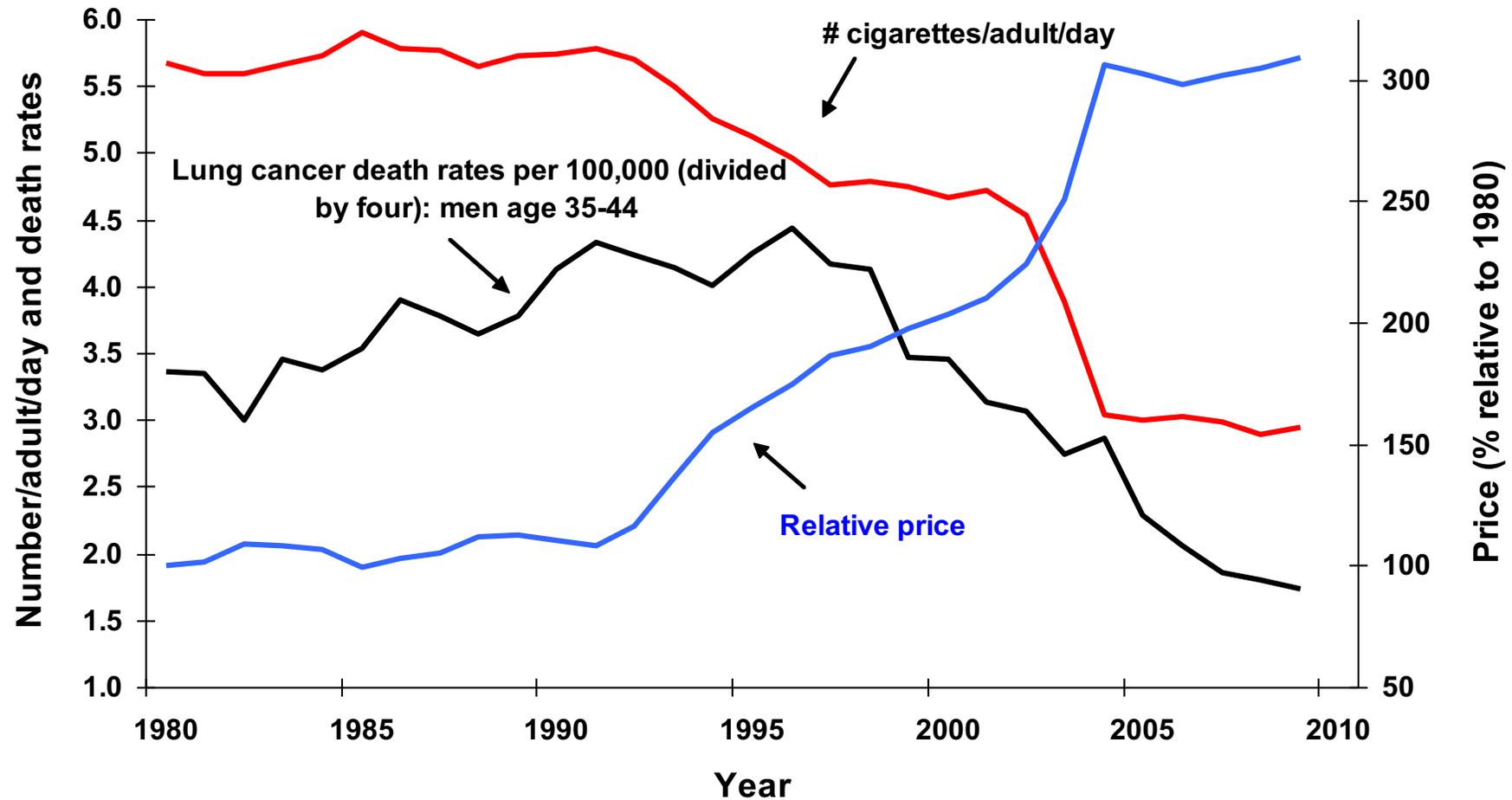


Source: Paraje, 2017



# Cigarette Price, Consumption & Lung Cancer, France

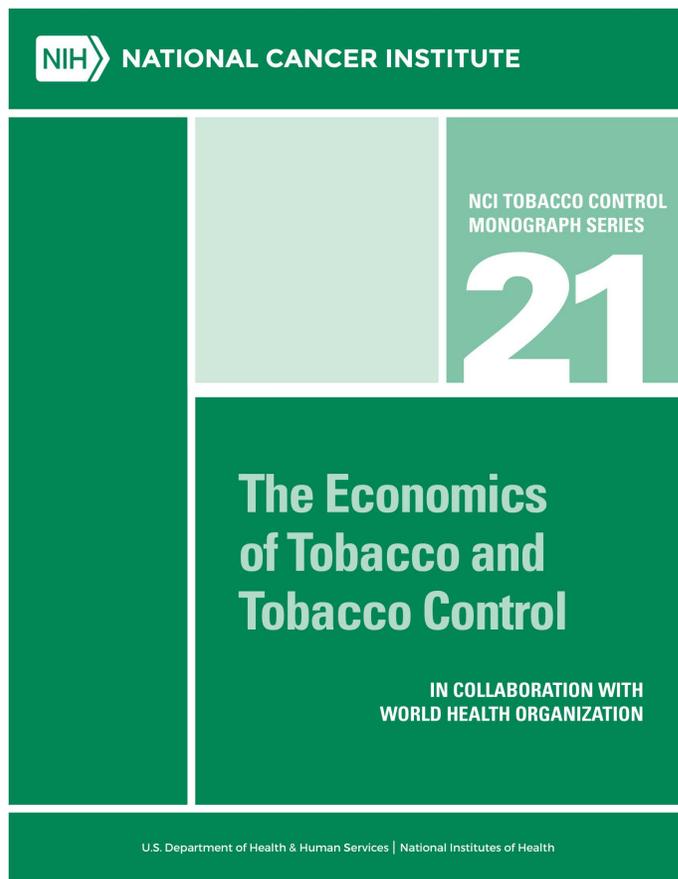
Inflation Adjusted, 1980-2010



Source: Jha & Hill, 2012



# Effectiveness of Tobacco Taxes



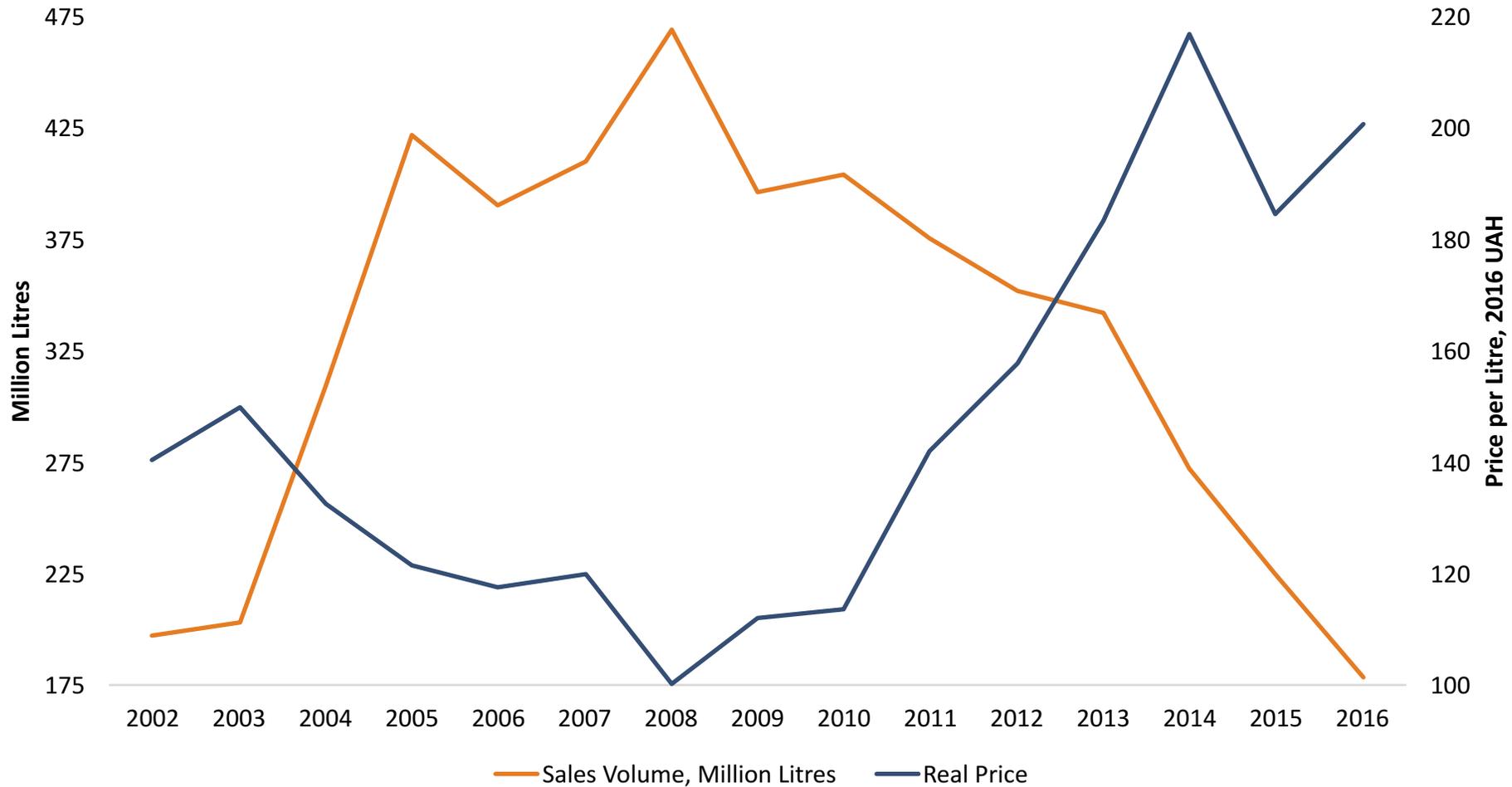
## Chapter 4, Conclusion 1:

A substantial body of research, which has accumulated over many decades and from many countries, shows that **significantly increasing the excise tax and price of tobacco products is the single most consistently effective tool for reducing tobacco use.**



# Distilled Spirits Prices & Sales, Ukraine

Inflation Adjusted, 2002-2016

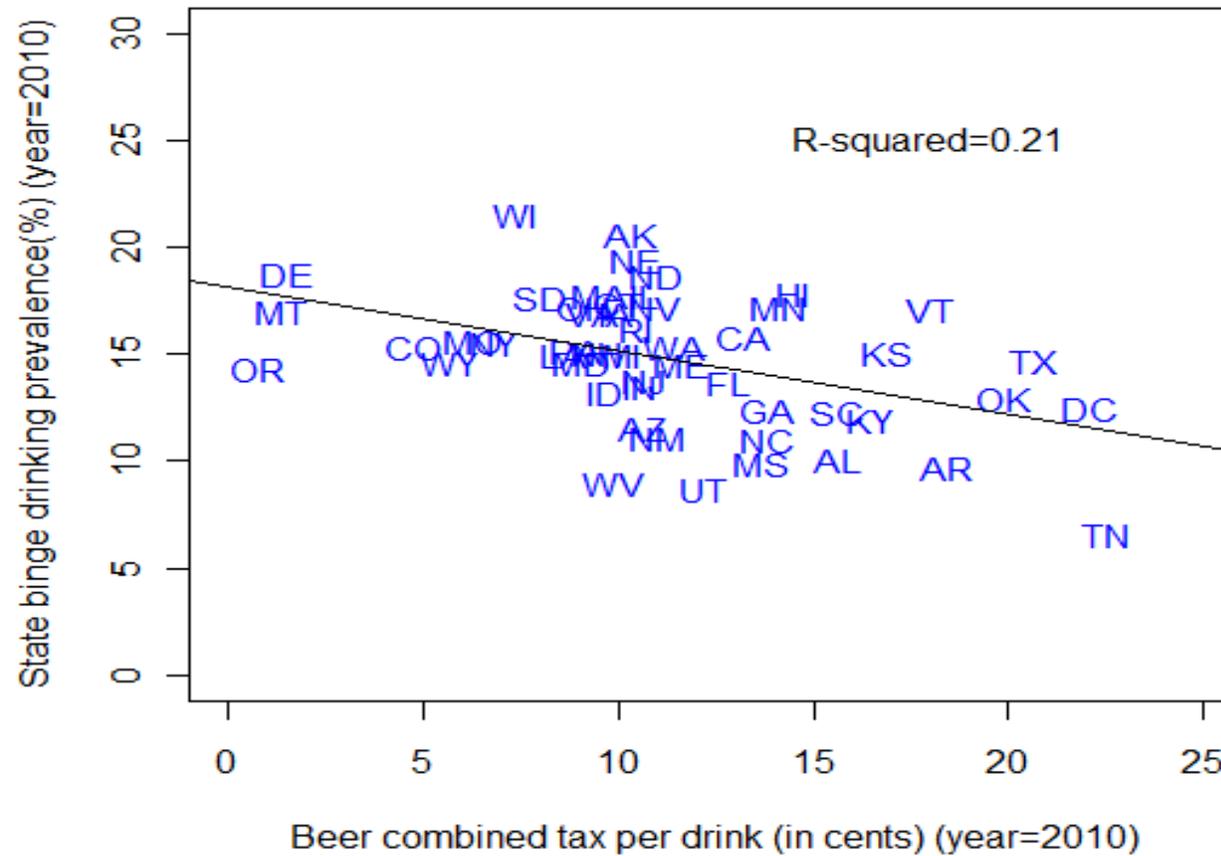


Source: Chaloupka et al., forthcoming



# Beer Taxes & Binge Drinking Prevalence, USA

2010



Source: Xuan et al., 2013



# Alcohol Taxes, Prices & Consequences

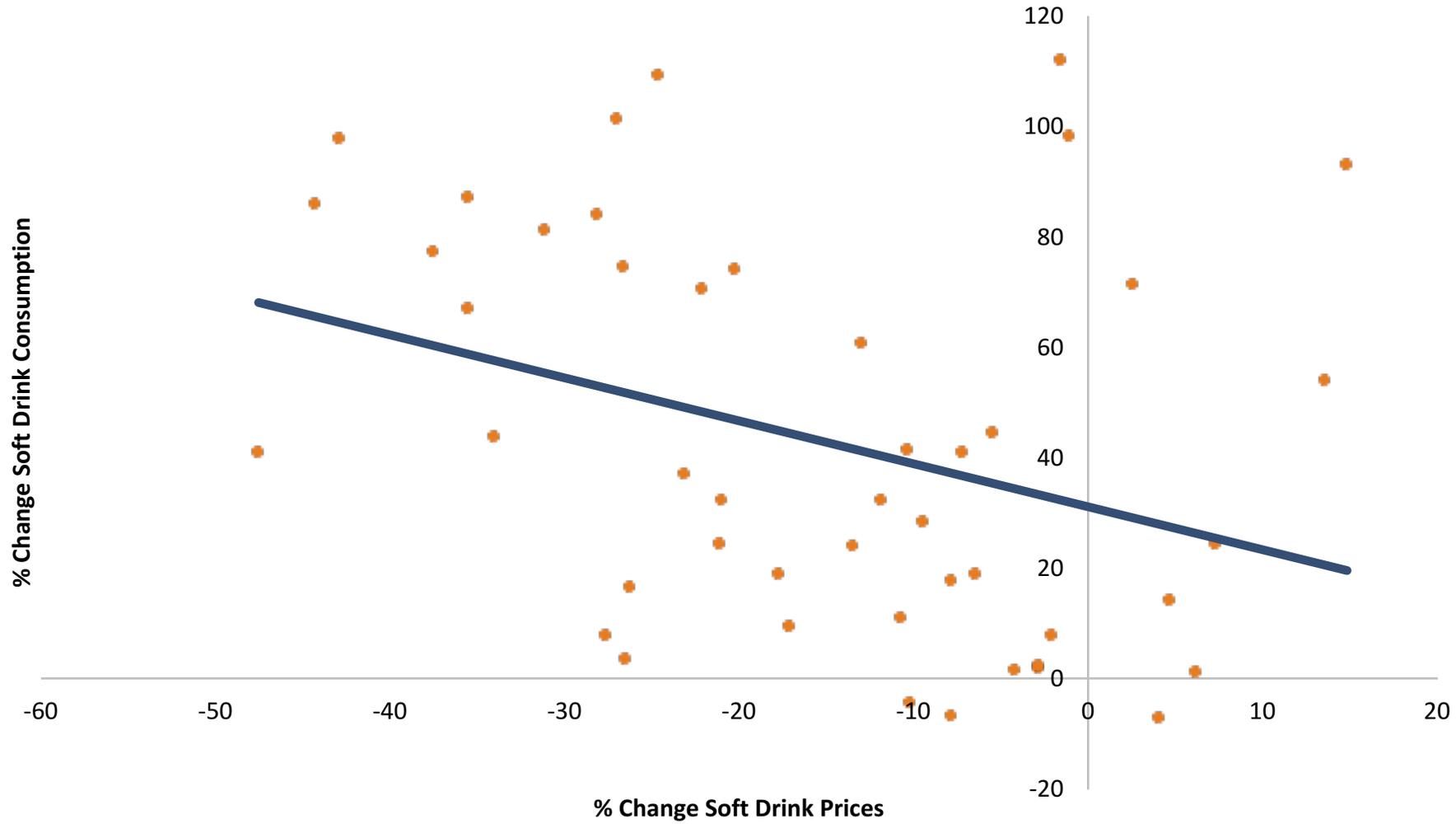
- Econometric and other research shows that higher prices for alcoholic beverages significantly reduce:
  - Drinking and driving, traffic crashes, and motor-vehicle accident fatalities
  - Deaths from liver cirrhosis, acute alcohol poisoning, alcohol-related cancers, cardiovascular diseases, and other health consequences of excessive drinking
  - Violence (including spouse abuse, child abuse, and suicide) and other crime
  - Other consequences of drinking, including work-place accidents, teenage pregnancy, and incidence of sexually transmitted diseases

Sources: Xin & Chaloupka, 2012; Wagenaar et al., 2010



# Percentage Change in Soft Drink Prices & Consumption, Selected Countries

2000-2014

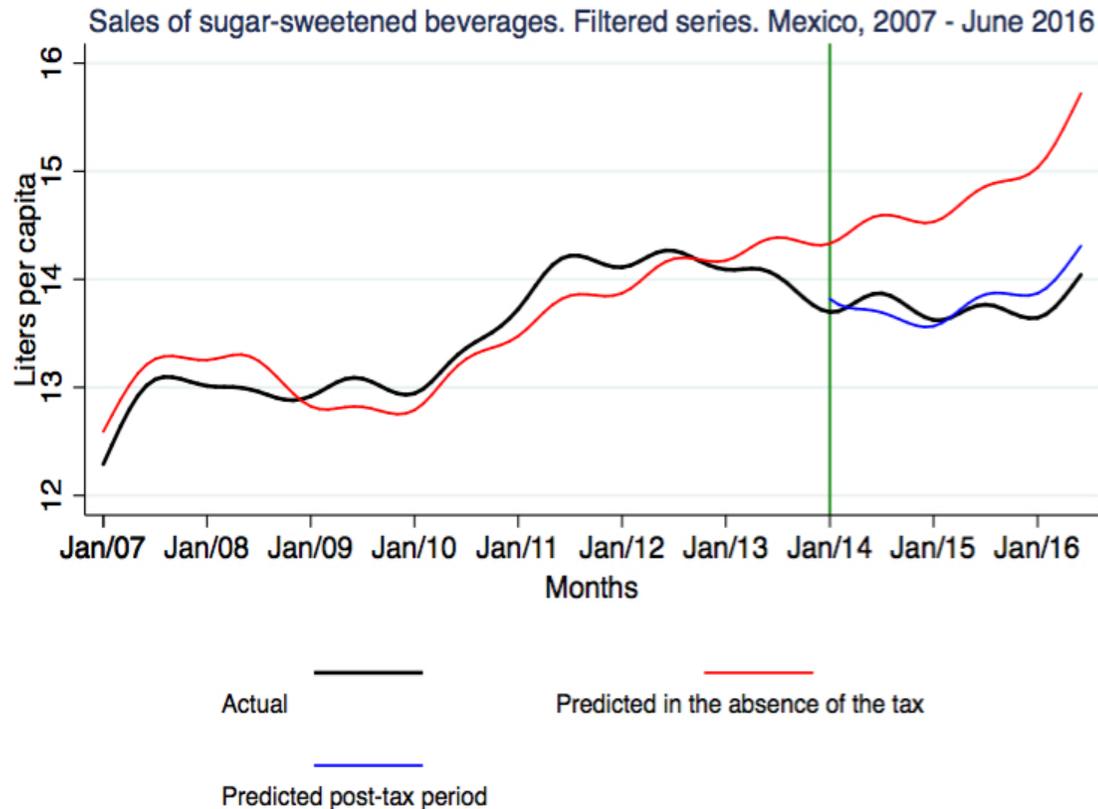


Sources: Euromonitor, 2015; author's calculations



# Impact of SSB Tax on Sales, Mexico

2007-2016



OLS- Adjusted for seasonality, the global indicator of the economic activity

## Significant reductions in SSB sales:

- 6% drop in 2014,
- 8% drop in 2015,
- 11% drop in first half of 2016.

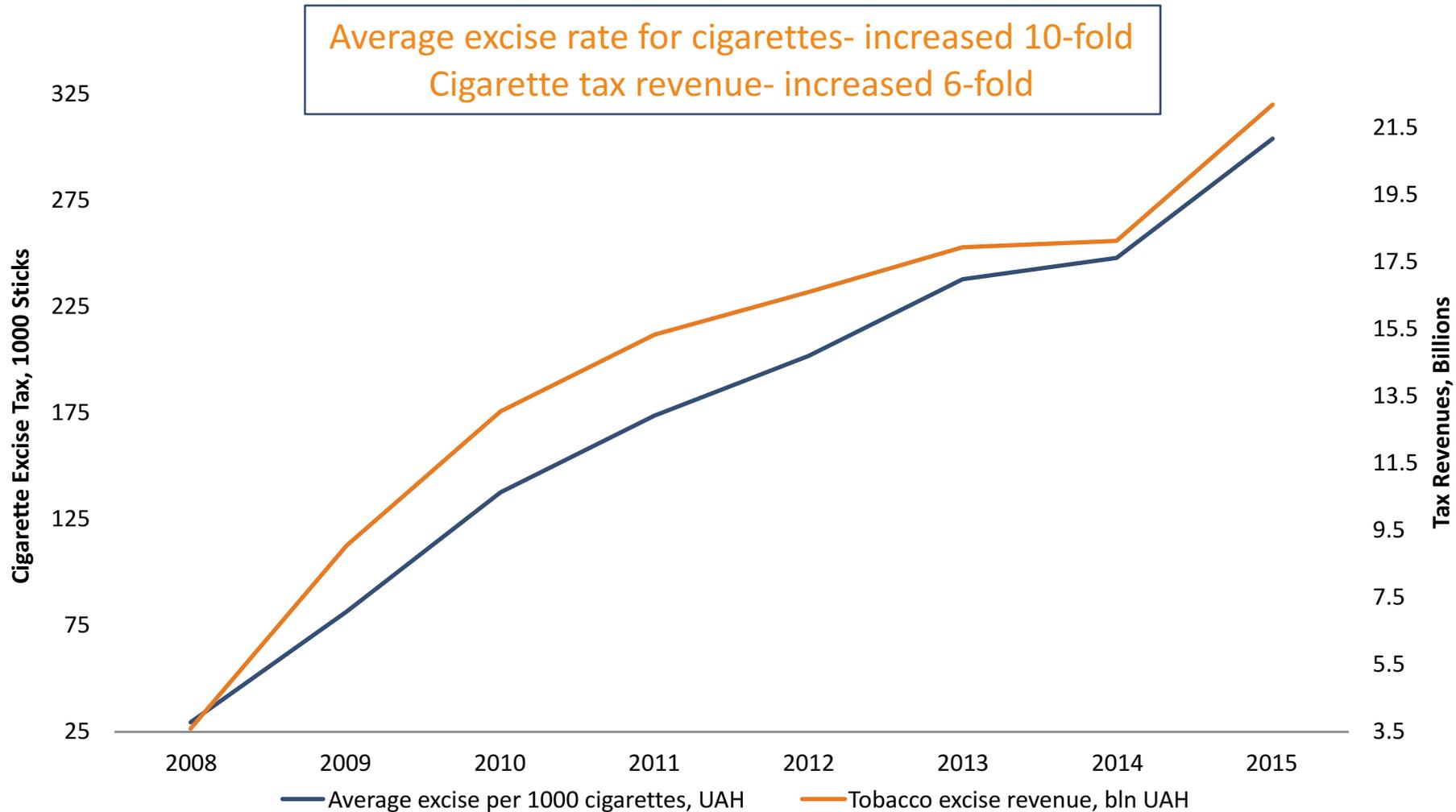
5.2% increase in bottled water sales

Sources: Colchero et al., 2016; <https://www.insp.mx/eppo/blog/4278-changes-sales-beverages.html>



# Cigarette Tax & Revenues, Ukraine

2008-2015

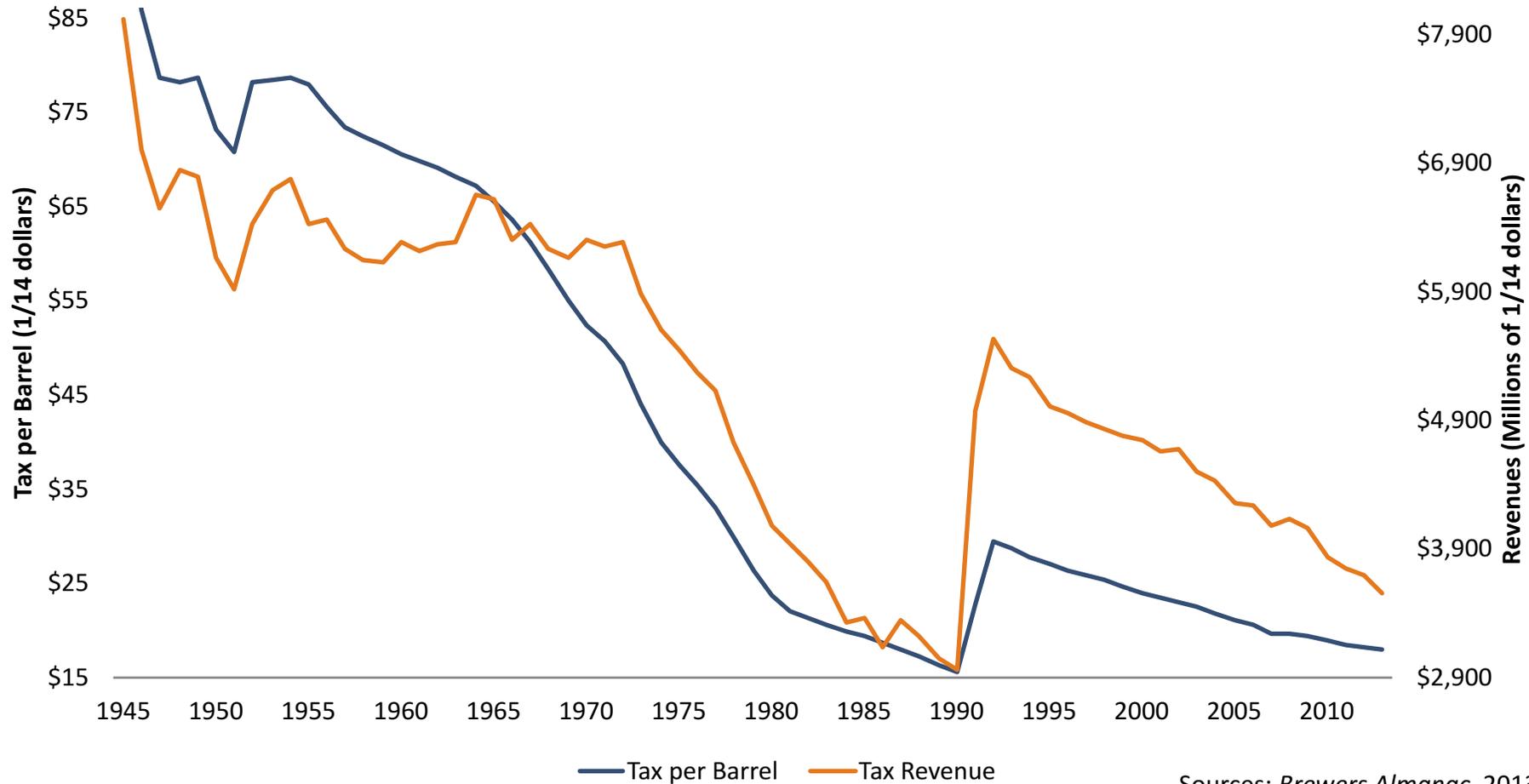


Source: Syvak & Krasovsky, 2017



# Federal Beer Tax & Tax Revenues, USA

Inflation Adjusted, 1945-2013



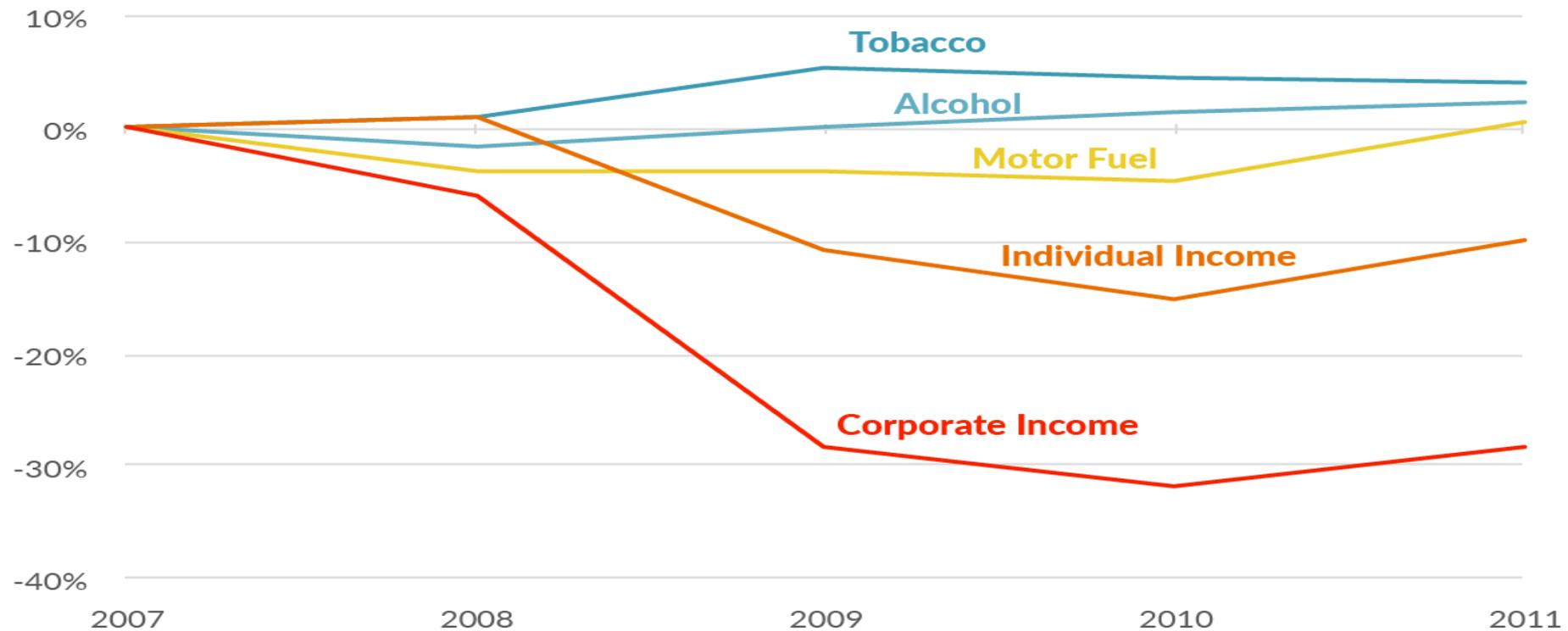
Sources: *Brewers Almanac*, 2013; ATTTB, 2014; and author's calculations



# Stability of Health Tax Revenues

## Volatility of State Tax Collections During the Great Recession

Total revenue changes relative to 2007, 2007-2011



Source: U.S. Census Bureau, "Annual Survey of State Government Finances," and Tax Foundation calculations.



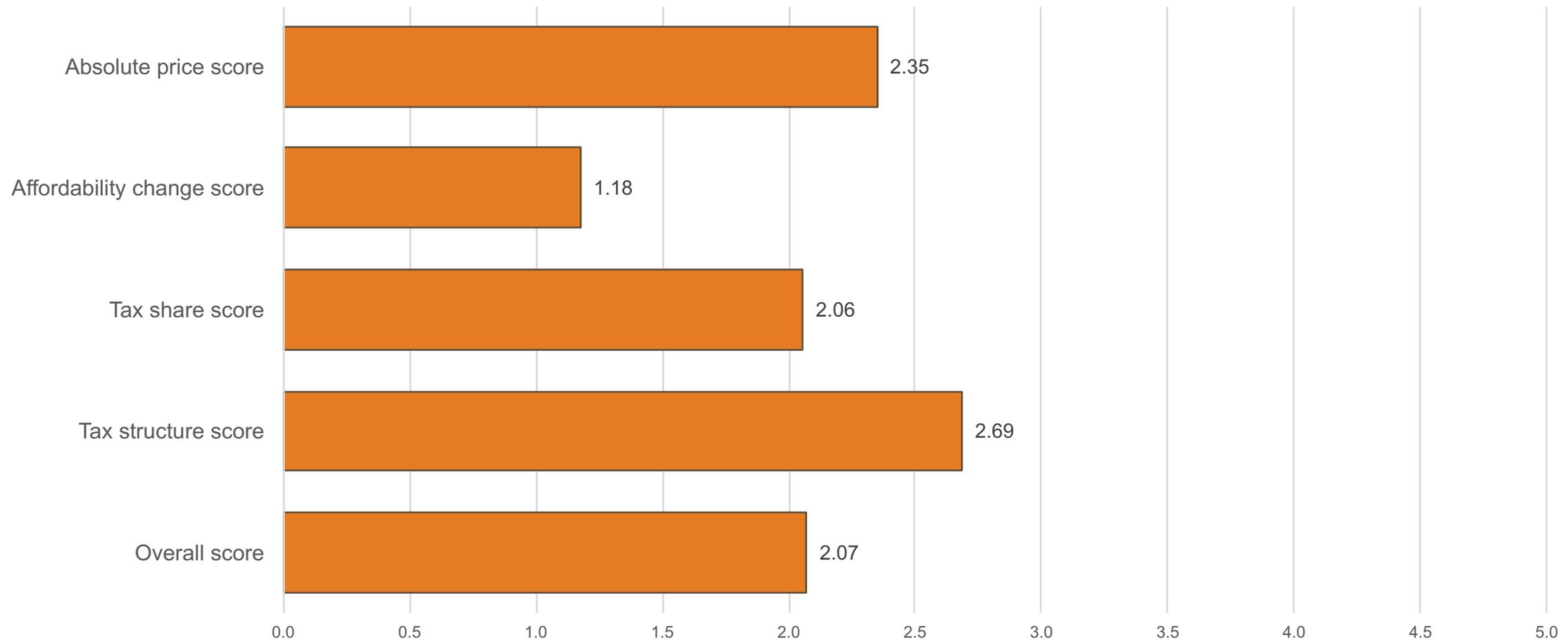
# Cigarette Tax Scorecard

- New effort by Tobacconomics team to assess the strength of cigarette tax systems globally
- Focus on four key dimensions of cigarette tax systems
  - Tax structure
  - Tax shares
  - Absolute price
  - Changes in affordability over time

Source: Tobacconomics, forthcoming

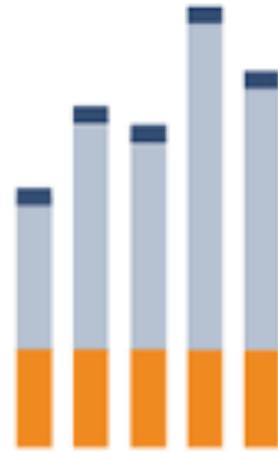


# Cigarette Tax Scorecard, 2018 Global Scores



Source: Tobacconomics, forthcoming





# Oppositional Arguments

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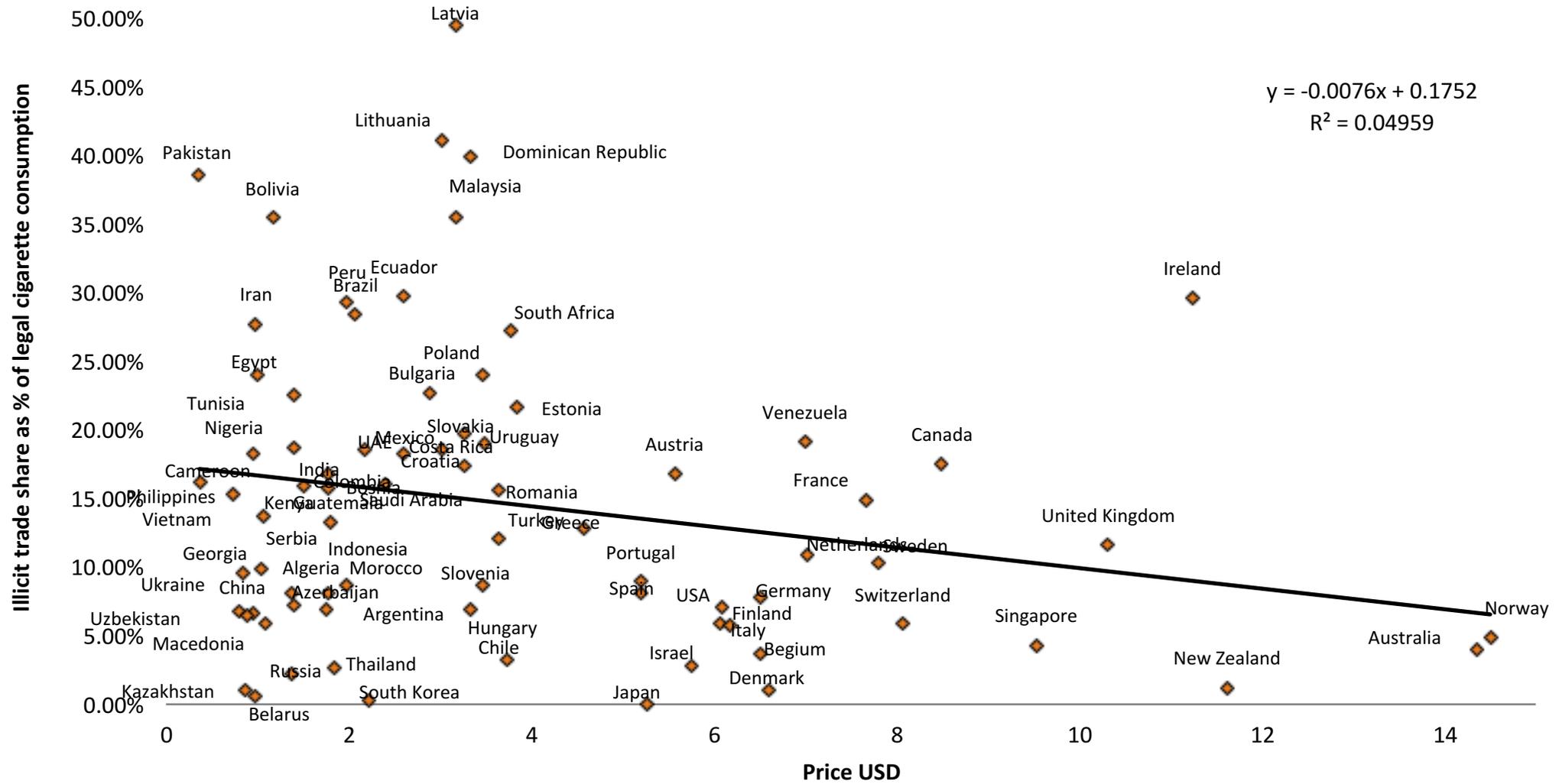
## Myths & Facts

# Excise Taxes and Jobs

- Industries argue tax increases/new taxes will result in massive job losses, economic harm
- Industries tell only part of story:
  - Focus on the gross impact:
    - New tax or tax increase will lead to decreased consumption of taxed product
    - Results in loss of some jobs dependent on production of taxed product
  - Ignore the net impact:
    - Money not spent on taxed product will be spent on other goods and services
    - New/increased tax revenues spent by government
      - ***Offsetting job gains in other sectors***



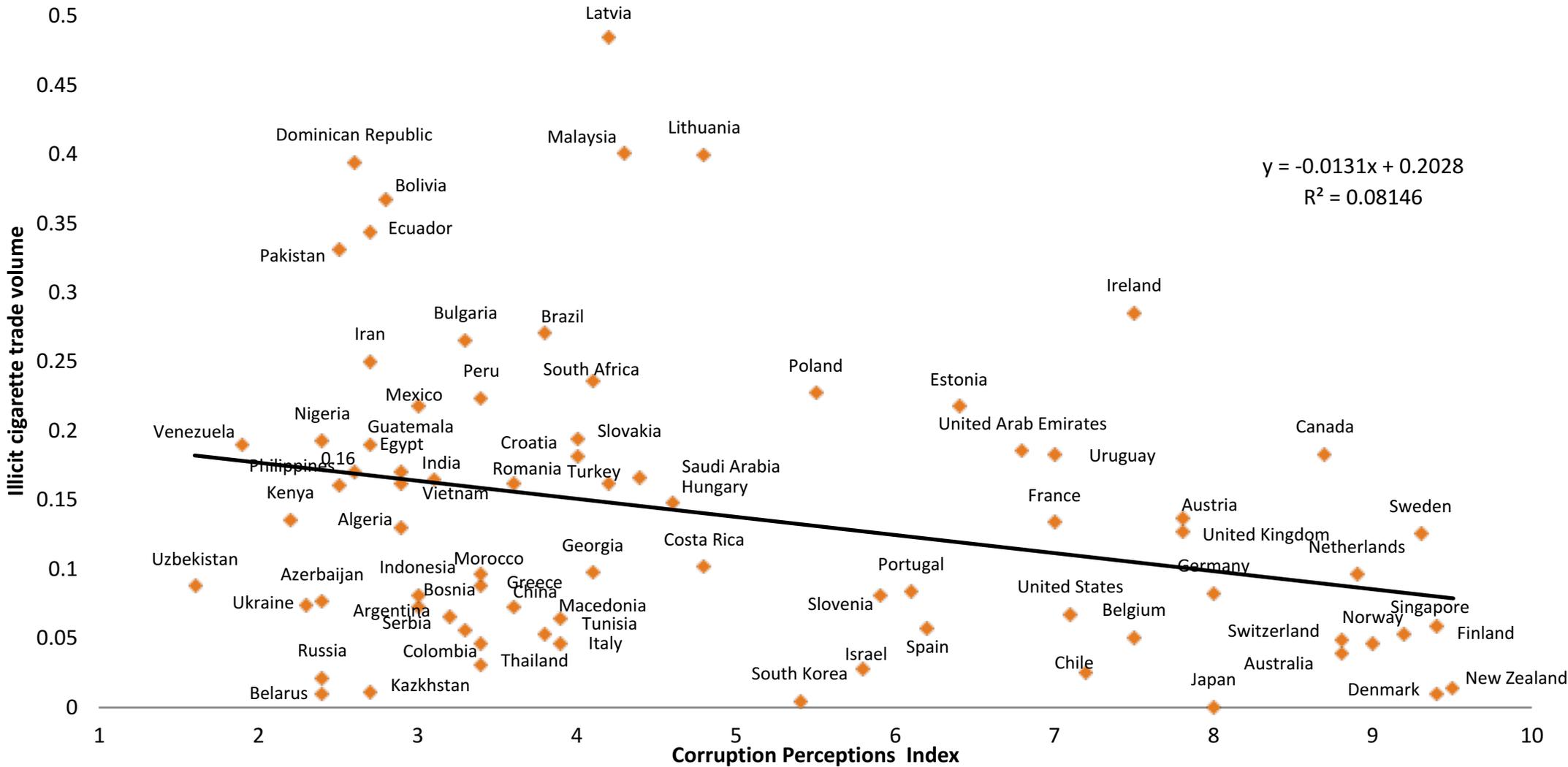
# Illicit Cigarette Market Share & Cigarette Prices, 2012



Source: NCI & WHO, 2016

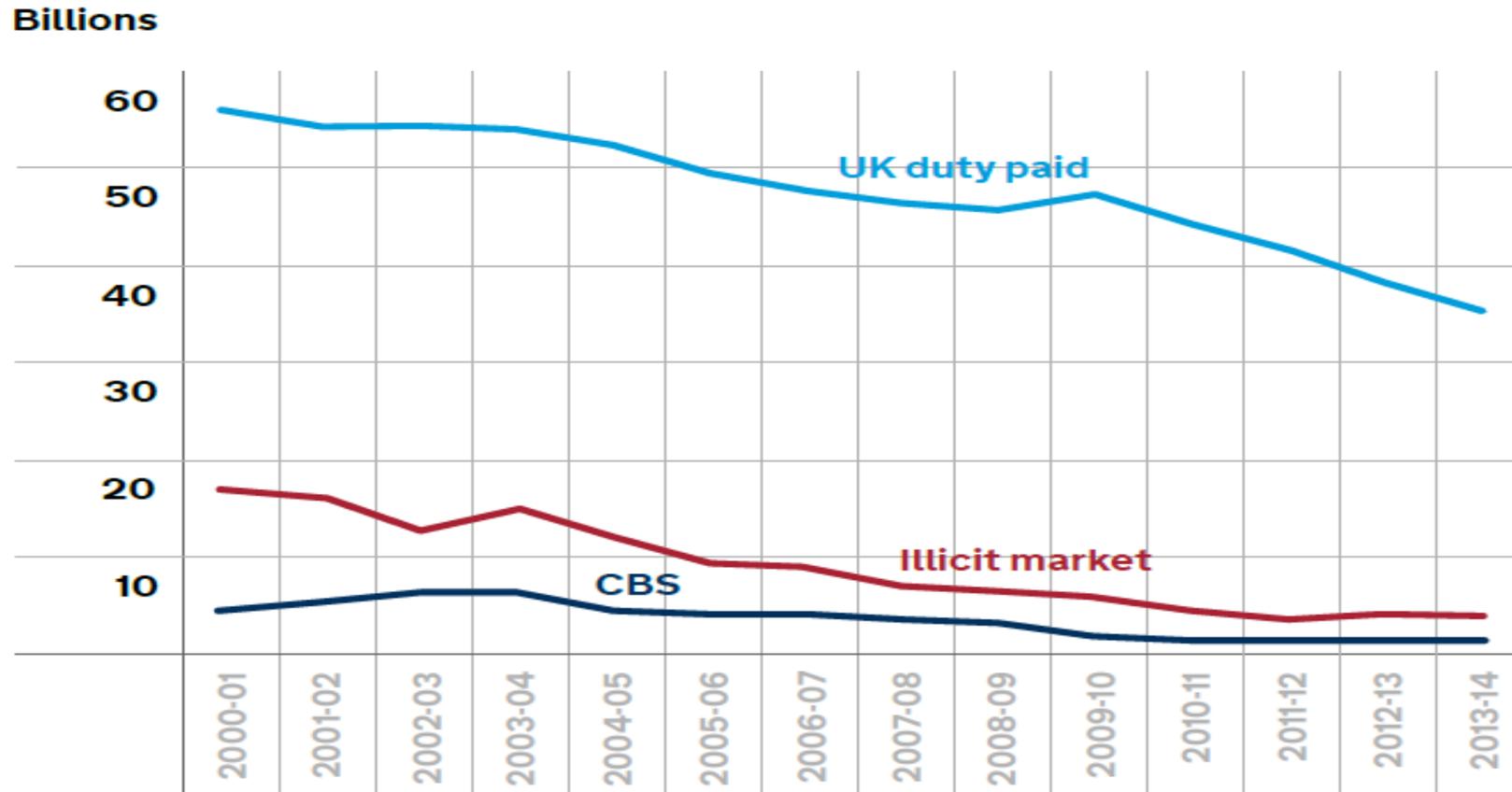


# Illicit Cigarette Market Share & Corruption, 2011



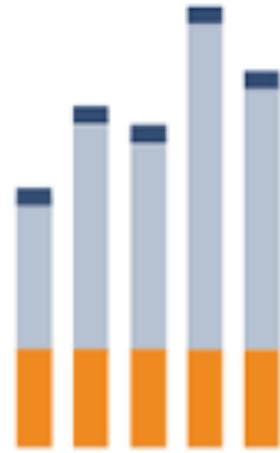
# Cigarette Consumption: Duty Paid, Illicit, and Cross-Border Shopping, United Kingdom

2000-01--2013-14



Source: HM Revenue & Customs, 2014





# Conclusions

# Conclusions

- Higher tobacco and alcohol taxes, and new sugary beverage taxes will significantly reduce consumption and raise revenues
- Reduced consumption will lead to fewer cases of cancer, cardiovascular disease, diabetes, and other non-communicable diseases
- Counterarguments about negative economic impact false or greatly overstated
- Health taxes particularly important during ongoing pandemic



# THANK YOU!

For more information:

Tobacconomics

<http://www.tobacconomics.org>

@Tobacconomics

fjc@uic.edu

**tobacconomics**  
Economic Research Informing Tobacco Control Policy

Policy Brief | August 2018

## Tobacco Taxation Can Reduce Tobacco Consumption and Help Achieve Sustainable Development Goals

**Introduction**

A substantial body of research shows that significantly increasing the taxes and prices of tobacco products is the single most effective way to reduce tobacco use and its devastating health consequences.<sup>i</sup> A tax increase that raises prices by 10% can reduce tobacco consumption on average by 5% in low and middle income countries (LMICs).<sup>ii</sup>

Tobacco also poses a threat to development, especially in the LMICs that have the highest rates of tobacco use. The global economic costs from smoking due to medical expenses and lost productivity in 2012 alone totaled over \$1.4 trillion dollars.<sup>iii</sup>

Besides the growing recognition of the obvious harmful effects of tobacco on health and healthcare, there is a noticeable international movement recognizing the harmful effects of tobacco use on sustainable development. The United Nations (UN) 2030 Agenda for Sustainable Development has set 17 Sustainable Development Goals (SDGs) and 169 related targets. One of those targets focuses specifically on tobacco, and urges “strengthened implementation of the Framework Convention on Tobacco Control (FCTC).” The FCTC is an international treaty created under the auspices of the World Health Organization (WHO). It focuses on reducing the demand and supply of tobacco products. In order to finance the SDGs, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development noted that “price and tax measures on tobacco can be an effective and important means to reduce tobacco consumption and healthcare costs and represent a revenue stream for financing for development in many countries”.

**Raising tobacco excise tax by 1 International Dollar (about US\$ 0.80) in all countries would:**

<b>42%</b>	<b>141</b> US\$ Billion	<b>4%</b>	<b>66</b> Million
Increase average cigarette prices by 42% globally	Increase excise revenue by 47%, representing an extra US\$ 141 billion	Global increase in public health expenditures	Reduce smoking prevalence by 9%, representing 66M fewer smokers

Source: WHO

Tobacconomics Policy Brief | [www.tobacconomics.org](http://www.tobacconomics.org) | @tobacconomics

