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 5th Annual Health Financing Forum, December 8, 2020
“Sugar, rum, and tobacco, are commodities which are no where 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
Affordability & Adult Prevalence, Indonesia

2001-2014

Sources: Euromonitor, EIU, World Bank

Affordability & Smoking Prevalence

Relative Income Price, 100 packs

Affordability

Smoking Prevalence


www.tobacconomics.org | @tobacconomics
Cigarette Price & Youth Smoking Prevalence, Chile

2000-2015

Source: Paraje, 2017

www.tobacconomics.org | @tobacconomics
Cigarette Price, Consumption & Lung Cancer, France

Inflation Adjusted, 1980-2010

Lung cancer death rates per 100,000 (divided by four): men age 35-44

Relative price

# cigarettes/adult/day

Source: Jha & Hill, 2012
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

R-squared = 0.21

Source: Xuan et al., 2013

www.tobacconomics.org | @tobacconomics
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 workplace 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

www.tobacconomics.org | @tobacconomics
Impact of SSB Tax on Sales, Mexico
2007-2016

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/epppo/blog/4278-changes-sales-beverages.html
Cigarette Tax & Revenues, Ukraine
2008-2015

Average excise rate for cigarettes - increased 10-fold
Cigarette tax revenue - increased 6-fold

Source: Syvak & Krasovsky, 2017

www.tobacconomics.org | @tobacconomics
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


TAX FOUNDATION

www.tobacconomics.org | @tobacconomics
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

- Absolute price score: 2.35
- Affordability change score: 1.18
- Tax share score: 2.06
- Tax structure score: 2.69
- Overall score: 2.07

Source: Tobacconomics, forthcoming

www.tobacconomics.org | @tobacconomics
Oppositional Arguments
- 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*
Cigarette Consumption: Duty Paid, Illicit, and Cross-Border Shopping, United Kingdom
2000-01--2013-14

Source: HM Revenue & Customs, 2014

www.tobacconomics.org | @tobacconomics
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