Global Overview of the Effectiveness of Health Taxes

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Health Taxes to Help Attain the SDGs
World Bank and International Monetary Fund Annual Meetings
10 October 2018, Nusa Dua, Bali, Indonesia
"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, 1997-2016, Inflation Adjusted

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

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Affordability & Tobacco Use
Adult Smoking Prevalence, Indonesia, 2001-2014

Sources: Euromonitor, EIU, World Bank

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Cigarette Price & Youth Smoking Prevalence
Chile, 2000-2015

Source: Paraje, 2017
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Price, Consumption & Lung Cancer, France
Inflation Adjusted, 1980-2010

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

Sources: Jha & Hill, 2012

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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.
Cigarette Tax and Revenues
Ukraine: 2008-2015

Average excise rate for cigarettes – increased 10-fold
Cigarette Tax Revenue – increased 6-fold

Source: Syvak and Krasovsky, 2017
Tobacco Taxes and Revenues

• The Addis Ababa Action Agenda states:

“… price and tax measures on tobacco can be an effective and important means to reduce tobacco consumption and health-care costs, and represent a revenue stream for financing development in many countries”
Distilled Spirits Prices & Sales
Ukraine, Inflation Adjusted, 2002-2016

Sources: Chaloupka, et al., forthcoming
Beer Taxes & Binge Drinking Prevalence
United States, 2010

Source: Xuan et al., 2013

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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

Source: Xin & Chaloupka, 2012; Wagenaar et al., 2010
Federal Beer Tax & Tax Revenues
United States, Inflation Adjusted, 1945-2013

Source: Brewers Almanac, 2013, ATTTB, 2014, and author’s calculations
Soda Consumption & Obesity
Selected Countries

Source: Soda consumption from Euromonitor, 2011; Obesity prevalence from OECD Health Data, 2005
Change in Soft Drink Affordability
2000-2013, Selected Countries

Source: Euromonitor, 2015, and author’s calculations
Soft Drink Prices & Consumption
Percentage Change, 2000-2014, Selected Countries

Source: Euromonitor, 2015, and author’s calculations

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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% increases in bottled water sales

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


Oppositional Arguments
- Myths & Facts
Cigarette Taxes as Percent of Retail Price
July 2016

WHO, 2017

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Alcoholic Beverage Excise Taxes by Beverage Type

The boundaries and names shown and the designations used on this map do not imply the expression of any opinion whatsoever on the part of the World Health Organization concerning the legal status of any country, territory, city or area or of its authorities or concerning the delimitation of its frontiers or boundaries. Dotted and dashed lines on maps represent approximate border lines for which there may not yet be full agreement.
Sugary Drink Taxes, January 2018

http://www.abc.net.au/news/2018-01-07/calls-for-a-sugar-tax-are-back-so-it-is-going-to-happen/9309386
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
Who Pays & Who Benefits
Chile, 25% Tax Increase

Figure 6: Total Income Effect: Direct and Indirect Effect of Taxes
(tobacco price increase, medical expenditure and working years gained)

Source: Author's estimation using a price shock of 25%

Source: Fuchs, et al., 2017

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Incremental Revenues for Health and the Poor, Philippines, 2001-2016

Source: Adapted from Jeremias Paul, 2017
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

• 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

• Taxes generally considered one of the “best buys” in NCD prevention
THANK YOU!

For more information:

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