

ASPECT Consortium

Analysis of Science and Policy in Europe for Control of Tobacco



European Respiratory
Society



EUROPEAN NETWORK FOR
SMOKING PREVENTION

Workshop on Product Regulation

Archie Turnbull
European Respiratory Society
(session chair)

Borschette Centre
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Ch. 2: Economic Aspects of Tobacco

Use in Europe

Hana Ross

Framework:

Analysis of the Costs and the Benefits of Tobacco Consumption

Perspective:

European Community - Macro Level





Costs of Tobacco Consumption

1. Health

- Direct costs of health damage
- Indirect costs of health damage

2. Income distribution

- Disproportional burden on lower socioeconomic groups
- Disproportional burden on less economically developed countries



Costs of Tobacco Consumption

3. Government budget

- links to health care & social services
- opportunity costs of smuggling

4. Employment

- farmers' subsidies
- volatility of employment



Economic Benefits of Tobacco Consumption

1. Budget incomes & savings

- excise taxes (importance for the budget, income redistribution, political ease, dead weight loss)
- if lifetime net health care costs of smoking negative, savings on social expenditure if linked to the budget

2. Employment (importance, trend)



Economic Tools to Improve the Balance

1. Higher Taxes

- the most effective
- work best in a combination with other measures (full price of smoking)

Higher taxes lower health care costs and increase budget income. No evidence of employment effect, may temporarily affect income distribution



Economic Tools to Improve the Balance

2. Earmarking Tobacco Taxes

- resources for cessation programs, for health promotion, for applying economic tools, for law enforcement
- improvement in income distribution



Economic Tools to Improve the Balance

3. Combat Smuggling

- improves budget income
- reduces affordability – reduces direct and indirect costs
- cooperation in law enforcement
- tax and price approximation



Economic Tools to Improve the Balance

4. End tobacco subsidies

- improves market efficiency (ends market distortion)
- governments should help with the transition to minimize social costs



Economic Tools to Improve the Balance

5. Change public attitude towards smoking

- this reduces utility of smoking (reduced willingness to pay)
- adopt tobacco control policies as part of the public health goals

