

IS POLICY DISCOURAGING SMOKING PARTICIPATION IN POLAND?

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Title page: the country level work presented within is the result of a cooperative effort between Christina Czart, prof. Frank Chaloupka and colleagues in Warsaw Poland – including, Mr. Krzysztof Przewozniak and Prof. Witold Zatonski. The research within focuses on Tobacco Control efforts in Poland. Over the course of the past year, various pieces of Polish consumption and legislative information have been gathered and analyzed. In addition, information about the development of Poland's present political and economic Tobacco Control program has been documented in English.

Slide 2: The Polish tobacco market, though unique in a number of respects, particularly in its transition from a monopoly to a privatized industry, is characterized by various market failures much like the tobacco markets in the rest of Europe and the US. That is, Poland's smokers do not bear the full social costs associated with smoking. For example, society continues to bear the medical costs created by smokers. Similarly, Polish non-smokers incur the costs associated with second hand smoke. Also Poland's consumers, and particularly young smokers, are not fully informed of the consequences of smoking when making the decision to purchase and/or consume cigarettes. Thus, imperfect information is an issue. This research focuses upon several possible economic solutions which can help raise the costs associated with smoking and decrease use – thus bringing the Polish tobacco market closer to economic efficiency. First, an aggressive excise taking structure can increase the retail prices of cigarettes. Here, cigarette prices – through regular and real increases in excise taxes – rise at rates equal to or greater than Poland's present inflation rate. Second, the costs associated with obtaining cigarettes can rise with such policies as restrictions on points of sale, youth access and total bans on cigarette advertising or cigarette marketing tactics. Third, the costs associated with the consumption of cigarettes may be increased when restrictions are placed on the public use of cigarettes. Similarly, campaigns which promote health or efforts of counter-advertising against tobacco products may increase the perceived cost of consuming tobacco.

Slide 3: Poland has taken a number of steps in its effort to clean up its tobacco market. Since 1990, much has been done to dampen the success of Poland's tobacco companies. In 1990, the Polish Anti-Tobacco lobby fought expanding tobacco companies by sponsoring campaigns which promote healthy living. By 1993, cessation campaigns such as the Great Polish Smoke Out, were in place. Also in 1993, Poland's Ministry of Finance levied a 22% VAT tax on cigarettes and developed an excise tax structure for all cigarettes sold in Poland. By November, 1995, the Polish anti-tobacco lobby successfully forced Poland's first anti-tobacco legislation through parliament. This legislation includes four main waves of tobacco control laws.

The First took effect in mid-1997 and includes a set of smoking restrictions on use in public buildings, restrictions on youth access and a ban on tobacco advertising in the media. Also in 1997, the Ministry of Finance began to increase excise taxes more frequently, leading tobacco excise taxes to become a common tool for creating revenue and improving health. By mid-1998, the world's largest health warning labels were displayed on Polish cigarette packs and advertisements. In 1999, an amendment was added to the original legislation. A total ban on tobacco advertising will be in effect in Poland by January 2002.

Slide 4: This table presents a basic analysis of Poland's pricing policy. It based on an April, 1999 cross-section of Polish Data. In January 1999, the Polish Ministry of Finance took its most aggressive step in raising tobacco excise taxes. In these tables, we look at responses to a survey question, which inquired about the effects of these new taxes on cigarette consumption. The data indicate that while the smoking behavior of 50% of Polish smokers remained unchanged after the 1999 tax hikes, the remaining 50% did react to price changes. Although less than 10% of males and 10% of females quit or tried to quit smoking,

over 15% of males and over 20% of females reported cutting back their daily cigarette consumption. Another 8% of males and 7% of females reported substituting towards less expensive cigarette brands. Finally, over 15% of females and 8% of males initiated the thought of trying to quit. All of these responses are positive reactions in the nation's struggle against tobacco dependence.

Slide 5: This slide provides important economic implications for the rising excise taxes - as it breaks out responses to the tax question by both gender and self-reported standard of living.

The blue colored bars show that both women and men of lower standards of living relative to their high income counterparts, are most prone to substitute to less expensive brands. Therefore, people of lower incomes are likely to first switch to low priced cigarettes before attempting to quit. The data also indicates that the higher the self reported standard of living, the quicker the recognition of the need for smoking cessation.

Slide 6: Much of this research to-date has focused exclusively on the construction of a widely encompassing and descriptive econometric database for Poland. At present, the database contains information from over 13 cross-sectional surveys on over 15,500 respondents. Within the data, we've constructed a number of variables, which describe individual smoking behavior – including prevalence, daily cigarette consumption, duration of smoking, age of initiation and age of cessation. The database also contains a number of socio-demographic variables such as: age, marital status, education, socio-occupational status, standard of living and area of residents of the respondent.

Slide 7: The table in this slide plots the prevalence variables against an average price/pack measure for the 1993 to 1999 time period. The navy line which cuts through both time trends represents the 1995 Polish Tobacco Legislation. It's clear that since the enactment of the anti-tobacco laws and the natural dissemination of information associated with it, smoking participation in Poland has been declining steadily. At the same time, the retail price of cigarettes has risen at an increasing rate. In sum, these plots carry promising implications for the future use of economic policy tools in discouraging smoking among Poles. Poland's policy makers can use strategic pricing policies which raise both the direct and indirect prices associated with smoking, to help curb the country's smoking epidemic.

Slide 8: The research of health economists during the past 2 decades clearly indicates that increases in cigarette prices discourage cigarette use. Economists measure the sensitivity of cigarette consumption to changes in price through estimates of the price elasticity of demand. Our very preliminary elasticity estimates reveal an elasticity on smoking participation of -1.07 . The price elasticity on conditional demand among smokers is measured at -2.09 . Although still very crude, these estimates do suggest that a 10% increase in the price of Polish sold cigarettes would reduced smoking participation among Poles by over 10% and would reduce the consumption of cigarettes among smokers by nearly 2.1%.