



**Economics
For Health**

Healthier People.
Stronger Economies.

Alcohol taxation: Lessons learned from tobacco and otherwise

Addressing the Impact of Tobacco and Alcohol Use on Cancer-Related Health Outcomes: A Workshop

Jeffrey Drope, PhD
Research Professor
Johns Hopkins Bloomberg School of Public Health

Disclosures

- I declare no conflicts of interest.
- Recent funding for work on alcohol taxation comes from the RESET Alcohol project, a collaboration with Vital Strategies with funds from Open Philanthropy.
- Recent funding for work on tobacco taxation comes from Bloomberg Initiative to Reduce Tobacco Use with funds from the Bloomberg Philanthropies.
- All views expressed here are my own and do not necessarily reflect those of our funders or partners.

Price

- Consumers consider:
 - Absolute price.
 - Price change.
 - Affordability.
 - Change in affordability
- Prices for alcoholic beverages in the US (and most countries around the world) are low and products are generally affordable.

Tax

- One of the main reason that prices are generally low is because taxes are low on alcoholic beverages.
- Just as with tobacco, we know that when you raise excise taxes sufficiently, producers will (eventually) increase the price of their products.

Consumers are responsive to price

- Though there is wider variation with alcohol, the price elasticity of demand for alcoholic beverages is very close to that for cigarettes on average.
- The typical range of own price elasticity: -0.5 to -0.8.
 - There is some evidence that consumers are somewhat more sensitive to prices on spirits.

Does this “work” for everyone?

- Heavy drinkers?
- Heavy episodic drinkers?

What about young people?

- Some evidence that price increases can at very least delay initiation.

Revenue

- Why treasury departments (and others!) like taxing inelastic unhealthy goods...
 - The decrease in consumption is proportionally smaller than the increase in tax.
 - You can reap the rewards of less consumption of the unhealthy good (lower health costs and higher economic productivity) and generate more revenue.

Alcohol industry

- Like the tobacco industry, the alcohol industry despises excise taxes.
 - In short, it's existential.
- And they trot out the same tired **myths** about taxation of unhealthy products:
 - Hurts employment.
 - Causes revenue loss.
 - Is regressive.
 - Causes people to shift to unrecorded (including illicit) products.

Concluding remarks

- There are a lot of similarities between tobacco taxation and alcohol taxation.
- We have been able to apply a lot of the knowledge we've obtained from tobacco to alcohol
- However, it is important to be very careful because some of the differences, including both structural and behavioral ones, have significant implications for successfully using alcohol taxation as a fiscal and public health tool.
- We need to build the evidence base more for alcohol.



**Economics
For Health**

Healthier People.
Stronger Economies.

Thank you!

Stay Connected

Economics for Health

- Email: jdrope@jhu.edu
- Website: www.EconomicsforHealth.org
- X: [@EconforHealth](https://twitter.com/EconforHealth)
- LinkedIn: Economics for Health
- Facebook: Economics for Health
- Email: economicsforhealth@jh.edu