

# Taxation on cigarette smoking



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In the following paper you will be able to see who is likely to be more affected by tax increases on cigarettes: all adults or young adults. You will also be able to see how we can reduce the effects of cancer by reducing the cost of other tobacco products. You will also see long term elasticity of demand for cigarette smoking and what does this mean for the likely impact of taxes on long-term cigarette use and do you think taxing can be effective in decreasing the use of alcohol? Explain your answer using economic theory

The people that are mostly affected by the increases in tax on cigarettes according to Frank J. Chaloupka would be the youth and Adults. The single most consistent finding of many econometric studies of the issue of cigarettes price being increased would lead to a drop in smoking. The ten percent increase in cigarettes price would overall drop the consumption of cigarettes sales by five percent. (Chaloupka, p. 3) By increasing the price in cigarettes it would most likely affect the youth and young adults do to the price increase. According to Study in 1996 by Chaloupka and Grossman they confirmed the earlier studies that they are three times as sensitive to the price increase than the adults (Chaloupka, p. 4) because they don't have money like adults would have. Overall with the tax increase we will see a decrease in overall sales of cigarettes.

To have the great effect on reducing cancer from the use of tobacco use we should tax Efforts to prevent the onset or continuance of tobacco use face the pervasive, countervailing influence of tobacco promotion by the tobacco industry, a promotion that takes place despite overwhelming evidence of adverse health effects from tobacco use. This approach is to reduce tobacco use in, educational, clinical, regulatory, economic, and

comprehensive-differ substantially in their techniques and in the metric by which success can be measured upon everyone. A hierarchy of effectiveness is difficult to construct. Approaches with the largest span of impact (economic, regulatory, and comprehensive) are likely to have the greatest long-term, population impact. Those with a smaller span of impact (educational and clinical) are of greater importance in helping individuals resist or abandon the use of tobacco. Each of the modalities reviewed provides evidence of effectiveness. Educational strategies, conducted in conjunction with community- and media-based activities, can postpone or prevent smoking onset in 20 to 40 percent of adolescents (Reducing Tobacco Use, A Report of the Surgeon General-2000, p. 2) Pharmacologic treatment of nicotine addiction, combined with behavioral support, will enable 20 to 25 percent of users to remain abstinent at one year post treatment. Even less intense measures, such as physicians advising their patients to quit smoking, can produce cessation proportions of 5 to 10 percent. Regulation of advertising and promotion, particularly if directed at young people, is very likely to reduce both prevalence and uptake of tobacco use in the world. Clean air regulations and restriction of minors to use tobacco products contribute to a changing social norm with regard to smoking and may influence prevalence directly. An optimal level of excise taxation on tobacco products will reduce the prevalence of smoking, the consumption of tobacco, and the long-term health consequences of tobacco use. The impact of these various efforts, as measured with a variety of techniques, is likely to be underestimated because of the synergistic effect of these modalities. The potential for combined effects underscores the need for comprehensive approaches' State tobacco control programs, funded by excise taxes on

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tobacco products and settlements with the tobacco industry. After a discussion of cigarette smoking in the context of the Becker- Murphy (1988) model of rational addictive behavior, demand equations are derived accounting for the tolerance, reinforcement, and withdrawal characteristic of addictive consumption. These are contrasted to equations developed under the competing hypotheses that smoking is not addictive or that cigarettes are addictive but individuals behave myopically. The demand equations are estimated using adults interviewed as part of the Second National Health and Nutrition Examination Survey. Estimates support the assumptions that cigarette smoking is an addictive behavior and that individuals do not behave myopically. Long run price elasticities of demand fall in the range from -0.38 to -0.27. (Chaloupka, n. d., p. 1) These estimates suggest that increased excise taxation would be an effective way of reducing cigarette smoking. Estimates for samples of current and ever smokers indicate that price increases would lead to lower cigarette consumption among both groups. Finally, the Becker-Murphy model's implications concerning the rate of time preference and addictive consumption are tested by estimating the demand for cigarettes separately using samples based on age or education. Less educated and younger individuals are found to behave much more myopically than their more educated or older counterparts. Additionally, more addicted (myopic) individuals are found to be more responsive, in the long run, to changes in price than less addicted (myopic) individuals.

Objective: To examine tobacco company documents to determine what the companies knew about the impact of cigarette prices on smoking among youth, young adults, and adults, and to evaluate how this understanding affected their pricing and price related marketing strategies. Methods: Data

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for this study come from tobacco industry documents contained in the Youth and Marketing database created by the Roswell Park Cancer Institute. (“”, p. 1) Tobacco company documents provide clear evidence on the impact of cigarette prices on cigarette smoking, describing how tax related and other price increases lead to significant reductions in smoking, particularly among young persons. This information was very important in developing the industry’s pricing strategies, including the development of lower price branded generics and the pass through of cigarette excise tax increases, and in developing a variety of price related marketing efforts, including multi-pack discounts, couponing, and others. Conclusions: Pricing and price related promotions are among the most important marketing tools employed by tobacco companies. Future tobacco control efforts that aim to raise prices and limit price related marketing efforts are likely to be important in achieving reductions in tobacco use and the public health toll caused by tobacco. A number of public health and economic studies have concluded that alcohol availability is related to high-risk and illegal drinking and associated negative consequences. The theory is that increased alcohol availability leads to increased adverse consequences. Therefore, strategies that limit availability, such as enforcing the minimum legal drinking age, imposing restrictions on where and when alcohol can be served or sold, and increasing the price of alcoholic beverages, should lead to reductions in negative consequences (e. g., impaired driving, alcohol-related interpersonal violence, vandalism, and low grades due to heavy drinking). Alcohol is a price-sensitive product, especially for young people. That means that increasing the cost of alcohol can be an effective strategy to consider as part of a comprehensive approach to reducing alcohol-related problems on

campuses and in surrounding communities. Some tools for increasing alcohol prices are:

Eliminating low-price drink specials and happy hours

Imposing local fees on alcohol retailers to support increased liquor law enforcement

Indexing state and federal alcohol excise tax rates to account for inflation over time

Recent research supports increasing alcohol prices as a way to decrease availability. A new study by researchers at the University of Florida analyzed more than 100 studies conducted over 40 years on the tax/price relationship to alcohol consumption. Data from the study, “ Effects of Beverage Alcohol Price and Tax Levels on Drinking: A Meta-analysis of 1003 Estimates from 112 Studies,” published in the journal *Addiction* (Feb. 2009) by Alex Wagenaar and colleagues, show alcohol prices and taxes are inversely related to drinking – the higher the price of alcohol, the less people drink. This extensive review of the literature also showed that the preventative effects of increasing the cost of alcohol are large compared to other alcohol prevention policies and programs. The authors conclude that public policies that raise prices of alcohol are an effective means to reduce drinking. Raising alcohol excise taxes is one way to increase the price of alcoholic beverages. Taxes on alcohol have not kept up with inflation, and increases are long-overdue in many states. Monies gained through higher excise taxes not only limit availability, but also give states revenue to fight the harmful effects of alcohol abuse. According to Phillip J. Cook, professor of public health policy <https://assignbuster.com/taxation-on-cigarette-smoking/>

and economics at Duke University and author of *Paying the Tab: The Costs and Benefits of Alcohol Control*, alcohol taxes unequivocally promote public health and safety. In 2008, Cook states that, “ of all the alcohol control measures, taxes have unique advantages. They help curtail alcohol abuse and its consequences without a direct restriction on freedom of choice.

([http://www. higheredcenter. org/](http://www.higheredcenter.org/))They can be set high or low or anywhere in between, providing the possibility of a calibrated response to the costs of alcohol related problems. And, rather than competing for resources with other governmental priorities, alcohol taxes enhance public revenues.”

Limiting the availability of alcohol to students is an effective component of an environmental management approach to prevention at colleges and universities. There are steps campuses can take with community and state-level partners to increase the price of alcohol as a means of limiting availability. Locally, campus prevention professionals and administrators can work with bar and tavern owners to eliminate low-price drink specials. At the state level, campus and community coalitions can work together to advocate for increased alcohol taxes and prices.

As you can see in the paper by taxing we can decrease sales of tobacco and alcohol. If we want to impact the way of like we need to tax everything that is ad for you. I think that the we should tax it by 20% that would real change how much people perches.

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