

Economics of Global Tobacco Control

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Slide 1:

Text: Economics of Global Tobacco Control
Kenneth E. Warner, University of Michigan School of Public Health
Presented to the Interagency Committee on Smoking and Health, "Addressing the Global Tobacco Epidemic", Washington, April 13, 2005

Slide 2:

Text: Principal source: World Bank report,
Curbing the Epidemic: Governments and the Economics of Tobacco Control
(1999)

Slide 3:

Text: Disclosure

- Consultant to World Bank on work that led to publication of *Curbing the Epidemic* (1997-99)
- World Bank's representative to 4 of the 6 negotiating sessions on the Framework Convention on Tobacco Control (2001-02)

Slide 4:

Text: Coverage

1. Role of tobacco in global economy

Slide 5:

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1. Role of tobacco in global economy
2. **Role of tobacco in individual countries**

Slide 6:

Text: Coverage

1. Role of tobacco in global economy
2. Role of tobacco in individual countries
3. **Global "net value" of tobacco**

Slide 7:

Text: Coverage

1. Role of tobacco in global economy
2. Role of tobacco in individual countries
3. Global "net value" of tobacco
4. **Methods of reducing tobacco consumption**
 - a. **Supply restrictions**
 - b. **Demand restrictions**

Slide 8:

Text: Coverage

1. Role of tobacco in global economy
2. Role of tobacco in individual countries
3. Global “net value” of tobacco
4. Methods of reducing tobacco consumption
 - a. Supply restrictions
 - b. Demand restrictions
5. **Projected toll of tobacco, with and without (additional) tobacco control**

Slide 9:

Text: Role of tobacco in global economy

- ≈ 33 million people in tobacco farming worldwide
 - *Includes seasonal workers, part-time workers, family members of farmers, & farmers who grow other crops*
 - *Of total, approx. 15 million in China*

Slide 10:

Text: Role of tobacco in global economy

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- **In most countries, tobacco manufacturing < 1% of total manufacturing employment**

Slide 11:

Text: Role of tobacco in global economy

- ≈ 33 million people in tobacco farming worldwide
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 - *Of total, approx. 15 million in China*
- In most countries, tobacco manufacturing < 1% of total manufacturing employment
- **Importance of distinguishing economic presence of tobacco from dependence on tobacco [*Industry’s economic argument*]**

Slide 12:

Text: Role of tobacco in individual countries: Leading tobacco leaf producers [*thousands of metric tons, 2001*]

China	2,661
India	701
Brazil	568
USA	450
Turkey	260

Zimbabwe	175
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Slide 13:

Text: Leading tobacco leaf exporters [*thousands of metric tons, 1999*]

Brazil	343
USA	191
Zimbabwe	164
China	132
Turkey	129
India	120

Slide 14:

Text: Leading cigarette manufacturers [*billions of cigarettes*]

China	1,749
USA	717
Russian Fed.	293
Japan	265
Germany	206
Indonesia	190

Slide 15:

Text: Leading cigarette exporters [*billions of cigarettes*]

USA	148
Turkey	111
Netherlands	102
Germany	91
Singapore	59
China	42

Slide 16:

Text: Role of tobacco in individual countries: Burden of declining consumption/production

- Most countries are net (or full) importers of tobacco
 - Reductions in tobacco spending aid their economies
- Two countries are especially dependent on tobacco leaf exports: Zimbabwe and Malawi

Slide 17:

Text: Global “net value” of tobacco

Net drain on world economy, reflecting health and productivity costs

Recall lack of net contribution of tobacco *per se* (i.e., substitutes would produce comparable economic value)

Slide 18:

Text: Real cost of reduction in tobacco economy

- Industry-projected job losses not real [gross vs. net job loss]
- Real cost = transition costs

Slide 19:

Text: Methods of reducing tobacco consumption

- Supply restrictions
- Demand restrictions

Slide 20:

Text: Supply restrictions

1. Prohibition of production and sale of tobacco products [Bhutan]
2. Restriction on sales to youth
3. Crop substitution and diversification
4. Price support/subsidy/allotment policies
5. Restrictions on international trade
6. Combating smuggling

Slide 21:

Text: Demand restrictions

1. Cigarette taxation
2. Consumer information [e.g., school health education; media anti-smoking campaigns]
3. Advertising/promotion restrictions/bans
4. Restrictions on smoking in public places and workplaces

Slide 22:

Text: Cigarette taxation

Tax increases → price increases → demand reduction

10% increase in price →

- 4% decrease in quantity demanded in developed countries
- 8% decrease in quantity demanded in developing countries

Slide 23:

Text: Real cigarette prices & per capita consumption United States, 1970–2000

Graphic:

Line Graph

**Cigarettes per capita
Consumption**

1970—2500

1975—2850

1980—2800

1985—2550

1990—2090

1995—1850

2000—1550

Price (1982/84 cents)

Price

1970—95

1975—82

1980—74

1985—90

1990—114

1995—118

2000—170

Slide 24:

Text: Cigarette taxation (cont'd.)

Sustained 10% increase in real price of cigarettes in all regions of the world would cause...

40 million smokers to quit (and others not to start)

10 million premature deaths avoided

9 million of them in developing countries!

Slide 25:

Text: Cigarette taxation (cont'd.)

Increasing cigarette taxes inevitably leads to revenue increases, generally large

Slide 26:

Text: Federal cigarette tax rate & cigarette tax revenue in the US

1960-2000

Graphics:

Line Graph

Real cigarette tax rate per pack (1982/84 cents)

Cigarette tax rate

Real cigarette tax revenue (billions of 1982/84 \$)

1960—0.27

1962—0.26

1964—0.25

1966—0.24

1968—0.23

1970—0.21

1972—0.19

1974—0.16

1976—0.14

1978—0.12

1980—0.09

1982—0.08

1984—0.15

1986—0.14

1988—0.13

1990—0.12

1992—0.14

1994—0.16
1996—0.15
1998—0.14
2000—0.19

Cigarette tax revenue

1960—6.3
1962—6.5
1964—6.4
1966—6.2
1968—5.9
1970—5.2
1972—5.1
1974—4.8
1976—4.3
1978—3.6
1980—3.2
1982—2.6
1984—4.6
1986—4.0
1988—3.8
1990—3.1
1992—3.6
1994—3.8
1996—3.6
1998—3.4
2000—3.5

Slide 27:

Text: Consumer information

- School health education
Evidence indicates little effect unless best-practice programs implemented, with “boosters” throughout secondary school [Lantz et al. 2000]
- Antismoking media campaigns
Large, sustained, professionally-designed campaigns effective [e.g., “truth” (Farrelly et al. 2005)]

Slide 28:

Text: Advertising/promotion restrictions/bans

- Restrictions/partial bans
Limited impact; industry substitutes alternative venues for advertising, novel promotional techniques
- Complete ban on all forms of advertising and promotion
Approx. 6% decrease in demand for cigarettes [Saffer and Chaloupka 2000]

Slide 29:

Text: Restrictions on smoking in public places and workplaces
Associated with decreases in smoking

Smoke-free workplaces estimated to be equivalent to large tax increase re
reducing smoking

- *If all workplaces in United States became smoke-free, consumption ↓ 4.5% per capita [Fichtenberg and Glantz 2002]*

Slide 30:

Text: Toll of tobacco, with and without (additional) tobacco control

- Without additional tobacco control, 450 million deaths 2000-2050
 - By 2030, 70% in developing countries
- With initiation and adult consumption ↓ 50%, 210 million premature smoking-produced deaths avoided
 - Each gains 15–25 years of life

Slide 31:

Text: Bottom line (and conclusion)
Well-designed tobacco control is...

Slide 32:

Text: Bottom line (and conclusion)
Well-designed tobacco control is...

- effective

Slide 33:

Text: Bottom line (and conclusion)
Well-designed tobacco control is...

- effective
- **cost-effective**

Slide 34:

Text: Bottom line (and conclusion)
Well-designed tobacco control is...

- effective
- cost-effective
- **possibly cost-saving**

Slide 35:

Text: Bottom line (and conclusion)
Well-designed tobacco control is...

- effective
- cost-effective
- possibly cost-saving
- **definitely humane**