Promoting Health Through Tobacco Taxation

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TAXING TOBACCO HAS BEEN A LONG-STANDING CONTRIBUTOR TO GOVERNMENT REVENUES. Tobacco excise taxes were first proposed by Alexander Hamilton in 1794 but not effectively implemented until the 1860s. By 1880, tax on tobacco accounted for 31% of total federal tax receipts. In addition to revenue generation, tobacco taxation has proved an effective policy measure to reduce tobacco consumption in many countries (eg, the United States, Australia, the United Kingdom, South Africa). In 2010, in the context of world leaders (especially in Japan, China, and the United States) contemplating or enacting legislation regarding excise tax increases on tobacco products, it is important to consider the broader determinants of promoting health through taxation.

As a result of the fairly rapid effects of tax increases, most tobacco control leaders consider this approach an independently effective intervention. Even though tax increases are effective and desirable, sustained success in tobacco control requires multifaceted efforts. Instituting and maintaining policy interventions, such as increasing tobacco taxes, require a receptive population and willing legislators, and such policy measures are futile without enforcement. These are important considerations as tobacco control efforts are increasingly being directed toward low- and middle-income countries.

Implementing effective tobacco taxation is limited by factors that vary between countries and cultures. These include but are not limited to consumer disposable income; availability of less-taxed tobacco products (eg, bidis in India); counterfeit, smuggled, and low-cost tobacco products; cross-border sales; conflicts of interest for policy makers (particularly in countries with a tobacco industry) between generating revenue and protecting the health of citizens; and the addictiveness of tobacco products. Taxation must be adequately instituted such that all tobacco products are taxed. Taxes should also be sufficiently high and regularly increased such that the retail price passed on to consumers is adequately burdensome to discourage tobacco use. If the costs of increased tobacco taxes are not passed on to the consumer at the point of purchase, then tax increases are ineffective. This scenario is apparent in China, where tobacco manufacturers and tax collectors deposit revenues in the same coffer.

Nonprice regulatory and informational measures enhance the effectiveness of taxation as a public health intervention. Tobacco use is motivated and maintained by lack of awareness of risks; biological, psychological, and social elements; and industry marketing and promotion. A set of policy measures that empower individuals to make informed choices about tobacco use and discourage such use in public places and among youngsters may therefore counter the determinants of tobacco use that taxation alone cannot influence.

Dissemination of information, such as publicizing the initial influential scientific reports that identified the harmful effects of tobacco, resulted in immediate 4% to 9% reductions in smoking prevalence in high-income countries. Smoking trends over the past half century further suggest alignment between levels of news media coverage of tobacco and health and rates of smoking cessation, accentuating the importance of consistent advocacy and propagation of the public health message. For example, highly publicized litigation against the tobacco industry in the United States in the 1990s served to reinforce the effects of waning awareness levels. Warnings on tobacco product packaging seek to have similar consistent, graphic educational value.

Smoke-free environments have been shown to be effective in reducing exposure to smoke and even increased cessation among smokers in high-income countries. Empowerment of nonsmokers remains the mainstay of instituting and sustaining smoke-free environments. Recognizing this, the World Health Organization (WHO) advocates preparing businesses and the public through educational campaigns before smoke-free regulations are used. Comprehensive bans on tobacco advertising and promotion, and even counter-advertising, seek to diminish the widespread acceptability of tobacco in society and have been shown to independently reduce demand for tobacco products.

The WHO Monitoring Trends in Cardiovascular Diseases (MONICA) project showed that reductions in to-

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bacco consumption were greatest in countries where comprehensive measures were adopted (extensive mass media public awareness campaigns, smoke-free policies, antismoking advocacy, regulations on promotion of tobacco products, and taxes). Implementing a combination of measures to evoke strong antismoking public sentiment promotes a milieu where robust tobacco taxation and control policies will be adopted more willingly and have the desired effects.7,8

Integrating context-specific strategies also encourages greater public approval for policy approaches that include taxation. Australia’s antitobacco crusade has a long history of health warning and broadcast media campaigns in the 1970s, but the most important factor in passing a comprehensive Tobacco Bill in 1987 involved an innovative initiative to use increased tobacco tax revenues to replace funding for tobacco-sponsored sporting and cultural events. Key components of this success also included carefully planned publicity and lobbying support from stakeholders (government leadership, the opposition party, and heads of various industries and ministries). Independent polls showed 47% of 1136 adults surveyed approved of 50-cents-per-pack increases in tax, and this proportion increased to 84% approval when it was proposed that revenues from this same increase be allocated to funding sporting and art events, health education, and medical research. This cleverly designed effort served to strengthen policy makers’ resolve that an antitobacco initiative was achievable and acceptable to the voting public.9

Thus, effective and comprehensive tobacco control involves a broad mixture of interventions—scientific, behavioral, educational, legal, regulatory, environmental, and economic. Such activities together encourage a social norm of nonsmoking and a change in attitude among smokers and nonsmokers alike regarding the harmful, addictive nature of smoking, that it is inappropriate to smoke in virtually all public places, and that it is wrong to encourage children to smoke. Progressively, smoking evolves into a habit associated with ignorance (or denial) of its hazards, weakness of character or willpower, and lack of courtesy and respect for others present. In short, at that stage, smoking elicits more negative attitudes than positive ones. Such a change in social norm with its accompanying shift in knowledge permits legislators to regularly increase tobacco taxes with public approval when it was proposed that revenues from this same increase be allocated to funding sporting and art events, health education, and medical research. This cleverly designed effort served to strengthen policy makers’ resolve that an antitobacco initiative was achievable and acceptable to the voting public.9

Predictably, as smoking prevalence decreases, the proportion of the population that is supportive of antitobacco policies will increase, perpetuating and strengthening this norm. Declines in smoking prevalence eventually will lead to decreased tobacco tax revenues but will also yield decreases in direct tobacco-related medical costs and indirect loss of productivity.

Progress in tobacco control can be instructive in designing interventions for other public health challenges such as the current epidemic of obesity. Complex problems such as these have multiple interconnected influences (behavioral, dietary and activity patterns; corporate practices; and societal values, motives, and circumstances) and pose major health and economic burdens. Given the intractable nature of these problems, instituting economic measures (and particularly, taxing selected foods and beverages) has been suggested as an approach.9 While these approaches may be desirable, it is not clear whether current knowledge, attitudes, and perceptions in the population support implementation of “calorie taxes” such that elected leadership is ready to take such a step, as was the case with tobacco. Voter polls in New York suggest that there is support (52%-62%) for taxing sugar-sweetened beverages and increasing alcohol taxes when given the alternative of cutting government services or raising state property or sales taxes, and this support increases by a further 12% to 20% when it is proposed that additional tax revenues could be used toward state welfare services to combat obesity and alcohol abuse.10 This suggests that an informed public would support taxation as a regulatory measure if the revenue were used to address the root causes of the problem.

More than 40 years of experience in tobacco control has shown that using multiple complementary health promotion policies and approaches, including taxation, can be effective in improving the population’s health, but doing so requires an educated public supporting and encouraging the actions of elected officials and regulators.

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