

Taxes and the tobacco wars

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Abstract

IN THIS ISSUE (see pages 187 to 191) Dr. Vivian H. Hamilton and associates demonstrate that tax reductions introduced in 5 Canadian provinces in 1994 slowed the rate of decline in cigarette consumption in those jurisdictions. Although both reductions and increases in taxation have been shown to influence tobacco consumption, changes in smoking habits must also be understood in the context of battles being waged on other fronts in the tobacco wars. In addition, more finely detailed analyses are needed to determine the impact of taxation and other factors on the smoking habits of specific subgroups of the population, particularly teenagers.

Résumé

DANS CE NUMÉRO (voir pages 187 à 191), le Dr Vivian H. Hamilton et ses collègues démontrent que les réductions de taxes mises en oeuvre dans 5 provinces du Canada en 1994 y ont ralenti la chute de la consommation de cigarettes. Cependant, même s'il a été démontré que les réductions et les augmentations des taxes ont un effet sur la consommation de produits de tabac, il faut aussi comprendre les modifications des habitudes tabagiques dans le contexte des luttes livrées sur d'autres fronts de la guerre contre le tabac. En outre, des analyses détaillées plus précises s'imposent si l'on veut déterminer l'impact des taxes et d'autres facteurs sur les habitudes tabagiques de sous-groupes particuliers de la population, notamment des adolescents.

The tobacco wars have raged on many fronts for many years, and attempts to control the use of cigarettes and other tobacco products have met with notable successes and failures. In Canada, the fiercest battles in recent years have centred on clean-air bylaws, restrictions on advertising and increased rates of smoking among young people. Wide fluctuations in tobacco taxation, together with the Supreme Court's action to loosen restrictions on advertising in the name of free speech, triggered a barrage of initiatives by the federal and some provincial governments in the hope of offsetting the effects of reduced taxes and anticipated increases in advertising. Although the analysis provided in this issue by Dr. Vivian H. Hamilton and associates (see pages 187 to 191) tells an important part of the story, the effect of lower taxes on the smoking habits of Canadians must be understood in the broader context of the battles being waged on these other fronts. It must also be understood in finer detail than the broad population averages shown in their analysis.

The fluctuations and disparities in taxation chronicled by Hamilton and associates occurred across provinces within a short period. Earlier fluctuations, as well as disparities between provinces and neighbouring states along the US-Canadian border, offer additional perspectives (albeit limited outcome data) that help to round out the story. In Canada between 1980 and 1991 federal and provincial cigarette taxes increased on average from 46¢ to \$3.72. During the same period cigarette sales fell by 39.0%,¹ contributing to a rate of decline in tobacco consumption that was 30.0% greater than the corresponding US rate.² When real disposable income is held constant, per capita cigarette consumption tends to fall by 0.5% for every 1.0% increase in price.³

Hamilton and associates demonstrate a similar effect in reverse: a tax reduction that resulted in increased rates of smoking. However, this effect was not of the same magnitude as the documented effects of increased taxes on tobacco sales and con-



Editorial

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This article has been peer reviewed.

Can Med Assoc J 1997;156(2): 205-6.



sumption.⁴ Although the tax reductions of 1994 were intended to curb the overt trade in black-market cigarettes, their impact on smoking habits may have been tempered to some degree by the continuing availability of smuggled, tax-free cigarettes. The point to be considered in extrapolating from these results is that the modest effects observed by Hamilton and associates might have been greater in jurisdictions with less porous borders or greater parity in taxation with neighbouring jurisdictions. We can only speculate on this effect, because tax inequities and porous borders characterize all the nations, provinces and states from which data can be produced.

California, Massachusetts and the Australian state of Victoria, like the Canadian provinces at an earlier date, have experienced sudden increases in cigarette taxes.⁵⁻¹¹ All have had success with tobacco-control programs funded by the resulting revenue. To take the case of California, rates of tobacco consumption fell precipitously in that state in 1988 after the tax on a package of cigarettes was increased from 10¢ to 35¢.⁵ An extensive evaluation of the California Tobacco Control Program attributed this decline in part to the financial shock of the tax increase for many smokers.⁶ Without increasing taxes further, the California program maintained an accelerated rate of tobacco control compared with national trends. Within California, the rate of decline in cigarette sales in the 2 years after the tax increase was more than double the rate in the 2 years preceding the tax increase.⁶ More homes became smoke free, and Californian children enjoyed a 6.2% increase in protection against exposure to environmental tobacco smoke.⁷ Adults benefited from even greater decreases in exposure to tobacco smoke in indoor workplaces.⁷ One may assume that Canadians enjoyed similar benefits from reduced rates of smoking as a result of tax increases introduced before 1994.

Overall, tobacco consumption has decreased more rapidly in California than in the rest of the United States and is still declining. However, this decline has occurred mainly in the adult population. Rates of smoking among teenagers are up, as in the rest of the United States.⁸ This brings us to another part of the story that is not told by Hamilton and associates' research. Their study aggregates data for all survey respondents (Canadians aged 15 years and over not living in institutions) for the "tax-reduction" and "no-tax-reduction" provinces. Specific age groups affected by reduced taxes in combination with increased advertising cannot be known from their analysis, valuable as it is. What makes this question most important is that tobacco taxes are generally expected to have the greatest impact on teenagers, who are less flexible than adults in the amount they can pay for cigarettes.⁹ Increased rates of smoking among teenagers across North America make the question of the impact of taxation and other strategies on this population group all the more urgent.

The secular trend downward in adult smoking appears to have had such momentum that the 1994 tax cuts could only modestly, although significantly, decelerate it. Maintaining the decline in rates of smoking among adults in the face of the tax cuts may have owed something to the more than 200 grants, worth a total of \$23.8 million, awarded by Health Canada from the Health Promotion Fund for community smoking prevention projects. However, after a decade of declining rates of smoking among teenagers, the rates in this age group across North America began to increase shortly before the 1994 tax cuts in Canada.¹⁰ We can only speculate that the increase in teenage smoking continued after the tax cuts, even though a fair proportion of the Health Promotion Fund grants were allocated to projects directed at this age group. Rates of smoking among teenagers may in fact have accelerated by at least the amount of deceleration in rates among adults. Provinces must take a longer and wider view of the costs and benefits of tobacco taxation policies and of how revenues of tobacco taxation are used.¹¹

Hamilton and associates have clearly demonstrated the negative impact of tobacco tax cuts on the smoking habits of Canadians. The trends they observe, however, were also influenced by other battles being waged in the tobacco wars before and during that fateful period in Canadian public health.

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