

# The Economics of Tobacco and Tobacco Control

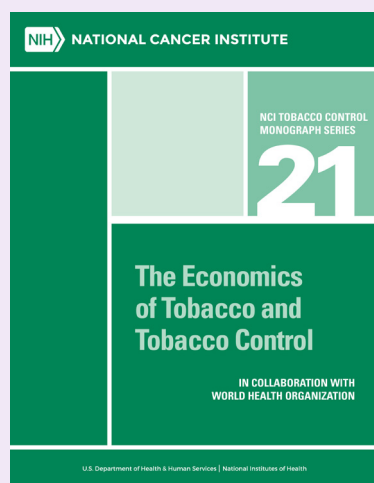
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**Tobacco use remains one of the world's leading causes of preventable premature death, including death from cancer.** Globally, there are 1.1 billion tobacco smokers age 15 or older, and tobacco use burdens economies with more than US\$ 1 trillion in health care costs and lost productivity annually. Although there are effective, evidence-based interventions to reduce tobacco use and related morbidity and mortality, these are not yet utilized to their full potential. This monograph:

- Presents extensive new evidence from low- and middle-income countries (LMICs) and highlights the unique challenges of implementing tobacco control measures in LMICs
- Examines global tobacco control efforts since the 2003 adoption and 2005 entry into force of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC)
- Discusses new infrastructure issues ranging from privatization to trade liberalization and evolving trends in tobacco use and the tobacco product market.

**Above all, the research summarized in this monograph confirms that evidence-based tobacco control interventions make sense from an economic as well as a public health standpoint.**



## Monograph Topics

- Patterns of tobacco use by time, region, and country income group
- The economic costs of tobacco use, including health care costs and lost productivity
- The impact of tax and price on demand for tobacco products
- Design and administration of taxes on tobacco products
- The cost-effectiveness of smoking cessation interventions
- The impact of tobacco industry marketing on tobacco use
- The effectiveness of warning labels and mass media campaigns to reduce demand
- Tobacco growing and the global tobacco leaf market
- Tobacco product manufacturing and regulation
- Policies limiting youth access to tobacco products
- Privatization and foreign direct investment in tobacco manufacturing
- The potential impact of trade liberalization on cigarette consumption
- Tobacco control and employment
- Tobacco use, poverty, and development

## Major Conclusions:

### 1. The global health and economic burden of tobacco use is enormous and is increasingly borne by low- and middle-income countries.

Around 80% of the world's smokers live in LMICs. Tobacco use accounts for about 6 million deaths annually, and is projected to increase to about 8 million annually by 2030, with more than 80% of these occurring in LMICs.

### 2. Failures in the markets for tobacco products provide an economic rationale for governments to intervene in these markets.

Market failures include the public's imperfect knowledge of the health and economic consequences of tobacco use, the asymmetric nature of the available information and the impact of tobacco use on nonusers, including the

adverse consequences of secondhand smoke exposure and the costs to the public of treating disease caused by tobacco use.

### 3. Effective policy and programmatic interventions are available to reduce the demand for tobacco products and the death, disease, and economic costs that result from their use, but these interventions are underutilized.

The WHO FCTC and its implementation guidelines provide an evidence-based framework for governmental action to reduce tobacco use. Application of the most effective interventions would reduce demand for tobacco products and would lead to significant reductions in the prevalence of tobacco use and in the resulting death, disease, and economic costs.

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#### **4. Policies and programs that work to reduce the demand for tobacco products are highly cost-effective.**

Cost-effective tobacco control interventions include significant tobacco tax and price increases, comprehensive bans on tobacco industry marketing activities, prominent pictorial health warning labels, smoke-free policies and population wide tobacco cessation programs. In 2013-2014, global tobacco excise taxes generated nearly US\$ 269 billion in government revenues yet governments spent less than US\$ 1 billion on tobacco control.

#### **5. Control of illicit trade in tobacco products, now the subject of its own international treaty, is the key supply-side policy to reduce tobacco use and its health and economic consequences.**

There is broad agreement that control of illicit trade will benefit tobacco control and public health and result in broader benefits for governments. In many countries, factors such as high levels of corruption, lack of commitment to addressing illicit trade, and ineffective customs and tax administration have an equal or greater role in explaining tax evasion than do product tax and price differentials.

The Protocol to Eliminate Illicit Trade in Tobacco Products applies tools such as an international tracking and tracing system to secure the tobacco supply chain. Experience from many countries demonstrates that illicit trade can be successfully addressed, even when tobacco taxes and prices are raised, resulting in increased tax revenues and reduced tobacco use.

#### **6. The market power of tobacco companies has increased in recent years, creating new challenges for tobacco control efforts.**

The global tobacco market has become increasingly concentrated over the last 25 years, driven by the same forces that contributed to globalization in other industries. As of 2014, five tobacco companies (four multinational tobacco companies and one state-owned company) accounted for 85% of the global cigarette market.

#### **7. Tobacco control does not harm economies.**

The number of jobs dependent on tobacco has been falling in most countries, largely due to technological innovation, privatization of formerly state-owned manufacturing, and globalization. For the vast majority of countries, tobacco control measures will have only a modest impact on tobacco-related employment and will not lead to net job losses. For the few countries particularly dependent on tobacco growing and tobacco leaf exports, job losses due to global tobacco control efforts are likely to be gradual, predictable, and far enough in the future to have little effect on the current generation of tobacco farmers, and programs could be implemented that help tobacco farmers make the transition to alternative livelihoods. Evidence from high-income countries (HICs) and LMICs shows that smoke-free policies do not adversely affect the hospitality sector.

#### **8. Tobacco control reduces the disproportionate burden that tobacco use imposes on the poor.**

In the United States and around the world, tobacco use is increasingly concentrated among the poor and other vulnerable groups, and accounts for a significant share of the health disparities between rich and poor. Tobacco use also contributes to poverty, itself a risk factor for poor health. Research demonstrates that tobacco control interventions lead to broad reductions in tobacco use and can also contribute to reducing health disparities.

#### **9. Progress is now being made in controlling the global tobacco epidemic, but concerted efforts will be required to ensure that progress is maintained or accelerated.**

In HICs, progress in tobacco control has been ongoing over several decades; in LMICs, progress has been more recent and has sometimes been more rapid. To maintain and accelerate progress will require continued research and surveillance, implementation of evidence-based tobacco control strategies, and vigilant monitoring of the tobacco industry's ongoing efforts to promote tobacco use and undermine tobacco control.

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**To download the executive summary or the full monograph, visit  
<http://cancercontrol.cancer.gov/brp/tcrb/monographs/21/index.html>.**

#### **About Monograph Development and the NCI Monograph Series**

This monograph is the 21st volume in the series of monographs on tobacco control produced by the National Cancer Institute (NCI) of the National Institutes of Health, an agency of the U.S. Department of Health and Human Services. This monograph was developed by the NCI in collaboration with the World Health Organization, with scientific leadership from Frank J. Chaloupka, Ph.D., Geoffrey T. Fong, Ph.D., and Ayda Aysun Yürekli, Ph.D. This ambitious effort included contributions from more than 60 leaders in the field and was peer-reviewed by more than 70 scientific experts.

All NCI Tobacco Control Monographs are available at: <http://cancercontrol.cancer.gov/brp/tcrb/monographs/>.