



A Policy Research Partnership
to Reduce Youth Substance Use



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**HIGHER CIGARETTE PRICES
KEEP KIDS FROM STARTING TO SMOKE**

Long Term Study Offers Conclusive Evidence That Excise Taxes Work

Washington D.C. – With a number of state legislatures now debating whether to raise cigarette excise taxes, a new national study offers the strongest evidence yet that higher cigarette prices can keep teenagers from starting to smoke. The findings, from a long-term study of 8th and 10th grade students conducted by researchers at two leading universities, show that raising tobacco prices can prevent kids from moving from experimenting with cigarettes to becoming regular smokers.

The results “clearly show that the price of cigarettes has an important effect on how many kids start smoking,” says study lead-author John A. Tauras, Ph.D., an economist at the University of Illinois at Chicago (UIC). “The fundamental laws of economics do apply here. Increasing the price of cigarettes will decrease the number of adolescents who start smoking,” he adds. “Given that 90 percent of smokers start before they are 18, a hike in excise taxes appears to be an effective measure to keep them from taking up cigarettes in the first place,” he says.

“This study is the best evidence we’ve had on the effect of excise taxes,” says UIC economics professor Frank Chaloupka, Ph.D., who directs the ImpacTeen project, a policy research partnership to reduce youth substance abuse. “While other studies have shown a relationship between price and consumption, this is the first to definitely show how raising cigarette prices will decrease youth smoking initiation,” he says. “The findings make clear that if you want to keep kids from smoking then raise excise taxes,” Chaloupka adds.

Tauras conducted the study with Patrick M. O’Malley, Ph.D., and Lloyd D. Johnston, Ph.D., both with the University of Michigan’s Institute for Social Research. This study is part of the Bridging the Gap initiative, a five-year project to improve understanding of how policies and other environmental factors

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influence youth substance abuse. The project is funded by The Robert Wood Johnson Foundation, the nation's largest health philanthropy organization devoted to health and health care. The youth smoking data were collected by the Monitoring the Future project, funded by the National Institute on Drug Abuse.

Until the Bridging the Gap study, the economic literature on adolescent cigarette demand was conflicting. A number of previous studies have concluded that higher cigarette prices will decrease the number of teenage smokers and decrease the average number of cigarettes smoked by smokers. However, few previous studies have explicitly examined the effect of prices on smoking initiation. These previous studies produced mixed evidence on the effects of cigarette price on youth and young adult smoking onset.

The study by Tauras and colleagues is significant because it addresses the limitations of the previous studies and examines adolescents' smoking behavior over time. It also is the first study of its kind to examine the determinants of smoking initiation among teenagers during the 1990s, when there was a rapid rise in smoking. The authors looked at the effect that cigarette prices, youth access laws, and other socio-demographic factors have on youths' decisions to start smoking. The data were taken from a national longitudinal survey of 8th and 10th graders enrolled in 1991, 1992 and 1993, conducted by the University of Michigan as part of the Monitoring the Future project. In each of those three years, 2,000 8th graders and 2,000 10th graders were selected to be followed-up via mail surveys. Up to three follow-up surveys were conducted at two-year intervals for both groups.

The authors found that a 10-percent increase in the price of cigarettes will decrease the probability of an adolescent starting smoking between 3 percent and 10 percent depending on what type of initiation was looked at. There were three basic measures examined – initiation of any smoking (including experimentation), initiation of daily smoking, and initiation of smoking at least one-half a pack per day. Price was found to have the largest impact on stemming the initiation of daily smoking among youths.

The Campaign for Tobacco Free Kids reports that some 3,000 teenagers become regular smokers every day; and about one-third of these kids will eventually die from tobacco-related illness.

All 50 states and the District of Columbia now impose excise taxes on cigarettes, ranging from 2.5 cents per pack in Virginia to \$1.11 per pack in New York. But many states haven't raised excise taxes in some years. The Campaign for Tobacco Free Kids reports that 36 states have not raised cigarette taxes for at least five years, 17 haven't raised them for at least a decade, and six haven't raised them in at least 20 years. States that have recently done so, such as New York and California, have seen tax revenues increase while consumption has dropped.

Currently, a number of state legislatures are pushing for excise tax increases, including IN, NE, IL, and TN. One of the biggest battles is playing out in New England, where the ad-hoc Alliance for a Healthy New England formed last fall. The Alliance is the country's first multi-state campaign to raise tobacco taxes. The group is pressing for a minimum tax increase of 50 cents in all six New England states.

Copies of the report, "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis," are available at the UIC Website under "Papers and Presentations at: www.uic.edu/orgs/impactteen.