

Active Living Research  
Conference

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**Lessons from Alcohol Taxation:  
Research and Persuasion**

Philip J. Cook  
Duke University & UMD  
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## The message

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One important instrument of alcohol policy has been neglected: tax

- *Beer and liquor are too cheap*  
*(12% lower now than a generation ago)*
- *Best solution: raise excise taxes*

# The Challenge: Making the case for alcohol tax increases

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To scientific community:

Developing strong evidence in the absence of RCTs

To policy makers and public:

Responding to intuition

Making a complete argument (fairness)

# I. Convincing the scientific community

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**Impact evaluation without RCTs**

## Logic of alcohol taxes as a public health measure

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### Higher taxes

- higher prices
- reduced consumption of ethanol
- & Reduced prevalence of excess
- Reduced morbidity and mortality (traumatic injury, organ damage)

## Solution: Reduced form quasi-experimental approach

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Goal -- estimate the causal effect of tax on alcohol-related consequences

Reduced form approach – estimate direct effect of tax on consequences

1. Good data on tax rates and mortality
2. Use evidence from changes in state tax rates. (Not the cross section pattern!)

## Old idea: States as laboratory

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*“Indeed, the forty-eight states will constitute a social science laboratory in which different ideas and methods can be tested, and the exchange of experience will be infinitely valuable for the future.” {Fosdick & Scott 1933: 150}*

30 years of quasi-experimental research on tax increases:

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Reduce alcohol sales and binge drinking

Reduce highway fatalities (stronger effect for youths)

Reduce rate of STD transmission (stronger effect for adolescents)

Reduce youth suicide rates (under age 24)

Reduce cirrhosis mortality rate

Reduce robbery and rape



## II. Persuading policymakers

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Marketing scientific consensus to public:  
requires

Addressing intuition and fairness concerns

Everyone's a behavior expert:

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Intuitive matching law: The solution should be proportional to magnitude of problem (extra 10 cents/drink seems inadequate given personal costs of alcohol abuse)

Answer: the tax matches well against the actual day-to-day choices

Answer 2: even if effect is small, may still be worthwhile

## Responding to intuition (continued)

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Intuition: “Tax will have no effect on addicts’ consumption”

Answer: a large portion of the costly consequences do not involve addicts

Answer 2: Addiction does not imply inelastic demand

## Perverse results?

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### Substitution to other substances?

Marijuana

Moonshine

Loss of jobs

## Concerns about fairness

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Why should moderate drinker have to pay this tax?

### answers

- “User fee” or “insurance premium”
- Heaviest drinkers pay most of it
- We all benefit from both tax revenues and from reduced abuse
- Taxes were much higher in the past

# Lessons for childhood obesity

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## conceptualization

Alcoholism, like obesity, is a series of small day-to-day choices

Those choices may respond to small interventions that change proximate costs and benefits

## Lessons for Childhood Obesity 2

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### Science

RCTs are gold standard.

But quasi-experimental methods can  
sometimes provide reliable findings on  
causal effects of interventions

## Lessons for childhood obesity 3

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Everyone is an expert on human behavior.  
Selling science requires that intuition be addressed

Fairness matters. It's important to work out who pays and who benefits

Be patient – remember tobacco taxes!