

# DAUGHTERS & RYAN, INC.

## Macro Issues Related to Consumption of Tobacco Products Complete Prohibition Versus Continued Availability

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### Summary of Considerations and Implications

- 1. Health Related Issues.** Health problems associated with tobacco consumption are unequivocal and represent a staggering cost to society. Many heart disorders and pulmonary diseases (e.g., emphysema, COPD) are known to be directly related to tobacco consumption. At a time when life expectancy is at its highest in the United States (77.4 years), tobacco is reportedly the cause of 440,000 deaths annually. As explained in an article from the January, 2004 issue of *The New England Journal of Medicine*, prevalence of tobacco use has been “increasingly correlated to populations that have relatively little education and low incomes”, and “mental illness and smoking have been closely linked.” Cross-correlations with other health conditions are remarkable: “smoking rates have been reported to be over 80 percent among persons who have schizophrenia, 50 to 60 percent among persons with depression, 55 to 80 percent among those with alcoholism, and 50-66 percent among those who have substance-abuse problems.” Second hand smoke is another related health issue, and has passionate debate on both sides of the issue. Clearly, some people can not be exposed to tobacco smoke for health reasons, yet exaggerated claims of exposure consequences may also be exploited by tobacco abolitionists to pursue a radical prohibitionist agenda. Reasonable interventions to reduce tobacco consumption might be designed to incrementally accomplish long term cessation goals. (An optimistic/hopeful goal may be to obtain a “gold standard” for tobacco-free schools in every county).
- 2. History, Culture and Tradition.** Tobacco has unquestionably been an important part of the history of our Nation. Many farm families justifiably believe tobacco has made a significant contribution to their heritage. The tradition of the hard working tobacco farmer is a cultural icon for the American way of life. Families deep-rooted in tobacco farm communities and culture may be confounded by the current political climate which seems to promote the demonization of tobacco products and revisionist contributions to history.
- 3. Economic Consequences.** Employment and income from farmers, leaf dealers, cutting operations, manufacturers, distributors, tobacco outlets, and general support services contribute a tangible share to the national output and economic health of our country. Multiplier effects on different entangled aspects of the economy extend contributions beyond the simple tobacco leaf.
- 4. Federal Government Source of Revenue.** Federal excise taxes on Cigarettes and OTP products raise billions of dollars for the federal government annually. This significant revenue stream, which helps fund national security, may be at risk as states usurp authority and control of tobacco regulation.

- 5. State Governments Source of Revenue.** Excise taxes, MSA payments, and sales taxes on tobacco products contribute billions of dollars to annual state budgets. For the purpose of comparison and to put state tobacco revenue in perspective, the Federal excise tax on RYO tobacco is \$1.0969 per pound while at the state level, the MSA contribution by SPM's is \$3.75/pound and state excise taxes can supply an additional \$5-\$10/ pound. (Farmers, on the other hand, receive around \$1.85 per pound). The tax component may represent as much as eighty percent of the final cost of tobacco products for some consumers. Many citizens benefit from the disproportionate tax burden on this small segment of society. High state tobacco taxes also have a dark side (black markets and related criminal activity), succinctly summarized by an article in the February, 2003 issue of *Policy Analysis*, '*Cigarette Taxes, Black Markets, and Crime Lessons from New York's 50-Year Losing Battle*'. While sharp increases in tax rates have resulted in the decline of taxed cigarette sales, data from the CDC on cigarettes shows that large tax hikes have not led to a significant decline in the number of New Yorker's who smoke. Rather than provide a hoard of new tax revenue, "a series of studies by federal, state, and city officials has found that high taxes have created a thriving illegal market for cigarettes" and "has diverted billions of dollars from legitimate businesses and government to criminals." "Perhaps worse than the diversion of money has been the crime associated with the city's illegal cigarette market. Smalltime crooks and organized crime have engaged in murder, kidnapping and armed robbery to earn and protect their illicit profits. Such crime has exposed average citizens, such as truck drivers and retail clerks to violence." The author cogently summarizes his conclusions: "The failure of New York policymakers to consider the broader effects of high cigarette taxes has been a mistake repeated across the country in the stampede to maximize tax revenue from this demonized product. Too often, policymakers do not consider these effects in the erroneous belief that people do not respond to government-created economic incentives. The negative effects of high cigarette taxes in New York provide a cautionary tale that excessive tax rates have serious consequences - even for such a politically unpopular product as cigarettes."
- 6. Fabric of America.** Freedom, liberty and personal rights represent the fabric of America. The warps and wefts of our society are weaved from personal responsibility and individual accountability. Our Nation was established by people who sought to escape from tyrants and despots who controlled their behaviors and imprisoned their minds. A society where centralized government authorities think for the population is anathema to our country's founding principles and greatness. Accordingly, extremists who would forcibly impose absolute "protection" from tobacco products on society may be perceived by many citizens as un-American. We believe consideration of these broader "fabric of America" issues (regardless of the strength of arguments presented in items 2-5 above) outweighs the dangers of health related issues (item #1) and tobacco products should therefore continue to be available to responsible adult consumers.