

to 64660 Treasury

A Comprehensive Approach to Reducing Youth Smoking

Department of Treasury Analysis

Over 3 million teenagers smoke cigarettes on a daily basis in the United States. An additional 2 million smoke on a less than daily basis, but are at risk of becoming chronic daily users.

- The most recent data show that 25 percent of high school seniors were daily smokers; another 12 percent smoked on a less than daily basis. In addition, underage youth smoking has been on an upward trend.

Reducing youth smoking is the best way to reduce the overall incidence of smoking in the future; 90 percent of adult daily smokers first begin smoking cigarettes as teenagers.

The most reliable method for reducing teen smoking is to increase the price of cigarettes.

- A large number of rigorous economic studies have shown that teen smoking is responsive to changes in the price of cigarettes. A consensus view is that the number of teen smokers declines by about 7 percent for a 10 percent increase in the real price of cigarettes.¹
 - This relationship represents the response for a very small change in prices. Our model allows the responsiveness to decline as prices rise, since the smokers that remain at high prices have revealed that they are less responsive to price signals.

Additional efforts beyond price changes can help to reduce youth smoking -- such as eliminating vending machines, enforcing restrictions on sales to youths, eliminating advertising aimed at youths, and anti-smoking counter-advertising .

- Studies have shown that fully-enforced sales restrictions have successfully led to reductions in youth smoking, particularly for younger teens.
 - A 1991 study in the *Journal of the American Medical Association* reported a 69 percent decline in daily use by seventh and eighth graders in Woodridge, Illinois following legislation and enforcement of restrictions on cigarette sales to minors.²
 - A 1992 study in *Tobacco Control* reported a 44 percent decline in junior high school students' smoking in Leominster, Massachusetts as a result of strictly enforced sales restrictions.³
 - A recent working paper comparing the effectiveness of state and local access restrictions estimates that comprehensive access restrictions for youth can lower youth smoking by 18%.⁴
 - A number of experts in this area suggest that a conservative assumption for the impact of comprehensive sales and marketing restrictions is a 10-20% reduction

in youth smoking. Based on their opinion and the existing literature, we use this range for our estimates.

Hence, a coordinated effort of sizeable price increases and fully-enforced access and advertising restrictions would be more likely to produce a significant and sustained decline in youth smoking than either policy by itself.

- The Administration's Budget proposal calls for a significant increase in the real price of cigarettes over the next five years. Coupled with comprehensive sales and advertising restrictions, that price increase will lead to a 39 to 46 percent reduction in underage teen smoking in five years.
- In 2003 alone, the number of young people kept from smoking would be in the range of about 1.4 to 1.7 million teens.
- Over the next five years, the cumulative number of young people kept from smoking would be in the range of about 2.4 to 2.8 million teens.
- The direct result of these policies over the next five years is that almost 1 million of today's young people will be spared from premature deaths resulting from smoking-related diseases.

These estimates illustrate the powerful impact of a combination of price increases and access/marketing restrictions on youth smoking. But there remains some uncertainty in our estimates of the impact of these policies.

- That is why the President has also called for youth smoking penalties on the tobacco industry if they do not meet targeted reductions in youth smoking. These penalties will help to ensure that we meet our youth targets.

These estimates are based on daily smoking. Because underage teen smoking on less than a daily basis frequently leads to daily smoking and the subsequent risk of death and disease, the figures understate the total benefits of these policies.

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The Administration's Budget proposal calls for substantial real increases in the price of cigarettes over the next five years. Coupled with effective sales and advertising restrictions, this proposal will lead to:

- A *39 to 46 percent* reduction in underage teen smoking in 2003
- *1.4 to 1.7 million* fewer underage teens smoking in 2003
- Over the next five years, *2.4 to 2.8 million* young people will have been kept from smoking
- Over the next five years, *almost 1 million* of today's young people will be spared from premature deaths resulting from smoking-related diseases.

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**PRESIDENT CLINTON RENEWS CALL FOR COMPREHENSIVE TOBACCO
LEGISLATION THAT REDUCES YOUTH SMOKING**
February 13, 1998

Today, President Clinton released a new Treasury Department analysis which concludes that the comprehensive tobacco legislation he has called on Congress to pass would reduce underage teen smoking by up to 46 percent in 2003, keeping up to 1.7 million teens from smoking in that year and up to 2.8 million teens from smoking over the next five years. Comprehensive legislation would make a significant reduction in our most devastating and preventable health problem. Every day, 3,000 young people start smoking and 1,000 of them will die prematurely from a tobacco-related disease. Over three million teenagers -- more than 22 percent of high school students -- smoke cigarettes on a daily basis. Another 2 million smoke on a casual basis and are at risk of becoming chronic daily users.

The President Announced the Effects of His Tobacco Proposal on Youth Smoking. The Treasury Department's study is based on conservative estimates from well-respected analytical models. It concludes that the Administration's proposal -- a price increase of \$1.10 per pack over five years, coupled with proposed sales and advertising restrictions -- would:

- Reduce underage teen smoking by 39 to 46 percent in 2003;
- Keep 1.4 to 1.7 million underage teens from smoking in 2003;
- Keep 2.4 to 2.8 million underage teens from smoking over the next five years; and
- Spare almost 1 million of today's young people from premature deaths resulting from smoking-related diseases.

The President Reaffirmed His Commitment To The Five Key Principles That Must Be At The Heart Of Any National Tobacco Legislation.

- A comprehensive plan to reduce youth smoking by raising the price of a pack of cigarettes by up to \$1.50 over ten years through a combination of annual payments and tough penalties on the tobacco industry;
- Full authority of the Food and Drug Administration to regulate tobacco products;
- Changes in how the tobacco industry does business, including an end to marketing and promotion to children;
- Progress towards other public goals, including biomedical and cancer research, a reduction of secondhand smoke, promotion of cessation programs, and other urgent priorities.
- Protection for tobacco farmers and their communities.