

The economics of smoking

January 25 2011, by Matt Terry

(PhysOrg.com) -- Phil DeCicca studies the economics of one of the country's top killers - smoking. A health economist by trade, DeCicca researches the impact public policies have on the habits of smokers: Does the rate of smoking change with increased cigarette prices? Does age play a role? At what point do taxes encourage smokers to turn to smuggling?

When faced with these questions as well as the overwhelming evidence of smoking's negative impact on human health, many in the field fast become anti-smoking advocates. DeCicca, however, prides himself on his ability to remain an impartial researcher.

"I'm looking to understand the impact of policies, not what I want to be true."

Still, that didn't stop him from celebrating when his own father recently quit [smoking](#), after years of prodding from his family. He did begin his academic career as a pre- medical student, after all.

DeCicca, an assistant professor of economics, was recently given a Tier II Canada Research Chair in Public Economics to continue his studies into the effectiveness of cigarette tax policy, part of a \$12-million dollar investment in McMaster research announced by the federal government in November.

"We've discovered that most people don't quit smoking when higher taxes are added to the cost of cigarettes," said DeCicca. "Now we need

to understand why that is. "

Conventional wisdom holds that younger smokers are more likely to quit due to increases in the cost of cigarettes than older, more established smokers, however DeCicca's research has found otherwise.

"There is actually a fairly small responsiveness to cigarette taxes," he said. "It's just not the case that most smokers quit when taxes increase. I would say that the largest effects imply that a one dollar tax increase would lead, at most, ten per cent of smokers to quit."

Tax avoidance behaviours, such as smuggling, cross-border purchasing and the buying of illegal cigarettes from so-called "smoke shacks" - all of which some smokers turn to when prices climb - rank among some of DeCicca's current topics of interest.

A former winner of the Polanyi Prize, DeCicca is hoping to further expand his research to include things like the impact of higher cigarette taxes on birth outcomes - essentially, determining whether taxes affect maternal smoking behaviours - and on asthma and other respiratory conditions.

"I've always been interested in the impact of public policies on individual behaviours, and I've also always been interested in health, so combining the two is natural for me."

Provided by McMaster University

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