



*Working together
to reduce underage
drinking through
policy change*

Research demonstrates the impact of alcohol tax increases on underage drinking

Research from the National Institute on Alcohol Abuse and Alcoholism (NIAAA) reports that increasing beer taxes effectively reduces alcohol problems.¹

The evidence is so strong on this matter that in its report released on September 10, 2003, *Reducing Underage Drinking: A Collective Responsibility*, the National Academy of Sciences recommends increasing alcohol excises taxes to curb underage drinking:

Recommendation 12-7: Congress and state legislatures should raise excise taxes to reduce underage consumption and to raise additional revenues for this purpose. Top priority should be given to raising beer taxes, and excise tax rates for all alcoholic beverages should be indexed to the consumer price index so that they keep pace with inflation without the necessity of further legislative action.²

Many studies have demonstrated the beneficial consequences of increasing alcoholic-beverage taxes, especially on beer:

- Higher alcohol taxes would likely lead to higher prices³ and reductions in the quantity and frequency of drinking among youth,⁴ who are among the most price-sensitive consumers.
- One study found that a 10 percent increase in the price of beer would reduce by 15 percent the number of youth who drink 3-5 beers in a day.⁵
- Reductions in the levels and frequency of drinking and heavy drinking among youth would likely reduce traffic crash fatality rates (especially among young drivers)⁶ and the incidence of some types of crime.⁷
- For every ten percent increase in the beer excise tax, the probability of severe violence towards children decreases by 2.3 percent.⁸
- According to researchers at the U.S. Centers for Disease Control and Prevention, a beer-tax increase of \$0.20 per six-pack would reduce gonorrhea rates by 8.9 percent and syphilis rates by 32.7 percent.⁹
- Researchers at the National Bureau of Economic Research estimate that if alcohol taxes had kept pace with inflation since 1951, the number of youth who drink beer would have declined by 24 percent.¹⁰

References:

1. National Institute on Alcohol Abuse and Alcoholism (2000). 10th Special Report to the U.S. Congress on Alcohol and Health. NIH Publication No. 00-1583. Rockville, MD: U.S. Department of Health and Human Services, ch. 6.
2. Institute of Medicine. National Academy of Sciences. (2003). *Reducing Underage Drinking: A Collective Responsibility*, p. 246.
3. Young, D.J. & Bielinska-Kwapisz, A. (2002). Alcohol Taxes and Beverage Prices. *National Tax Journal*. LV(1): 57-74.
4. Coate, D. & Grossman, M. (1988). The effects of alcoholic beverage prices and legal drinking ages on youth alcohol use. *Journal of Law and Economics*. 31(1):145.
5. Grossman M, Coate D, Arluck GM. Price sensitivity of alcoholic beverages in the United States: Youth alcohol consumption. In: Holder H (ed), *Control Issues in Alcohol Abuse Prevention: Strategies for States and Communities*. Greenwich, CT: JAI Press, pp. 169-198, 1987.
6. Ruhm, C.J. (1996). Alcohol policies and highway vehicle fatalities. *Journal of Health Economics*. 15(4):435-454.
7. Cook, P. J. & Moore, M.J. (1993). Economic perspectives on reducing alcohol-related violence. In: Martin, S.E., ed. *Alcohol and Interpersonal Violence: Fostering Multidisciplinary Perspectives*. National Institute on Alcohol Abuse and Alcoholism Research Monograph No. 24. NIH Pub. No. 93-3496. Rockville, MD: the Institute, pp. 193-212.
8. Markowitz, S. & Grossman, M. (1998). Alcohol regulation and domestic violence towards children. *Contemporary Economic Policy*. 16(3):309-320.
9. Chesson, H., Harrison, P., & Kassler, W.J. (2000). Sex under the influence: The effect of alcohol policy on sexually transmitted disease rates in the United States. *Journal of Law and Economics*. (XLIII):215-238.
10. Grossman, M. et al. (1994). Effects of Alcohol Price Policy on Youth: A Summary of Economic Research. *Journal of Research on Adolescence*.42(2):347-364.