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Study analyzes effects of traditional and electronic cigarette taxes on tobacco use

- **In 2017, 34.4 million adult Americans smoked traditional cigarettes and 6.9 million American adults used electronic cigarettes (e-cigarettes)**
- **E-cigarettes may be a healthier alternative to traditional cigarettes because they deliver nicotine without delivering many of the carcinogens and other toxins traditional cigarettes do**
- **Higher traditional cigarette taxes decrease traditional cigarette use and increase e-cigarette use, while higher e-cigarette taxes dilute this substitution effect**

Taxation is a policy lever that can be used to nudge the behaviors of consumers. A study by Georgia State University Assistant Professor Matthew Pesko, University of Kentucky Associate Professor and ISFE Director Charles Courtemanche, and Temple University Associate Professor Johanna Catherine Maclean investigates the effects of taxation on, and the substitution between, traditional and electronic cigarette use.

Drs Pesko, Courtemanche, and Maclean analyze data from the Behavioral Risk Factor Surveillance System and the National Health Interview Survey over the period from 2011 to 2017 using a difference-in-differences methodological design to examine own- and cross-product tax responsiveness between traditional and e-cigarettes.

Their paper has several key findings. The authors find that higher taxes on traditional cigarettes reduced smoking between 2011 and 2017 and increased the use of e-cigarettes,

suggesting that e- and traditional cigarettes are indeed substitutes. They also estimate that e-cigarette taxes reduce e-cigarette use, especially among males, and that the introduction of e-cigarette taxes reduce the effect of traditional cigarette taxes on reductions in traditional cigarette use.

When discussing the implications of these findings, the authors note, “increasing the price of e-cigarettes could discourage smokers from using e-cigarettes as a smoking cessation device or transitioning to e-cigarettes as a less harmful source of nicotine when faced with a traditional cigarette tax-rate increase.”

They continue, “policymakers developing an overall tobacco-control strategy that targets both traditional cigarettes and e-cigarettes should carefully consider spillovers from one policy to another.”