Taxes make smokers happy

A new study finds higher cigarette taxes could actually lead to happier smokers.

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By Mark Gongloff, CNN/Money Staff Writer

NEW YORK (CNN/Money) - Cigarette taxes might seem designed to make smokers miserable, but a recent study by two MIT economists found that, not only are higher taxes good for smokers, they actually make smokers happy.

"Smokers are made better-off by taxes, as they provide a valuable self-control device," said MIT economists Jonathan Gruber and Sendhil Mullainathan, in a research paper entitled "Do Cigarette Taxes Make Smokers Happier?"

The paper was published recently on the Web site for the National Bureau of Economic Research, which is most famous for setting the dates of economic expansions and recessions in the United States.

The economists’ revelation is not exactly stunning -- after all, the American Medical Association has said that, for every 10 percent increase in cigarette taxes, demand for cigarettes is reduced by about 4 percent.

Gruber and Mullainathan's study found that each 10-cent increase in taxes could lead to a 6-percent decline in smoking.

The surprising part is that smokers paying more taxes are actually happier, according to Gruber and Mullainathan. The economists based this conclusion on data from the General Social Surveys in the United States and Canada, which measure the happiness of people in the states and provinces of both countries. They compared happiness levels to the rate of cigarette taxes in each state and province and made a surprising discovery.

"Our results are striking: those who are predicted to be smokers are significantly happier when excise taxes rise," the economists said. "The fact that this conclusion emerges so clearly in two independent data sets, with different distributions of underlying happiness indicators, is quite striking."

In the United States, for example, the data indicated that each penny of tax reduced smokers' unhappiness by 0.156 percentage points, and a 50-cent tax rate might make smokers just as happy as non-smokers.
While it might seem that taxes would make smokers suffer because it raises the cost of doing something they enjoy, the economists assumed that most smokers really want to quit, and higher taxes finally impose on them the self-control device they seek.

Tobacco companies claim higher cigarette taxes are unfair and that most of the burden falls on people making less than $35,000 per year. And the data studied by Gruber and Mullainathan did demonstrate that smokers tended to be less educated and were more likely to be unemployed than non-smokers.

Nevertheless, smoking is "a very negative influence" on people's well-being, the economists said, so reducing it, even by raising taxes, would seem likely to improve people's lives and thus make them happier.

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