CHAPTER 11

COSTS TO THE ECONOMY

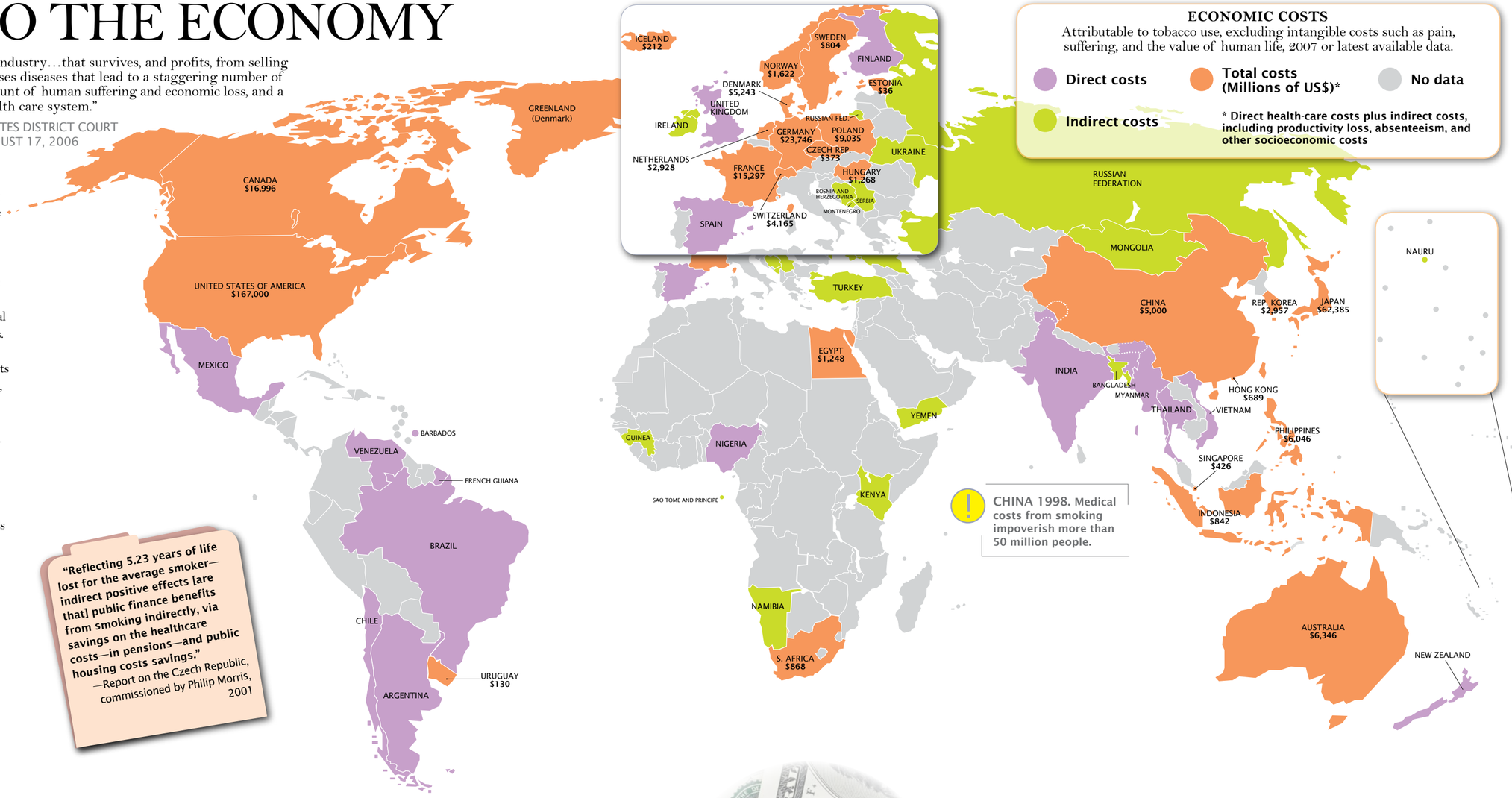
"What this case is really about is an industry…that survives, and profits, from selling a highly addictive product which causes diseases that lead to a staggering number of deaths per year, an immeasurable amount of human suffering and economic loss, and a profound burden on our national health care system."

—JUDGE GLADYS KESSLER. UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA, AUGUST 17, 2006

Tobacco companies frequently attempt to persuade governmental authorities and the public that smoking has economic benefits. They claim that steps to reduce tobacco consumption will decrease tax revenues and increase unemployment, and even that smoking relieves an economic burden to national economies by hastening the death of dependent elderly. In fact, tobacco imposes enormous economic costs on every country. Tobacco's estimated $500 billion drain on the world economy is so large that it exceeds the total annual expenditure on health in all low- and middle-resource countries.

Tobacco's economic costs extend beyond the direct costs of tobacco-related death and related productivity losses. Other costs include health-care expenditures for active and passive smokers, employee absenteeism and reduced labor productivity, fire damage due to careless smokers, increased cleaning costs, and widespread environmental harm from large-scale deforestation, pesticide and fertilizer contamination, and discarded litter. Tobacco's total economic costs reduce national wealth in terms of gross domestic product (GDP) by as much as 3.6 percent.

Tobacco is an important cash crop in very few countries. The Framework Convention on Tobacco Control recommends that countries shift away from tobacco agriculture to economically viable alternatives. Progressive public policies encourage tobacco farmers and workers involved in cigarette manufacturing and distribution to transition into other industries that improve overall public health and welfare without sacrificing livelihoods or creating undue hardship.

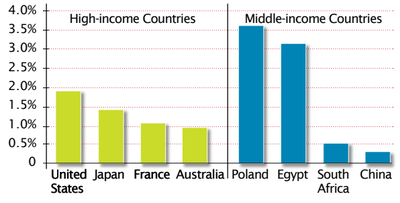


"Reflecting 5.23 years of life lost for the average smoker—indirect positive effects [are that] public finance benefits from smoking indirectly, via savings on the healthcare costs—in pensions—and public housing costs savings."

—Report on the Czech Republic, commissioned by Philip Morris, 2001

TOTAL ECONOMIC COST OF TOBACCO AS PERCENTAGE OF GDP FOR HIGH-INCOME AND MIDDLE-INCOME COUNTRIES

2005 or latest available data



COST OF FIRES CAUSED BY SMOKING, SELECTED COUNTRIES

	United States (2005)*	Canada (2002)	United Kingdom (2005)	Japan (2003)	Worldwide (2000)**
Number of fires	82,400	7,700	3,200	3,300	1.1 million
Deaths	800	140	140	230	17,300
Injuries	1,660	470	1,100	No data	60,000
Property damage (US$)	$575 million	$84 million	No data	$89 million	$27 billion

* One-fourth of all structure fire deaths involved smoking materials / **Ten percent of all fire deaths

DIRECT AND INDIRECT COSTS TO THE ECONOMY BY COUNTRY

2007 or latest available data

COUNTRY	DIRECT COSTS MILLIONS OF US$
ARGENTINA	2,200.00
BARBADOS	20.53
BRAZIL	55.56
CHILE	1,140.00
FINLAND	239.63
INDIA	7,200.00
MEXICO	627.80
MYANMAR	13.94
NEW ZEALAND	165.65
NIGERIA	590.93
SPAIN	220.62
THAILAND	977.39
UNITED KINGDOM	2,655.48
VENEZUELA	409.07
VIETNAM	77.50

COUNTRY	INDIRECT COSTS MILLIONS OF US$
BANGLADESH	652.86
BOSNIA AND HERZEGOVINA	904.00
GUINEA	293.00
IRELAND	980.06
KENYA	1,500.00
MONGOLIA	158.00
NAMIBIA	461.00
NAURU	5.10
RUSSIAN FEDERATION	24,700.00
SAO TOME AND PRINCIPE	7.50
SERBIA & MONTENEGRO	2,800.00
TURKEY	22.40
UKRAINE	3,000.00
YEMEN	1,000.00