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# The Price of Smoking

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# The Price of Smoking

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churches, legal/social service groups, and labor unions. And while some centers focus on particular occupational groups or industries, others are geographically based, and still others are limited to a particular ethnic group. The study, then, paints a broad panorama of workplace-oriented immigrant social movement activity. It does not include all existing immigrant civic organizations, however; for example, the dozens of hometown associations that have also proliferated in recent years are not discussed here.

One issue Fine excavates that may be of particular interest to *ILR Review* readers is the complex relationship of worker centers to the organized labor movement. In an especially insightful chapter, she highlights the "culture clash" between worker centers and unions. For example, many of the centers are committed to participatory democracy and intensive leadership development among the workers they serve, and eschew the highly centralized and bureaucratic organizational forms that are typical of many established unions. Moreover, whereas most unions aim to expand their dues-paying membership base whenever possible, worker centers typically limit "membership" to truly committed activists, are often casual about collecting dues, and instead depend on external funding. In addition, the unstable, decentralized labor markets in which immigrants served by the centers are employed (such as street-corner-based day labor and domestic work) are poorly suited to standard models of worksite-based unionism.

However, nearly a fourth of the 137 centers Fine included in the study either emerged from failed union organizing drives or were directly sponsored by labor unions at their inception. And, she reports, four out of five of these centers have at least occasional contact with unions. Some actively seek to facilitate unionization among the immigrants they serve; others are "pre-unions" that have no aspirations to engage in collective bargaining but that might pave the way to future unionization. Although Fine does not explore this in any detail, independent of the worker centers' efforts, several unions have successfully recruited immigrant workers into their ranks, most notably the SEIU and UNITE HERE, as well as the Carpenters and Laborers. In mid-2006 (after this book appeared), moreover, both the AFL-CIO and the Laborers' union (which was among the unions that left the AFL-CIO for the Change to Win Federation in 2005) entered into formal collaboration with a key group of worker centers, the National Day Laborer Organizing Network. So while there are formidable obstacles to worker center-union collaboration, it is not impossible.

One might quibble with some of the details of

Fine's analysis. At times the historical parallels she draws are oversimplified, for example. And the boundaries of the universe of "worker centers" as she defines it may seem a bit arbitrary. As noted, her account sometimes exaggerates the obstacles to cooperation between worker centers and mainstream unions, while downplaying the overlap in their activities. Nevertheless, this is unquestionably a major contribution to the labor studies literature. It provides the first comprehensive portrait of a new organizational form that will likely continue to flourish and develop, and that is poised to play a key role in the 21st-century immigrant rights movement, in future debates over immigration policy, and in union revitalization efforts. It deserves a prominent place on the bookshelf of anyone interested in the future of labor in the United States.

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### Economic and Social Security and Substandard Working Conditions

*The Price of Smoking.* By Frank A. Sloan, Jan Ostermann, Gabriel Picone, Christopher Conover, and Donald H. Taylor, Jr. Cambridge, Mass.: MIT Press, 2004. 313, x pp. ISBN 0-262-19510-0, \$40.00 (cloth).

Forty-seven dollars a pack! Would smokers pay that price for twenty cigarettes? According to the *Price of Smoking (TPS)*, that is exactly what they do. In year-2006 dollars, \$47 is the present-value of the private and social cost of every cigarette pack purchased by a 24-year-old male smoker, as calculated by Frank Sloan and his co-authors.

Estimates of the cost of smoking date at least to the 1971 publication of James L. Hedrick's "The Economic Costs of Cigarette Smoking" (*HSMHA Health Reports*, Vol. 86, No. 2). If we convert Hedrick's findings to year-2000 dollars, he put the costs to the smoker at \$5.35 per pack. Numerous other studies have looked at these costs with an increasingly comprehensive view, and the estimates range from \$2.96 to \$18.40 in 2000 dollars. National costs are estimated to be from 0.7% of GDP to 4.3%, with a median of 1.5%.

Using longitudinal data, and considering further real costs that were neglected in earlier

cross-sectional work, *TPS* concludes that a 24-year-old smoker incurs a real cost of \$39.66 per pack of cigarettes (2000 dollars, or \$46.85 in 2006 dollars). The smoker bears 82% of these costs; the smoker's family, 14%; and society, 4%. The biggest cost elements are individual and spousal mortality costs, the loss of taxes for Social Security, and disability costs. The book's message is that smokers are aware of the health issues, but not the extent of the total costs. The authors conclude, "Clearly, the private and social costs of smoking are huge... the decision to smoke is a very costly one—one of the most costly decisions that (smokers) make" (p. 271).

Sloan and his coauthors have written a book you should read if you are at all interested in the private and societal costs of smoking. As a former smoker who quit many years ago, I found this book engrossing for several reasons. It is well written (a rarity nowadays); the economics are sound and well explained; the authors have assembled a novel longitudinal data set that gives new insights into the problem; the references are thorough and current; the assumptions are well detailed and referenced; and there is a wealth of relevant tables and figures. But best of all, *TPS* offers a more comprehensive view of the costs of smoking than any other study I know of.

You need to have just arrived on this planet not to know that cigarette smoking is detrimental to one's health. The health risks associated with smoking have been well described to the general public elsewhere, beginning with the 1964 Surgeon General's Report, *Reducing the Health Consequences of Smoking*. That report concluded that "cigarette smoking is a health hazard of sufficient importance in the U.S. to warrant appropriate remedial action" (p. 33) and also that smoking was causally related to lung cancer in men, far outweighing other causes of lung cancer. Each month, the Office on Smoking and Health of the Center for Disease Control's (CDC) National Center for Chronic Disease Prevention and Health Promotion lists over 350 citations of new recently published tobacco-related articles from the behavioral, scientific, and technical literatures. In addition, the CDC offers Internet-based Smoking Attributable Mortality, Morbidity, and Economic Costs (SAMMEC) software at <http://www.cdc.gov/tobacco/sammec.htm>. A Google search on the terms "cigarettes and health" conducted in June 2006 resulted in 36,000 hits. Health information relating to smoking is plentiful and easily available.

But there are still an estimated 48 million smokers in the United States (*New York Times*, June 18, 2006). Why? Why do only 2.5% of smokers quit

in a given year? Economists contend that people are the best judges of their own needs and that smokers simply perceive the adjustment to and ongoing costs of quitting as outweighing the costs, less benefits, of continuing to smoke. Do the results of *TPS* conflict with the existence of so many smokers? Sloan et al.'s thesis that smokers do not accurately assess the real cost of their habit implicitly raises two possibilities: smokers may be time-inconsistent—miscalculating at what point, if ever, it is desirable to quit smoking; or they may have such high costs of quitting that they require external controls (that is, costs) to augment self-control. For insights on such questions, readers must go elsewhere (for example, see Jason Hughes's 2003 *Learning to Smoke*).

What the authors of this work do provide is a first-rate overview of the subject, including a substantial bibliography covering the major economic issues associated with smoking. The framework they use is their life cycle method, which quantifies the effect of smoking on earnings over the life cycle, contributions to and benefits from Social Security and Medicaid, spousal mortality and morbidity, and various health-related outcomes such as years spent with disabilities. The rationale for this choice of method is made plain in Chapter 2, where the authors contrast the life cycle approach with cross-sectional analysis. A life cycle approach is preferable, they argue, because it yields insights they deem critical to "our understanding of whether smoking is a net cost or benefit to society" (p. 29) and "because the major costs of smoking-related disease begin after age 50" (p. 16). The main problem with the cross-sectional approach is that it misses the large costs associated with a long-lead-time disease.

Following a review of previous cross-sectional studies, the authors embark on the first phase of their core project, estimating the survival probability curves for men and women, non-smokers, and 24-year-old smokers. In later sections they calculate the real costs of smoking.

To highlight the differences between cross-sectional and life cycle estimates, *TPS* takes as an example the estimated effects of smoking on the Social Security system. A 1989 study (Shoven, Sundberg, and Bunker) looked at 200,000 men and women born in the early 1920s. The overall conclusion was that the median male smoker paid \$36,000 (year-2000 dollars) more into Social Security than he could expect to receive. The authors concluded that smokers save Social Security billions of dollars. In contrast, *TPS* shows that when life cycle data are used, with account taken of the lower wages that smokers earn due to illness and higher mortality rates, today's 24-year-old male

smoker is projected to “over-pay” \$6,549 into the Social Security system in his lifetime. That is still a substantial sum, of course, and both analyses suggest that a smoking reduction program could put serious strains on the solvency of Social Security by extending life expectancies.

Another question to which the two approaches provide different answers is how large a cigarette tax is required to offset market failures. W. Kip Viscusi, in a 1994 NBER paper, concluded that “on balance, smokers do not cost society resources because of their smoking activities, but rather save society money.” In an analysis that looked at the present value of costs and savings at various reasonable discount rates, he found evidence that the taxes paid by smokers offset any medical and insurance claims and that cigarette taxes exceed the estimated net externalities. Although Sloan and his coauthors obtain the same qualitative result, the magnitude of society’s net “gain” they estimate is smaller, because their more global approach takes into account *all* of the costs—costs imposed on the smoker, the smoker’s family, and society. This has become an emotional issue. Since smokers are killed off before they require age-related medical care and they collect lower than average benefits from public and private pensions, society saves. This is an argument the tobacco companies have turned into an attack on the anti-smoking champions, saying a credit for lower societal costs arising from early death is “ghoulish” and “utterly repugnant to a civilized society” (p. 19).

*TPS* covers a multitude of issues: public health, personal health costs, the role of the government, equity, private versus social costs, taxes, smoking cessation aids, litigation, the impact of smoking on the solvency of the Social Security and Medicare programs, morbidity, disability and work loss, and the health of others in the smoker’s household.

For related views, readers should consult Robert Tollison and Richard Wagner’s *The Economics of Smoking* (1992), David Cutler and Edward Glaeser’s “Why Europeans Smoke More Than Americans” (NBER, March 2006), and Susan Busch et al.’s “Tobacco Spending and Its Crowd-Out of Other Goods” (NBER, December 2004). Like Sloan et al., Tollison and Wagner conclude that smokers are over-taxed; however, they defend consumers’ right to act on their own free choice. Cutler and Glaeser document that smoking is considerably more common across the Atlantic than in the United States: the U.K. and U.S. rates, for example, are 27% and 19%, respectively, despite a relative cigarette price two times higher in the United Kingdom than in the United States (World Health Statistics, 2000). Half of the difference

in smoking incidence between the United States and Europe, Cutler and Glaeser conclude, is the result of differences in beliefs about health effects of smoking, with Europeans less likely to think it harmful. Busch concludes that in order to buy cigarettes, smokers spend less on housing, apparel, and, sometimes, food. She estimates the cigarette own price elasticity to be  $-0.782$  for 29,704 smoking households,  $-0.986$  for the full sample of 91,486 individuals, and  $-0.946$  for 24,748 low-income individuals.

Some minor criticisms: the book lacks a list of the extensive tables and figures, the tables are not well described in the headers and footnotes, the index is not easy to use, and *TPS* could use an appendix on the changes in cigarette manufacturing and the attempt to make cigarettes safer over time. Also useful would have been an appendix defining and discussing the Master Settlement Agreement (a 1998 agreement between the attorneys general of 46 states and the four largest tobacco companies in the United States that, among other things, prohibited tobacco advertising that targets youth).

On the whole, *TPS* is a very useful book and a worthy addition to the life-work of Sloan and his co-authors. It will be of value to economists, policy-makers, advocates, other academics, and politicians and their staffs. Most important, it should also serve as an exemplar of economic policy analysis. I recommend it.

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*Workplace Injuries and Diseases: Prevention and Compensation—Essays in Honor of Terry Thomason*. Edited by Karen Roberts, John F. Burton, Jr., and Matthew M. Bodah. Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, 2005. 301 pp. ISBN 0-88099-324-3, \$20.00 (paper).

This volume grew out of a 2004 conference in memory of Terry Thomason, who, at his death, was Director of the Schmidt Labor Research Center at the University of Rhode Island. While he conducted research broadly in labor economics, Thomason was perhaps best known for his many contributions to the economics of occupational safety and health, with an emphasis on workers’ compensation. This book contains papers first