

Name

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Class

Date

Excessive alcohol consumption, or alcohol abuse, is the third-leading actual cause of death in the U.S. Each year, it accounts for about 79,000 deaths. Mathematically put, this is about 2.3 million years of potential life lost. The estimate gets backed up by the fact that the majority of alcohol deaths occur to persons between the age of 18 and 30. Some of the ways in which alcohol kills include disease, poor judgment, for instance, in the case of road accidents and excessive intoxication. Apart from the health aspect, alcohol causes socioeconomic consequences. Roughly 2.5% of the country's GDP is used on alcohol or drug-related matters (Elder and Toomey). An increased number of public interest groups have called for the unionization of all alcohol taxes. In the research done by countless researchers, it was evident that an increased tax rate in spirits has shown to reduce alcohol consumption in those areas. This essay shall cover the relationship between excise taxes on alcohol better health outcomes.

The map below shows the differential taxes between alcoholic drinks. More exclusively, the different alcohol excise taxes are shown. When comparing per gallon, spirits are taxed at roughly \$35.22 per gallon as compared to beer's average of \$28.45 per gallon. According to the map, the states with the highest taxes include Washington, Alabama, Oregon, and Virginia.

State Spirits Excise Tax Rates (Dollars per Gallon)



Note:

Rates are those applicable to off-premise sales of 40% alcohol by volume (a.b.v.) distilled spirits in 750ml containers.

Data as of January 1, 2014. Published February 12, 2014.

State-specific notes:

AK, CA, CT, DE, FL, GA, IL, IN, LA, MD, MA, NV, NY, ND, RI, SD, and TX: Different rates also applicable according to alcohol content, place of production, size of container, or place purchased (on- or off-premise or on board airlines).

AL, ID, IA, ME, MI, MS, MT, NH, NC, OH, OR, PA, UT, VT, VA, WV, and WY: States where government controls sales. In these "control states," products are subject to ad valorem mark-up and excise taxes. The excise tax rate is calculated using a methodology developed by the Distilled Spirits Council of the United States.

KY: Includes the wholesale tax rate of 11 percent, converted to a gallonage excise tax rate.

AR, MN, SC, and TN: Includes case fees and/or bottle fees which may vary with the size of the container.

AR, MD, MN, ND, SD, WA, and DC: Includes sales taxes specific to alcoholic beverages.

WA: Includes the retail (17 percent) and distributor (10 percent) license fees, converted into a gallonage excise tax rate.

Source:

Distilled Spirits Council of the United States

One of the fundamental principles of economics proposes that the quantity demanded of a product and the price of the same product have an inverse relationship. This is the law of demand. In essence, it means that the quantity demanded of a product will rise or fall with the increase or decrease in price. Based on this fundamental law, the best way to get better health outcomes is to increase the costs of alcohol products.

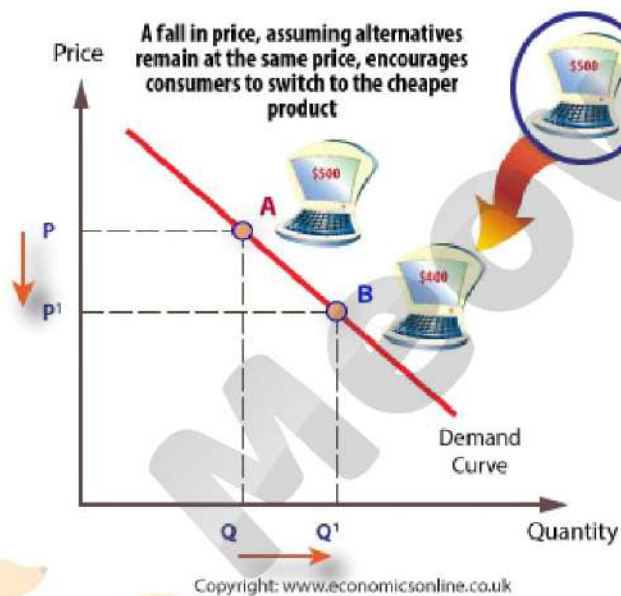
Federal and state governments, over time, came up with various ways to increase these prices. Some of the ways include instituting penalties and fines on breweries. Another way is due to passing legislation that curtails production of the brew, for instance, environmental laws. Since most firms passed down the excess of costs to their consumers, the methods increased the prices. However, of all the techniques, taxation worked the best. The state then recommended that the taxes be beverage-specific. These taxes are also not adjusted for inflation and nominal in nature. Hence, they remain the same over a long period of time since they are hinged on a certain unit or volume of production (Elder and Toomey). When taxes are adjusted for inflation, it creates an almost perfect indirect relationship between alcohol taxes and their demanded quantity. Due to these taxes, alcohol consumption has declined significantly since the 1950s. This is concordant with the diseases and deaths associated with alcohol, hence, showing that changes in taxes are pass on to the prices of alcohol.

Elasticity

The general price elasticity of demand for alcoholic beverages lies at -0.57 . The demand for spirits is the most elastic, showing that a small change in the prices of spirits would significantly impact the quantity demanded. The next most price elastic was wine, then finally beer. All the products are, however, substitutes for each other hence can be alternated. Therefore, taxes charged on alcoholic beverages should be unilateral to counter the effect of substitution.

Besides, having separate taxes for separate beverages beats the purpose of increased taxes

because that people will substitute the highly taxed item with another in the same class of goods.



In terms of elasticity based on consumption, moderate alcohol consumption is highly determined by the prices of alcohol. As a result, high taxes and high prices will reduce binge drinking. Heavier drinkers act slower to change their trends when prices increase. Owing to the largest population in the country ranging from light and moderate drinkers, they would be

responsive to changes in prices. As a result, an increase in the taxation of alcoholic beverages would play a big role in reducing the adverse health effect of the brew.

In conclusion, there are many adverse effects of alcohol abuse. Most of these consequences are not just fatal to the victim but also to society. It is then a duty to ensure knowledge is passed on concerning the harmful effects of alcohol. As stated, the demand for alcohol depends highly on the taxes that have been imposed on the books. Other measures include increasing the tax base of alcohol. Increasing the tax base essentially means improving on the areas upon which an item can be assessed for tax.

Works Cited

Elder, Randy W. and Tray L. Toomey. "The Effectiveness of Tax Policy Interventions for Reducing Excessive Alcohol Consumption and Related Harms." *National Public Medicine* (2018): 12-16. web.

