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WHO's unelected global bureaucrats want to unfairly tax the poor

By Alexandra Booze
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Black-and-white images of soldiers abroad brandishing "victory cigars" in the fight against a cruel and oppressive enemy lit up television screens in homes across the nation, and "Smoke! Smoke! Smoke! (That Cigarette)" by Merle Travis was a national hit on the air waves. Cigarettes were an icon of glamor with a hint of rugged sophistication, and America was very much the land of the free and home of the brave during World War II.

President Franklin D. Roosevelt ensured that tobacco was a protected crop during this time, as tobacco companies sent millions of free cigarettes overseas in GI's C-rations. Tobacco use was so prevalent by the end of the Second World War, that cigarette sales hit an all-time high.

Seven years after the end of World War II, in 1952, *Reader's Digest* published "Cancer by the Carton," the first series of articles that brought the dangers of smoking, which had previously been ignored, to the public's attention. Twelve years later, in 1964, the U.S. Surgeon General's office published an extensive report that linked tobacco use with lung cancer and other diseases. Since then, the Surgeon General has released 32 reports on smoking, including its January 14, 2014 report, "The Health Consequences of Smoking—50 Years of Progress."

As a result of the push-back on tobacco products, U.S. tobacco sales plummeted. The number of smokers decreased by 38 percent from 52 million in 1980 to 32 million in 2012.

Tobacco has also become the most frequent target of tax increases, on supposed public health and financial grounds. The Food and Drug Administration, Centers for Disease Control, state legislatures, and the World Health Organization (WHO) have all jumped onto the anti-tobacco bandwagon with advertisements and tax disincentives to discourage the use of tobacco products.

On October 14, 2014, the 179 signatories of the WHO's Framework Convention on Tobacco Control (FCTC), which includes the U.S. even though a delegate will not be present at this year's summit, will convene in Moscow for the sixth session of the Conference of the Parties to discuss international taxation of tobacco. The FCTC is proposing a global 70 percent tobacco tax, as well as earmarking of the revenue to finance tobacco control activities, for consideration.

The FCTC first proposed raising tobacco excise taxes at its first conference in 2012 by $.05, $.03 or $.01, depending on the wealth of the country where the products were sold, in order to raise more revenue for international causes. It was defeated due to opposition from farmers and taxpayer groups, but the proposal paved the way for the current anti-tobacco taxation initiative.

While the public health goals aimed at reducing the amount of tobacco consumption cannot be understated, specifically among adolescents, when it comes to excise taxes, one size does not fit all. Individual countries must retain control of their sovereignty over these taxes in order to meet their national objectives.

A 70 percent international excise tax would significantly increase cigarette prices around the globe, impose restrictions on consumers, disrupt the global marketplace, and encourage smuggling and illicit cigarette use. Beyond a certain level, tax increases become counter-productive by both failing to raise more revenue and pushing smokers to purchase products on the black market.

Economist and former Reagan administration policy advisor Dr. Arthur Laffer has written about the adverse impact of non-economic policies on a nation's fiscal prosperity. Dr. Laffer's "International Tobacco Taxation Handbook" aptly describes how such policies can "result in a peculiar situation where economic growth can potentially lead a country being worse off than it was prior." He argues that policymakers must first assess price elasticity of demand to determine the impact of tax and price changes on revenue, as well as illicit trade and cross-border sales.

The International Monetary Fund reported in 2004 that "tax rates can become too high, reducing revenue and even undermining tobacco control objectives if tax-not-paid cigarettes are substituted." Studies conducted in 2010 by the Robert Wood Johnson Foundation and the Cato Institute found that excise taxes were unlikely to change the long-term consumption of the taxed products. The International Monetary Fund reported in 2004 that "tax rates can become too high, reducing revenue and even undermining tobacco control objectives if tax-not-paid cigarettes are substituted."

A July 29, 2014 Government Accountability Office report found cigarette excise taxes to be the most regressive tax since it disproportionately impacts the poor. The taxes also drive market shifts to lower-taxed options, and create complexities in monitoring and enforcing tax payments.

On October 1, 2014, the Council for Citizens Against Government Waste, joined by 21 other pro-consumer groups from around the globe, signed a petition discouraging the FCTC from imposing an international excise tax on tobacco. The petition stated in part, "taxing everyone at the same level undermines the incentive to globalize and expand economic innovation, and would represent a dangerous precedent as such excise taxes could be easily extended to all other consumer products."

The idea behind blaming a nation's health woes on one type of product is overly simplistic and discriminatory. Both tobacco users and non-users alike can agree that policies should not be implemented based on personal feelings about lifestyle or activities, nor should laws or regulations be constructed on purely moral grounds without considering relevant micro-economic concepts.

It is time that leaders of pro-growth groups and supporters of free markets and tax competition draw the line. If unelected entities such as the WHO are allowed to overstep their bounds and disrupt the free market, every other legitimate industry that bureaucrats find dangerous or objectionable by nothing but their own standards could wind up on the chopping block sooner rather than later.