

September 22, 1993

**MEMORANDUM**

TO: Bob Lewis  
Bob McAdam

FROM: Susan Stuntz

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Attached for your information is Citizen Action's position statement on the Clinton health plan -- "a major step forward" -- and a commitment from Citizen Action to continue to fight for the McDermott single-payer bill.

The press statement lists on page two several areas in which Citizen Action believes the Clinton plan falls short of single payer goals -- among them, unfair funding because of reliance on flat premiums and "consumer excise taxes," insufficient cost savings and discrimination by income level in the quality of care provided.

Attachment

cc: Sam Chilcote  
Cal George

TI17740253

# Citizen Action

1120 19th Street, N.W., Suite #530  
Washington, D.C. 20036  
(202) 775-1580  
(202) 298-4054 (FAX)

## Press Release

For release:

Wednesday, September 22, 1993

For further information

Contact: Ed Rothschild

(202) 775-1580

### **Citizen Action Praises President's Leadership on Health Care Reform Calls on Congress to Support Single-Payer System**

**Washington:** Citizen Action, the nation's largest consumer organization, today praised President Bill Clinton for taking the bold step of proclaiming that health care will be a right for every American by 1997 and for basing his plan on the principles of universal access, cost containment and comprehensive benefits.

"President Clinton's plan sets a standard that the opponents of comprehensive, affordable health care for all Americans cannot meet, but which the proponents of a single payer system can certainly improve upon," said Ira Arlook, Citizen Action Executive Director.

"Now the battle must be to translate those principles into access for every American to quality, affordable care irrespective of income, status, employment or geographic location," said Arlook.

"While the President's initiative is a major step forward, Citizen Action will continue to fight for the American Health Security Act (H.R. 1200 and S. 491) -- a single-payer system that the Congressional Budget Office concludes will provide the most benefits at the lowest cost," said Arlook.

"We are very pleased that the President's plan recognizes the benefits of a single-payer system and will allow states to choose single-payer as an option for their residents," said Arlook.

"While the American Health Security Act and President Clinton's plan share the principles of universality, comprehensive benefits, cost control and public accountability, we will call on our members and citizens all over the country to tell Congress that a single-payer system must be the ultimate goal of health care reform," said Arlook.

The Clinton plan falls short of the American Health Security Act in that it:

- Discriminates by income level in the quality of care provided
- Does not provide enough cost savings
- Is not fairly funded, because it relies on flat premiums and consumer excise taxes

"We recognize that in the months ahead the special interests -- the insurance industry, drug companies and others -- will use their political muscle to protect their turf. They will mount expensive, misleading campaigns to attack the bedrock principles upon which both the President's plan and the American Health Security Act are based. We are announcing today an all out effort to combat those special interests and their friends in Congress, so that all Americans can have a safe, secure, reliable, responsible and affordable health care system," said Arlook.

"We will tell American voters how the plan proposed by the Senate and House Republicans falls woefully short of what is needed. The Republican solution is to require every American to purchase health insurance, even if they cannot afford it. And if individuals or families fail to buy insurance, but need health care, the supposed anti-Big Government party would have the IRS swoop down to punish any offenders. Even though the failure of exclusive reliance on the market is the primary cause of our present health care disaster, the Republican Party prescribes more of the same. That's like a doctor telling a patient with cirrhosis of the liver, to increase his intake of alcohol. Republican Party snake oil may make some people feel better, but it won't cure their diseases," said Arlook.

September 21, 1993

**MEMORANDUM**

TO: Bob Lewis  
Bob McAdam

FROM: Susan Stuntz *sm*

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Attached for your information are copies of handouts from yesterday's news conference called by Rep. Andrews (D-TX) to push for a \$1/pack or higher tax on cigarettes.

Yes, the written statement from Louis Sullivan that was handed out at the event was marked "second draft for review shosky."

Attachment

cc: Cal George  
Walter Woodson

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48 LINES

AM-KY--Tobacco Tax, 3b0

White House Weighs 75-Cent-A-Pack Cigarette Tax

WASHINGTON (AP) The White House is studying a cigarette tax of 70 cents to 80 cents, a big compromise from the \$1-a-pack previously considered to finance health care reform, Hillary Rodham Clinton has told a tobacco-state lawmaker.

"Now maybe Mrs. Clinton has made a counter offer. It's still way too high," said Rep. Tom Barlow, D-Ky., who was present for Mrs. Clinton's offer of 75 cents but welcomed the White House's willingness to negotiate.

Of the White House's earlier plan to raise taxes \$1 a pack, Barlow said, "We said that's just not going to fly."

Earlier this week, President Clinton's chief lobbyist on Capitol Hill, Howard Paster, told tobacco-state lawmakers the White House was still focused on a \$1-a-pack tax.

But in a meeting Thursday with North Carolina Democratic Rep. Charlie Rose, Mrs. Clinton used 75-cents-a-pack, according to a congressional aide familiar with the meeting. The aide added that Mrs. Clinton also talked of a tax "between 70 and 80 cents."

The meeting with Rose, chairman of the House Agriculture subcommittee that handles tobacco, was first reported by The Washington Post.

Any new tax the White House settled on would be on top of the existing 24-cent-a-pack tax.

In the draft of the Clinton health plan, officially due out next week, the White House calls for new "sin taxes" to raise \$105 billion over five years, or \$21 billion a year.

Because a 75-cent tobacco tax would raise less than \$11 billion a year, other taxes, presumably on alcoholic beverages, would have to be raised.

Tobacco-state lawmakers have been arguing that if cigarette taxes are raised, levies on hard liquor, beer and wine should be too.

"Without some sharing of the load here, we just can't" support a health plan, Barlow said, adding that the White House needs to look at the medical effects of alcohol consumption, too.

There's been speculation that the tobacco industry might be willing to support a doubling of the cigarette tax, or a 24-cent increase, but the Tobacco Institute, an industry lobbying group, denied that.

"Zero is a nice round figure. We don't believe it should be increased at all," said spokesman Bill Wordham.



**Coalition on Smoking OR Health**

Contact: Phil Wilbur, ACS  
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 Diane Maple, ALA  
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**STATEMENT OF ALAN C. DAVIS  
 for The Coalition on Smoking OR Health  
 September 20, 1993**

I am Alan C. Davis, vice president for public issues of the American Cancer Society and chairman of the Coalition on Smoking OR Health.

We are gratified that the President recognizes that a significant increase in tobacco taxes is not only a good source of revenue for health care reform, but is also an effective public health measure in and of itself. In fact, a substantial increase in the tax on tobacco products will save more lives than any other single component of the health care reform proposal. We also recognize Congressman Andrews for his long-time leadership on this issue.

It should be clear by now that a significantly higher tobacco tax enjoys nearly universal support. Polls show that even a \$2-per-pack tax increase is favored by a substantial majority of Republicans and Democrats, conservatives and liberals, African Americans and Hispanics, men and women, young and old. Even voters in tobacco states overwhelmingly approve of such a health tax.

Only the tobacco companies themselves have been working to undermine this important health policy.

But now is not the time to tolerate special interest, big-money, politics-as-usual, tobacco industry influence. Cigarette companies have no place in our nation's health care debate. We can no longer afford to bow to the pressure of the tobacco manufacturers. We cannot afford the excess health care costs. We cannot afford the unnecessary suffering.

The fact is simple: a \$2-per-pack increase would itself bring "health reform," saving nearly 2 million lives. A \$1 increase would save more than 1 million lives. Why go lower when doing so will neither appease the tobacco lobby nor satisfy the American people?

Today's headlines report that the President has made an initial decision on tobacco taxes. Yet the only certainty in this debate is that nothing is final until the final vote is cast. I can assure you that our organizations will be working until the very end to see that that final vote is cast for a \$2-per-pack tax increase.

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# American Medical Association

Physicians dedicated to the health of America



## Statement

FOR IMMEDIATE RELEASE

September 20, 1993

Statement attributable to: **Lonnie Bristow, MD**  
Chairman, Board of Trustees  
American Medical Association

### AMA URGES SIGNIFICANT INCREASE IN TAX ON CIGARETTES

"The current Federal tax on cigarettes, 24 cents per pack, is among the lowest of the industrialized nations. While the 75-cent a pack increase currently being considered by the Administration is good, an increase to \$1 a pack would be better. In fact, health economists suggest \$2 a pack as more in keeping with the health costs due to tobacco use. Even more important to physicians, it is estimated that a \$2 a pack tax increase will save 2 million lives.

"An increase in the tobacco tax would deter youth from starting to smoke, perhaps more effectively than any other single health promotion tactic. Adults will also have an increased incentive to quit smoking.

"While an increased tobacco tax is at work as a smoking deterrent, it will also be raising much-needed revenues to finance the urgent health care needs of Americans, many of these needs directly caused by tobacco use.

"The AMA is strongly committed to helping reduce the terrible toll tobacco takes on our society. It's time to make tobacco pay its fair share."

For more information, contact: **Brenda Leukakis Craine 202/789-7447**

1100 Vermont Avenue, NW  
Washington, DC 20005  
202 789-7400

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TO 98338155

P005/008

PREPARED REMARKS BY  
LOUIS W. SULLIVAN, M.D.

AT THE  
PRESS CONFERENCE TO DISCUSS THE  
TOBACCO HEALTH TAX ACT OF 1993  
WASHINGTON, D.C.

MONDAY, SEPTEMBER 20, 1993  
SECOND DRAFT FOR REVIEW SHOSKY

T117740260



### Introduction

Thank you. Today I am pleased to offer my complete support for the Tobacco Health Tax Act of 1993, legislation by Representative Michael Andrews to raise the Federal cigarette excise tax. This is a necessary, vital step to improve the health status of our citizens, and to deter the potential use of tobacco products by teenagers and non-smokers. It is a courageous act of leadership that could save tens of thousands of lives each year.

A cigarette is the only legal product that, when used as intended, causes death. There is a serious, sustained health risk confronting the smoker and those who passively inhale the deadly fumes of smokers. Each year there are more than 435,000 tobacco-related deaths each year, more than 1,000 a day, including 21 percent of all coronary heart disease deaths, 87 percent of all lung cancer deaths, and 82 percent of all deaths from chronic obstructive pulmonary disease.

In addition, tobacco-related illness and death take a disproportionate toll on our minority communities. Every seven days more than 1,000 African Americans die from tobacco-related disease.

There is also an enormous economic cost. Each and every American, including those who don't smoke, is paying a hidden tax of approximately \$221 per person per year for the consequences of smoking -- a tax that adds up to \$92 billion annually. This cost,

primarily in the form of increased health care and insurance costs, as well as lost productivity, demonstrates the far-reaching effects of smoking, effects which penalize non-smokers too. And a recent study by the Columbia University Center on Addiction and Drug Abuse has found that ten percent (\$2 billion) of the \$21.6 billion spent by Medicaid in 1991 on hospital care results from use of tobacco.

Therefore, from a public health standpoint, we must have a higher cigarette excise tax. We know that higher excise taxes mean lower uses of tobacco products. One study has shown that for each 10 percent increase in real cigarette prices, there will be a corresponding decrease in demand of almost 4 percent.

We also know that an excise tax increase will affect the most price sensitive smokers, those under age 21. As older smokers die, the tobacco market is replenished by younger smokers: each day more than 3,000 teenagers start smoking. In fact, 80 percent of all adults who smoke started as teenagers. A price increase will dramatically reduce teenage smoking.

One crucial feature of this legislation is that the money earned from the excise tax increase would be used for Medicaid expansions, anti-smoking programs, and other health efforts.

This legislation is one of the best possible responses to the use of tobacco products in our country, and it deserves the strong, vocal support of the American people. I am confident that we can

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P008/008

achieve an almost smoke-free society by the year 2000. But it will require diligence, commitment, dedication and concern. We cannot be faint-hearted, hesitant or easily discouraged. An increase in the excise tax on tobacco is a strong measure for good health. This will help to persuade millions of smokers to improve their health behavior. I am hopeful that the members of Congress will have the courage to resist the pressures from the tobacco industry and vote for this important proposal. I applaud Representative Andrews for his leadership and commitment. I am proud to join in support of the Tobacco Health tax Act of 1993.

Thank you for inviting me to share these thoughts with you.

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September 21, 1993

**MEMORANDUM**

TO: Bob Lewis  
Bob McAdam

FROM: Susan Stuntz *sm*

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Attached are the press materials distributed this morning at the press briefing that tobacco workers and growers, together with Gov. Hunt (NC), held in Richmond during the Southern Governors Association Summit. Also attached is a copy of the statement that Gov. Wilder's (VA) press secretary read at the briefing.

Please note particularly the graph and chart that the BC&T prepared as an analysis of the Price Waterhouse employment study. This has already received a great deal of press attention and will be sent by BC&T to all tobacco state Members of Congress. From discussions at this afternoon's tax meeting, it appears that others have ideas for additional uses.

Media coverage was very good. Newspapers from Atlanta, Raleigh and Richmond covered the briefing, along with AP, a local ABC television affiliate, CNN and CNBC.

**Attachments**

cc: Sam Chilcote  
Cal George  
Tom Lauria  
Walker Merryman  
Walter Woodson  
Bill Wordham

TI17740264

# *Bakery, Confectionery and Tobacco Workers International Union Local 203T*

231 E. BELT BOULEVARD • P. O. BOX 24044 • RICHMOND, VIRGINIA 23224 • PHONE (804) 230-0003



**For Immediate Release  
September 21, 1993**

**Contact: Lisa Merman  
Jerry Sprouse  
804/230-0003**

## **TOBACCO WORKERS AND GROWERS PROTEST INCREASED TOBACCO TAXES CALL SOUTH AN UNFAIR TARGET**

(Richmond, VA) Tobacco workers who also are members of the Bakery, Confectionery and Tobacco Workers International Union (BC&T) today joined with tobacco growers to ask the nation's southern governors to help them save their livelihoods and their states from increases in the federal cigarette tax to finance health care reform.

"We wholeheartedly support President Clinton's efforts to reform our nation's health care system, but not if the reform comes at the expense of the South and its working men and women," said Jerry Sprouse, a Philip Morris plant worker who is also president of BC&T local 203-T. Sprouse joined other tobacco plant workers and as well as growers at a press briefing during the Southern Governors' Association Summit in Richmond.

Sprouse cited an analysis conducted by BC&T that shows that a 75 cent increase in federal tobacco taxes will devastate the region's economy, costing 3.5 times as many jobs in the South as the rest of the country. "Reforming national health care is a responsibility to be born by the whole country. The South cannot be singled out to shoulder this burden," said Sprouse.

"In Virginia alone, we stand to lose over 7,500 tobacco sector jobs, and that number does not even include the thousands of jobs that would be lost when we stop spending money in our communities," said Sprouse, whose local is based in Richmond.

According to Carlton Courter, president of the Virginia Agri-Business Council, the state's largest organization of growers and agricultural workers, a 75 cent increase in tobacco taxes would cost about 20,000 jobs in the tobacco grower-sector alone.

"It's a simple economic equation," said Courter. "The South minus tobacco equals only one thing -- loss of land, loss of jobs and loss of livelihood."

(more)

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As farmers, we are being hit coming and going," added Don Anderson, president of the Virginia Tobacco Growers Association. "We have already been hit once this year by a gas tax increase that raised the cost of driving our products to market. Now, they want to do it again by giving us another tax increase that will wipe out our market."

"The Administration has said a tobacco tax is the only new tax being proposed to pay for reform of the nation's health care system. One industry and one region should not be forced to bear the cost for a national program," Anderson said.

In addition to calling upon the nation's southern governors to oppose tobacco tax increases, Sprouse said that his union, tobacco growers and all segments of the industry and its suppliers are waging a grassroots campaign throughout the South to help persuade Congress and the Clinton Administration that increased tobacco taxes were not the solution to the financing of health care reform.

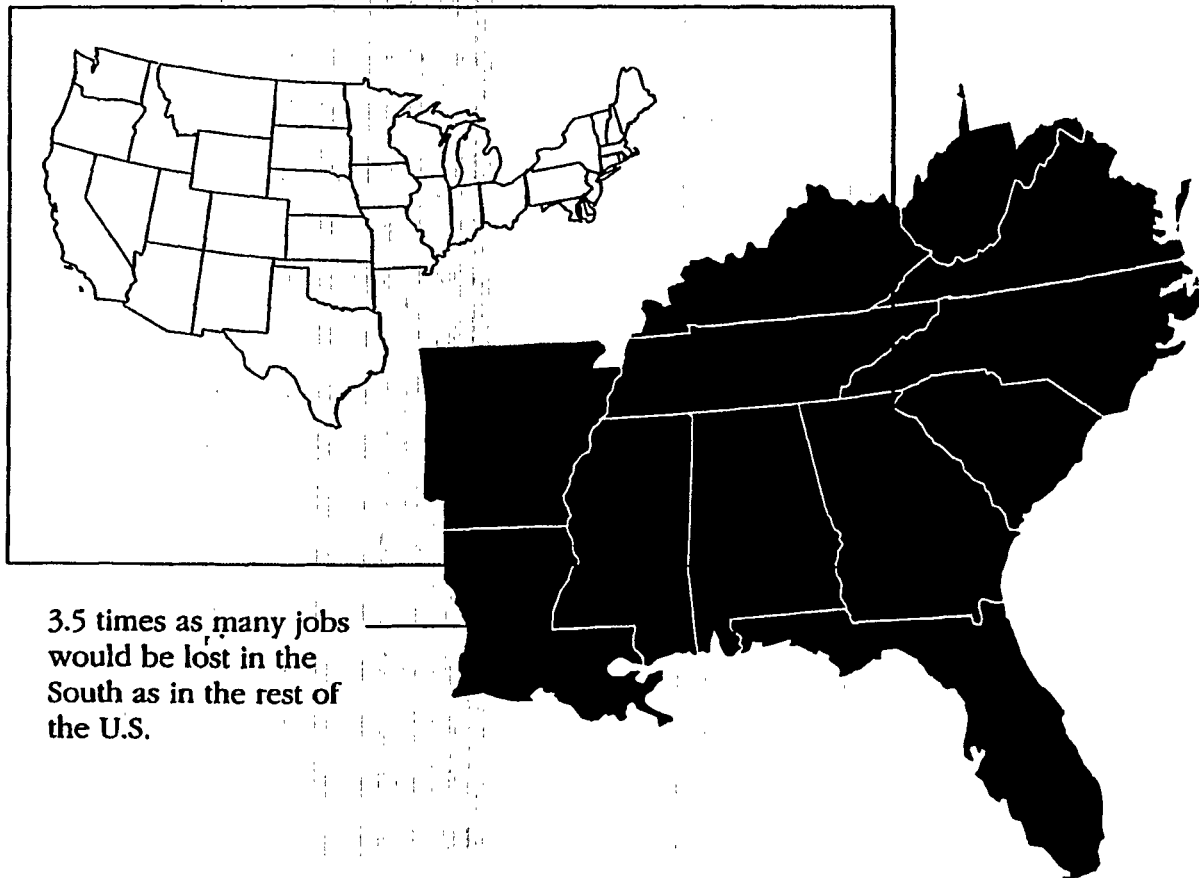
"During the campaign, President Clinton told us universal health care could be achieved without increasing taxes. Our purpose here today is to remind him of that pledge and urge the Southern Governors' Association as well as all of our elected representatives in the South to join us in our fight to prevent increased tobacco taxes from tearing the guts out of the southern economy," said Sprouse.

###

# Proposed federal tobacco taxes unfairly target the South.

**A**s a percentage of state population, the jobs lost in the tobacco sector of the economy are 3.5 times greater in the South than the rest of the U.S.

Total tobacco sector job loss resulting from a 75¢ increase in the cigarette tax is estimated to be 81,762.\*



\*Data is based on BC&T analysis of Price Waterhouse study of employment and compensation in the U.S. tobacco industry.

## Job loss resulting from a 75¢ per pack increase in the federal cigarette tax (by region)

<b>WEST</b>	<b>TOTAL</b>	<b><u>6,969</u></b>
Alaska		97
California		5,044
Hawaii		208
Nevada		245
Oregon		526
Washington		849

<b>ROCKY MOUNTAIN</b>	<b>TOTAL</b>	<b><u>1,403</u></b>
Colorado		670
Idaho		187
Montana		156
Utah		294
Wyoming		96

<b>SOUTHWEST</b>	<b>TOTAL</b>	<b><u>4,833</u></b>
Arizona		584
New Mexico		234
Oklahoma		627
Texas		3,388

<b>SOUTH</b>	<b>TOTAL</b>	<b><u>39,576</u></b>
Alabama		841
Arkansas		454
Florida		2,863
Georgia		3,432
Kentucky		7,398
Louisiana		936
Mississippi		523
North Carolina		12,676
South Carolina		2,066
Tennessee		2,594
Virginia		5,343
West Virginia		450

<b>MIDWEST</b>	<b>TOTAL</b>	<b><u>2,366</u></b>
Kansas		524
Missouri		1,180
Nebraska		363
North Dakota		153
South Dakota		146

<b>GREAT LAKES</b>	<b>TOTAL</b>	<b><u>14,646</u></b>
Illinois		3,092
Indiana		1,293
Iowa		634
Michigan		1,673
Minnesota		962
Ohio		2,690
Pennsylvania		3,113
Wisconsin		1,189

<b>NEW ENGLAND</b>	<b>TOTAL</b>	<b><u>3,684</u></b>
Connecticut		1,399
Maine		287
Massachusetts		1,515
New Hampshire		202
Rhode Island		179
Vermont		102

<b>MID-ATLANTIC</b>	<b>TOTAL</b>	<b><u>8,289</u></b>
Delaware		134
District of Columbia		189
Maryland		1,147
New Jersey		1,949
New York		4,870





# COMMONWEALTH of VIRGINIA

Office of the Governor

Richmond 23219

Lawrence Douglas Wilder  
Governor

(804) 786-2211  
TDD (804) 371-8015

## ADVISORY TO THE MEDIA

For More Information, Contact:  
Glenn K. Davidson  
(804) 786-2211

### GOVERNOR WILDER SUPPORTS TOBACCO WORKERS EFFORTS TO REMOVE CIGARETTE TAXES FROM HEALTH CARE PROPOSAL

(RICHMOND, VIRGINIA -- September 21, 1993) Virginia Governor L. Douglas Wilder said today that Virginia will be hit hard by proposed new excise taxes on cigarettes to pay for President Clinton's health care reform measure, and he supported efforts by the Bakery, Confectionery and Tobacco Workers International Union to have those taxes removed from the plan.

"The tobacco manufacturing industry directly employs 12,800 Virginians, and five percent of our state's total employment is directly and indirectly attributed to the tobacco industry," Governor Wilder said. "Doubling the cigarette tax from 24 to 48 cents would cost Virginia more than 6000 jobs, according to a Price Waterhouse study. We simply cannot stand to take such a hit in today's economic climate.

"The people of Virginia are in favor of reducing health care costs and providing health care to the uninsured. But those goals should not, and cannot, damage our economy and cost us jobs. Virginia is already shouldering a disproportionate burden due to defense cuts, and we should not be subjected to the brunt of dislocation caused by health care reform."

Governor Wilder noted that tobacco is Virginia's number one export, and is taxed more heavily than any consumer product in the nation. In 1992, consumers paid \$11 billion in tobacco excise taxes at the Federal, state or local level.

"More than damaging our economy and costing us jobs, increased excise taxes will shift the costs of a new government program to the lower and middle class," the Governor said. "President Clinton was elected on a platform of returning equity to our tax code, and the addition of new regressive taxes is no way to keep his promise to the American people."

(30)

# *Bakery, Confectionery and Tobacco Workers International Union*

10401 CONNECTICUT AVENUE, KENSINGTON, MARYLAND 20895-3961  
TELEPHONE (301) 933-8600 FAX (301) 946-8452

FRANK HURT  
INTERNATIONAL PRESIDENT

**\*\*\* MEDIA ADVISORY \*\*\***

September 19, 1993

Contact: Lisa Merman  
Eric Shulman  
804/230-0003

## **TOBACCO WORKERS AND GROWERS PROTEST INCREASED TOBACCO TAXES**

### **CALL SOUTH AN UNFAIR TARGET**

**WHAT:** Tobacco workers and farmers will hold a press briefing to discuss the Clinton Administration's plan to increase tobacco taxes to finance health care reform and to describe the impact such a plan will have on workers, farmers and communities throughout the South.

**WHO:** Representatives of the Bakery, Confectionery and Tobacco Workers International Union Local 203-T in Richmond will join with Representatives of the Virginia Agri-Business Council and the Virginia Tobacco Growers Association.

Governor Douglas Wilder of Virginia and Governor Jim Hunt of North Carolina are also expected to attend the briefing.

**WHEN:** Tuesday, September 21, 1993  
8:30 am

**WHERE:** The Dominion Room  
Jefferson Hotel  
Richmond, Virginia

###



TI17740270

## **Statement of Jerry Sprouse, President BC&T Local 203T**

First of all, I want to thank you for joining us this morning. My name is Jerry Sprouse. I am the President of Local 203-T of the Bakery, Confectionery and Tobacco Workers International Union. Our local represents about 4500 men and women who work at the Philip Morris plant here in Richmond.

Tomorrow night, President Clinton will announce a new program for reforming our nation's health care system. I want to say on behalf of our members that we support the President in his efforts. Health care reform is an urgent priority for millions of Americans. We need to bring down the cost of health care and we need to insure that every American has access to health insurance.

But I also want to say to the President that we need a program that is fair to all Americans. We have heard a lot of numbers discussed for increasing tobacco taxes to pay for the new program. If the President proposes a 75 cent increase it will put thousands of Americans out of work--40,000 in the South alone. We think this is very unfair. Why should one industry, one group of workers and even one region of the country be asked to pay such a high price for reform?

President Clinton said during the campaign that health care reform could be achieved without raising new taxes. He said that billions of dollars could be saved through a more efficient system. On behalf of my members, I want to remind him of the pledge and urge him to finance national health care reform in a manner that is fair to all Americans and not single out working men and women in one region of the country.

I am joined here today by the governors of Virginia and North Carolina to help

us carry this message.....

September 21, 1993

**MEMORANDUM**

TO: Tom Lauria  
Walker Merryman  
Bill Wordham

FROM: Susan Stuntz *sm*

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Bill Orzechowski developed the attached comparison of worldwide tax patterns several months ago at my request, as a possible means of responding to claims that the federal excise tax on cigarettes should be raised because it's lower than in other countries.

In fact, as this analysis notes, most US taxes are lower than other countries, simply because citizens in other countries prefer big government and US citizens don't. This goes for income taxes as well as all kinds of consumption taxes.

The attachment has not been reviewed by counsel, and so is for your reference only as one more argument that can be used to rebut proponents of higher cigarette excises.

Attachment

COMPARING SOME WORLD-WIDE TAX PATTERNS

NATION	ALL TAXES AS A % OF GDP* (1989)	INCOME TAX TOP RATE	CONSUMER TAXES AS A % OF TOTAL TAXES*	VAT TAX RATE	GAS TAX PER GALLON	CENTRAL GOVT. AS % OF TOTAL GOVT. SPENDING
SWEDEN	56.1%	72%	14.6%	22%	\$2.77	72%
NETH.	46.0%	72%	16.5%	18.5%	\$2.33	96%
NORWAY	45.5%	27.5%	18.3%	20%	\$3.02	92%
FRANCE	44.0%	56.8%	18.8%	18.6%	\$2.88	91%
GER.	38.1%	56%	17.0%	15%	\$2.67	71%
ITALY	37.8%	50%	14.7%	19%	\$3.23	97%
UK	37.0%	60%	16.6%	17.5%	\$2.13	92%
CANADA	36.0%	29%	13.9%	7%	0.74	52%
SPAIN	34.4%	56%	16.1%	15%	\$2.38	94%
JAPAN	30.6%	50%	4.2%	3%	\$1.90	--
US	30.1%	31%	7.2%	na	0.39	66%

\* SOURCE: Organization for Economic Cooperation and Development (OECD) and Coopers Lybrand. GDP means Gross Domestic Product. Consumer taxes, as defined by the OECD, is limited to the VAT or general sales tax from all levels of government. Gas tax includes the VAT, sales and excise taxes from all levels of government.

## INTERNATIONAL TAX COMPARISONS

o Some have attempted to bolster their argument for higher federal cigarette taxes with the observation that European countries and Canada tax cigarettes at very high rates. The attached table demonstrates that in fact most other countries tax nearly everything at much higher rates compared to the U.S. Higher European cigarette taxes simply reflect the European preference (or structural bias) for bigger government and higher taxes, a sentiment that is not shared by most voters in the U.S.

o Total taxes in 1989 took about 30% of U.S. GDP. The tax share hovered around 40% for most other countries. Europeans also like to tax consumption. In the U.S., consumption taxes took about 7.2% of total taxes but in most European countries the consumption tax share was more than double that of the U.S.

o The U.S. does not have a value added tax but, most other countries have VATS that exceed 15% of commodity value. Specific taxes on consumer items also tend to be higher in Europe. Excise and sales taxes on a gallon of gas are about 39 cents in the U.S.; in most European countries the excise taxes and the VAT lead to a gas totaling up to \$2.25 per gallon.

o The U.S. also relies on state and local governments to a far greater degree than most European countries. U.S. state and local public spending takes about 33% of total government spending. In Europe, this share is often less than 10%. Thus, state and local governments in the U.S. must rely on other tax sources -- such as consumer excise taxes -- to a far greater degree than occurs in Europe.

o This means state and local governments in the U.S. must "guard" their excise tax bases from both higher federal excise taxes, which means smaller consumption, and from lower excise taxes in other states, which mean sales lost at the border. Both of these factors cause state governments in the U.S. to exercise caution with respect to excise tax increases.

Although Canada has a relatively high percentage of provincial taxes, and high cigarette taxes, it is important to note that most of Canada's population is clustered in two provinces (Ontario and Quebec). Thus it does not face the cross border competition among provinces that exists among the 50 U.S. states.

WORLDWIDE TAX COMPARISONS - CIGARETTES AND LIQUOR

NATION	DISTILLED SPIRITS EXCISE TAX \$/LITER*	BEER EXCISE TAX \$/LITER*	WINE EXCISE TAX \$/LITER*	CIGARETTE TAX \$/PACK*
NORWAY	\$42.84	\$2.50	\$1.91	\$3.04
SWEDEN	\$33.98	\$2.09	\$4.06	\$2.10
CANADA	\$15.30	\$0.99	\$1.62	\$2.50
UK	\$15.05	\$0.02	\$2.50	\$2.07
FRANCE	\$8.56	\$0.04	\$0.04	\$1.26
JAPAN	\$8.17	\$1.73	\$1.33	\$1.10
NETH.	\$7.53	\$0.28	\$0.49	\$1.32
GERMANY	\$6.81	\$0.10	NIL	\$1.91
US	\$5.96	\$0.38	\$1.50	\$0.52
ITALY	\$3.50	\$0.39	NIL	\$1.04
SPAIN	\$3.14	\$0.04	NIL	\$0.35

\* In Canadian dollars per beverage liter (the kind of liter you would purchase in a store). For the U.S. dollar tax estimates about 85% of the taxes posted above would be a good estimate. A liter is slightly less than a quart.

\* Cigarette taxes are in U.S. dollars per pack of 20. In general, these are excise taxes per pack. They do not include sales or value added taxes.