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SAMUEL D. CHILCOTE, JR.
President

MC

April 29, 1994

MEMORANDUM

TO: The Members of the Executive Committee

FROM: Samuel D. Chilcote, Jr. *Sam*

Economists representing The Tobacco Institute and the Coalition on Smoking OR Health appeared side-by-side yesterday afternoon at a Senate Finance Committee hearing addressing tobacco excise taxes and health care financing.

As anticipated, Office of Technology Assessment representatives did not testify before the Committee. Other witnesses testified concerning ammunition excise taxes and the tax treatment of health care facilities. Copies of the witness list, tobacco-related written statements and press materials are enclosed.

Committee members present during the tobacco industry witness' testimony included Chairman Pat Moynihan (D-NY) and Senators Max Baucus (D-MT), Bill Bradley (D-NJ), Bob Packwood (R-OR) and John Chafee (R-RI). (Moynihan acknowledged that a letter from Senator Wendell Ford (D-KY) had been submitted for the record.)

Media interest and hearing attendance was heavy; reporters from four television networks and major print media outlets were present. Subsequent press coverage has yet to be identified.

Robert Tollison, Duncan Black Professor of Economics at George Mason University, testified at the request of The Tobacco Institute.

As he offered his statement, Tollison was repeatedly interrupted by Senator Bradley. Bradley said smoking was not an issue of choice but a matter of nicotine addiction. He attacked Tollison's social costs arguments, especially the references to the Congressional Research Service's examination of studies that conclude "smokers pay their own way."

Bradley urged the Committee, in addition to increasing tobacco taxes, to consider reducing or eliminating the tax deductibility of tobacco advertising and promotion expenses as a revenue source to finance health care reform.

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Despite Bradley's rigorous attacks, Tollison took the criticism with dignity. Through the course of the hearing, Senators Moynihan, Packwood and Baucus asked Tollison a series of questions about tax reform and health care financing, which enabled the witness to firmly establish his integrity as an economic expert.

Tollison also detailed the potential negative impact of higher tobacco excises on the Consumer Price Index. Senators Moynihan, Bradley and Chafee appeared surprised when told of the implications; Moynihan asked Tollison to provide the Committee with additional information on this matter, including Tollison's op-ed published in the Washington Times.

Following Tollison's repeated references to the Congressional Research Service's report, "Cigarette Taxes to Fund Health Care Reform: An Economic Analysis," Moynihan indicated the study would be made a part of the hearing record.

Kenneth Warner, University of Michigan School of Public Health, testified on behalf of the Coalition on Smoking OR Health. Warner advocated increasing cigarette excise taxes \$2 per pack. He reiterated earlier public comments concerning the impact of tobacco excises on the economy and on cigarette consumption, particularly on youth smoking.

Tobacco Industry Labor Management Committee groups will submit written statements for the record. Groups include Citizens for Tax Justice, the Bakery Confectionery & Tobacco Workers International Union, the Coalition of Labor Union Women, A. Philip Randolph Institute and the Labor Council for Latin American Advancement.

Other allies submitting written statements for the record include the American Wholesale Marketers Association, the U.S. Veterans Rights Coalition, the Federation of Southern Cooperatives and the American Agriculture Movement. Copies of submissions will be forwarded when available.

We will continue to keep you apprised of tobacco tax matters.

SDC:cah

Enclosures

cc: The Members of the Management Committee
TI Senior Staff