

# **A conversation with Dr. William Savedoff, September 11, 2017**

## **Participants**

- Dr. William Savedoff – Senior Fellow, Center for Global Development
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**Note:** These notes were compiled by GiveWell and give an overview of the major points made by Dr. William Savedoff.

## **Summary**

GiveWell spoke with Dr. Savedoff of the Center for Global Development (CGD) as part of its investigation into tobacco taxation. Conversation topics included legislative options to decrease smoking, funding and research gaps in tobacco control, and the role of multilateral organizations.

## **Major players**

### **Funders**

The biggest funders that Dr. Savedoff is aware of in tobacco control are Bloomberg Philanthropies and the Bill and Melinda Gates Foundation (BMGF).

Bloomberg focuses on national-level efforts to influence tobacco policy. It tends to fund national rather than international efforts because it believes that local groups have a better understanding of domestic politics and have more domestic legitimacy. Bloomberg prioritizes working in roughly 10-15 countries where tobacco use is a significant public health problem.

### **Large multilateral organizations**

#### *Channels of influence*

The World Health Organization (WHO) and the World Bank are both potentially very powerful players in tobacco policy because of their close connections with government ministries.

WHO's main channel of influence is through ministries of health, especially in developing countries. In low-income countries and some middle-income countries, WHO representatives provide technical support to ministries of health, and act as informal political advisors.

The World Bank has contact with ministries of health through its health programs, with ministries of finance through its economic activities, and with ministries of agriculture through its agricultural programs.

Most advocacy groups do not have this kind of direct government contact, which makes WHO and the World Bank critical. However, Dr. Savedoff believes it is unlikely that WHO and the World Bank can accomplish all their tobacco policy goals

alone, without the work of domestic advocacy groups. This is because public advocacy can give a strong incentive for governments to act on important public health issues.

### *Funding*

The World Bank's work in this area is mainly financed by Bloomberg and BMGF; it does not put much of its own administrative budget into tobacco programs. WHO uses its own budget for this work, but since it works on so many major health problems around the world, it does not have a large amount of resources available to allocate to tobacco control.

Dr. Savedoff does not know how secure the funding is for the World Bank and WHO tobacco programs. Both need to sustain some minimum level of funding to continue their work, but he does not know how marginal contributions would be used.

### *Personnel allocated to work on tobacco*

Dr. Savedoff estimates that even when a World Bank country office is working on tobacco control, it is unlikely to dedicate more than one or two part-time staff to the effort. He guesses that WHO country offices often will have not more than one full-time staff member responsible for non-communicable diseases as a whole and rarely have staff dedicated exclusively to tobacco control.

### *Tobacco control activities*

WHO's major tobacco success was the adoption of the Framework Convention on Tobacco Control (WHO FCTC), which was the first international public health treaty of its kind. The WHO FCTC has also led to the creation of the Tobacco Atlas, which centralizes information about the negative effects of tobacco use.

The World Bank could play a pivotal role in tobacco control if it were more active. It has difficulty working on tobacco because it is divided by sector, and tobacco requires cooperative work between the public health, fiscal policy, and agriculture sectors. Tobacco control has also not tended to be at the top of the agenda in annual fiscal policy discussions with ministries of finance.

## **Advocacy groups**

### *Instruments to reduce tobacco use*

A framework for tobacco advocacy is provided by the WHO FCTC's MPOWER measures:

- **Monitor** tobacco use and prevention policies
- **Protect** people from tobacco smoke
- **Offer** help to quit tobacco use
- **Warn** about the dangers of tobacco
- **Enforce** bans on tobacco advertising, promotion, and sponsorship
- **Raise** taxes on tobacco

Most advocacy groups agree that the MPOWER measures are important, but mainly focus their efforts on the one that is the most feasible or the most urgent in their country.

Many advocacy groups that focus on tobacco are not committed to one specific instrument to reduce tobacco use. For example, in Indonesia, an advocacy group organized a large-scale mobilization to hold the government accountable for failing to enforce cigarette bans near schools, but that advocacy group is also involved in other kinds of anti-tobacco campaigns.

Some advocacy groups, such as cancer societies, do some work on tobacco insofar as it is relevant for their main focus. These groups do not tend to be committed to any particular tobacco control strategy.

#### *Collaboration among groups*

Since advocacy organizations often collaborate, it is not always possible to attribute outcomes to any particular group. For example, when the Philippines enacted a major tax hike on cigarettes in 2016, the World Bank country office, the WHO regional office, and many different NGOs all worked together to ensure that the measure passed. No single group takes direct credit for the success.

#### *Political advocacy*

The political policy process can operate on small margins. The 2016 Philippines tax hike passed the senate by a single vote. Vietnam, on the other hand, was close to enacting a similar policy, but ultimately lost.

#### *Advocacy to high-ranking government officials*

Currently there are not many people working on trying to convince high-ranking government officials of the importance of tobacco policy. Additional work in this area could potentially be highly impactful.

## **Interventions to decrease smoking**

### **Tobacco taxes**

Tobacco taxes are one of the easiest and most effective ways to reduce smoking, and are self-financing. However, many groups are commercially or ideologically opposed to tobacco taxes, and lobby strongly against them.

While tobacco taxes do reduce cigarette consumption, reducing consumption is not an infallible way of reducing the profits of tobacco companies. For example, in the US, even though consumption of cigarettes is down, the profits of tobacco companies are higher than ever.

### **Plain packaging**

Plain packaging interferes with companies' ability to maintain an oligopoly on the cigarette market, because it means that

- consumers cannot easily tell the difference between cigarettes produced by different companies,
- companies can no longer capitalize on social marketing campaigns, and
- new companies do not need large budgets for massive marketing campaigns to break into the market.

There is a concern that if the cigarette market were competitive rather than oligopolistic, this could decrease cigarette prices, which could in turn increase smoking. A tobacco tax could offset this by raising prices. Alternatively, governments could set a minimum price for a pack of cigarettes, so that companies would only be competing for profits but would not be able to drive down prices.

### **Electronic cigarettes (e-cigarettes/vapes)**

Dr. Savedoff believes that the role of e-cigarettes is increasingly important in tobacco control, and that e-cigarettes have the potential to be a powerful tool for either tobacco companies or their opponents.

#### *Smoking cessation*

Dr. Savedoff is not very familiar with the literature on smoking cessation, but he believes that e-cigarettes are similar in effectiveness to other methods of cessation. They are effective because, in addition to delivering nicotine, they provide users with a similar social and physical experience to smoking cigarettes.

#### *Potential for e-cigarettes to disrupt the tobacco market*

Since some people smoke e-cigarettes as a replacement for cigarettes, e-cigarettes have the potential to reduce demand for cigarettes. Reducing demand both reduces consumption directly, and reduces the profits of tobacco companies, which are used in part to fund lobbying against tobacco control measures.

The most common e-cigarette in the US is a vape called blu, produced by a subsidiary of British American Tobacco (BAT). BAT makes ~95% of its profits from cigarettes, so BAT is heavily disincentivized from reducing cigarette demand. A vape produced by an independent company would be much more likely to disrupt the market.

#### *E-cigarettes as a tool for tobacco companies*

From a social perspective, it is possible that vapes will renormalize smoking in places where people no longer smoke in public. If people are socially encouraged to vape in this way, tobacco companies could use this opening to encourage people to smoke cigarettes in public as well.

#### *E-cigarette safety*

The UK and US governments take different stances on e-cigarettes. Current research suggest that e-cigarettes confer a small chance of death over a lifetime of use, compared to the 50% chance of death from normal cigarettes, partially because they do not deliver the carcinogenic byproducts that come through a normal cigarette.

Based on this comparison, the UK has pursued a “harm reduction” approach and supports the use of e-cigarettes because they seem much less likely to contribute to premature deaths among users.

The US compares vapes to a baseline zero risk, and this framing makes them appear clearly harmful, since even without the carcinogens, smoking e-cigarettes is not riskless. The US is also concerned with consumer product safety issues, such as the dangers of handling nicotine liquids.

Because of these risks, the US is reluctant to allow new e-cigarettes on the market. However, any e-cigarette already on the market in 2007 was allowed to continue production. Because e-cigarettes have become safer over time, this means that less-safe products are available while newer, safer ones may not be.

This policy is a major source of debate. E-cigarette companies that want their products on the market argue that the US should set a safety standard that applies equally to all e-cigarette manufacturers, while abstinence-only advocates support the current policy.

*Work in this space*

It would be useful for researchers to lay out the different ways of thinking about the role of e-cigarettes in tobacco control – for example, whether vaping can be a gateway drug to other types of smoking.

As far as Dr. Savedoff knows, neither Bloomberg nor BMGF is focusing on e-cigarettes as part of its core work.

## **Gaps in tobacco control**

### **Country-specific approaches**

One obstacle to implementing tobacco taxes is that many governments refuse to accept evidence from other countries on the impacts of cigarette smoking, so a different approach to tobacco policy is required in each country. While it is true that some factors are country-specific, Dr. Savedoff does not believe that things like consumer behavior vary enough across countries to make opposing tobacco taxes tenable.

Some academics, including Professor Frank Chaloupka at the University of Illinois at Chicago (UIC), address this issue by doing studies in countries that are starting to consider implementing tobacco taxes or localized smoking bans. This helps to convince the governments that the research results apply to their country.

### **Addressing arguments against tobacco taxes**

*Research on tobacco smuggling*

A significant obstacle to implementing tobacco taxes is the claim that tobacco taxes will increase cigarette smuggling so much that consumption will not decline and revenues will not increase. Tobacco companies continue to make this claim even

though studies have consistently demonstrated that it is false. Advocates for tobacco taxes could use more research on the extent of smuggling, and how countries can mitigate it.

#### *Need for arguments against market distortions*

Unlike many other excise taxes, the primary purpose of a tobacco tax is not to raise revenue, but to reduce consumption. Dr. Savedoff believes that economists have a strong tendency to oppose such distortionary taxes, not because they have a political or commercial interest in tobacco, but because their belief in the free market makes them opposed to market distortions.

Since economists and fiscal policymakers have a significant impact on what policies are enacted, advocates for tobacco taxes must have strong counterarguments to this position. Dr. Savedoff believes that most economists fail to grasp the magnitude of the smoking epidemic and of the risks of smoking or the cost-effectiveness of tobacco control measures. If advocates for tobacco taxes can impress upon economists the severity of the problem and the cost-effectiveness of control measures, the economists might realize that the negative effects of smoking are serious enough to outweigh the benefits of *laissez-faire* economic policies.

#### *Communicating effectively with economists and fiscal policymakers*

It is essential to communicate well with economists and fiscal policymakers so that they understand the difference between tobacco taxes and other kinds of taxation.

Many advocacy groups have difficulty convincing ministries of finance of the need for tobacco taxes, because their economic arguments focus only on revenues. If tobacco taxes are promoted in this way, ministries of finance are unlikely to care, since the revenues from the tobacco tax are so small compared to the country's total tax revenues.

A better method would be to have someone well versed in fiscal economics speak to the ministry of finance. This person could show statistics for the number of premature deaths from tobacco that occur in the country, discuss the inelasticity of demand for cigarettes, and explain that the primary purpose of the tax is not to raise revenues but rather to reduce consumption, so the ministry of finance should not raise the tobacco tax gradually to avoid distorting the market, as it usually does; instead it should impose it quickly since it is aiming to distort the market.

It is also important that the person know enough about the country's tax regime and administration to show how implementing a tobacco tax is feasible for the specific country, and how it might benefit the country's tax administration.

This method has been employed with some success by Dr. Prabhat Jha, an epidemiologist and health economist at the University of Toronto.

## Research

A large amount of research has been done on tobacco, looking at topics such as

- how smoking kills people,
- what encourages people to smoke,
- cigarette consumption,
- issues related to smuggling,
- elasticity of demand,
- the logistics of tobacco taxes, and
- the effectiveness of various policies.

The National Cancer Institute's 2016 monograph, "The Economics of Tobacco and Tobacco Control"

([https://cancercontrol.cancer.gov/brp/tcrb/monographs/21/docs/m21\\_complete.pdf](https://cancercontrol.cancer.gov/brp/tcrb/monographs/21/docs/m21_complete.pdf)), is an encyclopedia of studies that have been done on tobacco and the economics of tobacco. Dr. Savedoff's article, "The Single Best Health Policy in the World: Tobacco Taxes" (<https://www.cgdev.org/sites/default/files/CGD-Policy-Paper-62-Savedoff-Alwang-Best-Health-Policy-Tobacco-Tax.pdf>), is a short accessible summary of the literature that came out prior to the National Cancer Institute's monograph.

### *Relationship with advocacy*

In the tobacco control space, research and advocacy work closely together. The academics that Dr. Savedoff knows who work on tobacco – Professor Chaloupka and Dr. Jha – pay close attention to tobacco advocacy groups, and they choose their research areas in response to current debates.

Major funders in tobacco control put their money towards both research and advocacy. The World Bank is returning to work on research after a hiatus, and has recently commissioned a series of studies on the regressivity of tobacco taxes, the impact of tobacco control on agriculture, and more. Dr. Savedoff also assumes that Bloomberg commissions some country-specific tobacco studies.

## Potential use of additional funds

### Country-level work

There are two main avenues to pursue at the country-level. The first is doing advocacy work in countries that are not among Bloomberg's priority countries, since there is likely not much advocacy, local support, or funding for tobacco policy work in these countries. Advocacy interventions could be particularly high-impact in sub-Saharan Africa, where since the prevalence of tobacco use is low but growing, it is difficult to convince people that it is an urgent problem.

The second is working with regional development banks (RDBs), which are an underutilized institutional resource for engaging with ministries of health and finance, to combat the notion that reducing smoking will harm the economy.

## **International work**

Dr. Savedoff thinks that the best use of funds would be more international work rather than country-level work, though it is difficult to be certain of this.

### *Advocacy*

At the international level, there is important work to be done in convincing the world of fiscal economists that tobacco taxes are a case where it is net positive to support a distortionary tax. It is important that people at ministries of finance grasp the magnitude of the probability of death from smoking cigarettes, so that their attitude toward tobacco taxes can change.

### *Research*

The World Bank and RDBs have the capacity to do research on an international scale, since they have academic offices and economists to conduct the research, and the convening power to bring together key stakeholders. International research could also be conducted at a research center, such as Tobacconomics at UIC, which is headed by Professor Chaloupka and partially financed by Bloomberg and BMGF, or at a think tank.

It would be a major asset if there were an organization in the tobacco control space with enough undeniable academic, economic, and professional legitimacy to reliably influence policymakers. Dr. Savedoff's approach would be to write opinion pieces that would be read by advisers to ministers of finance, then to convene a working group of people with widely acknowledged expertise and professional standing in the tobacco control space.

*All GiveWell conversations are available at <http://www.givewell.org/conversations>*