

Cost benefit-analyses of alcohol policy

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Abstract – Introduction. This paper summarizes what is known about cost-benefit analysis of alcohol policies in Europe and globally.

Methods. Pub Med, Medline, Econ Lit and Google scholar were searched using the terms cost-benefit analysis, cost-effectiveness analysis, alcohol and alcohol policy.

Results. No publications in academic journals were found. Using data from the Sheffield Alcohol Policy Model and a report prepared for the New Zealand Law Commission, potential costs and benefits of a tax increase that results in a 10% average price increase in the cost of alcohol in England are described under the headings of implementation costs, costs to the alcohol industry, non-financial welfare costs, reduced health and welfare costs, reduced labour and productivity losses, and reduced non-financial welfare losses.

Conclusions. The transition costs to the industry are not known, but likely to be small and much smaller than overall estimated reduced labour and productivity costs. On balance, and without including transition costs to the alcohol industry, a tax increase that results in a 10% average price increase in the cost of alcohol in England would result in one year financial benefits of €698 million, more than a 10:1 ratio compared with the estimated costs of €61.6 million. Only including the real tangible costs, the benefit-cost ratio increases to over 150:1.

Key words: Alcohol policy, Cost-benefit analysis

INTRODUCTION

Social policy can be defined as the laws, rules, directives, programs, and other instruments employed by governments to increase investments in human capital, encourage behaviours with positive externalities, discourage behaviours with negative externalities, or reduce disparities in wealth, income or consumption (1). Social policy includes a range of substantive policy areas including early childhood development, education, physical and mental health, juvenile justice, crime, housing, income support and employment.

How should society assess the value of the different interventions that could be implemented in policy arenas? Cost-benefit analysis (CBA) provides a framework for comprehensively taking account of the full range of social benefits and costs. Although CBA has traditionally been used for infrastructure investments, economic regulation, and environmental policy, it is also applied to social policy (1).

The application of CBA to alcohol policies requires prediction of the effects of investments of resources by society and the valuation of these effects in a money-metric, normally present-value Euros. The purpose of CBA is to identify the most