

National Conference of State Legislatures

Environmental Strategies for Preventing Underage Drinking

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Examples of Successful Environmental Strategies

[Excerpt on Public Policy – emphasis added]

Efforts to affect the price of alcohol also play a key part in youth prevention efforts. **Teenagers are far more sensitive to changes in price** than are adults, and even **small price increases have led to decreased alcohol use** in this age group. This is an important point for lawmakers, since public policy can directly affect on the price of alcohol. The primary method lawmakers can use to influence the price of alcohol is taxation. **During the past half-century, little movement has occurred on alcohol taxes**, and inflation has eroded the few increases that were made. The federal government increased alcohol taxes in 1951, and then not again until 1991. State and local governments have raised taxes infrequently as well. This has partly contributed to the decline in the real price of alcohol over time. For example, **between 1975 and 1990, real prices for liquor fell by 32 percent, wine by 28 percent, and beer by 20 percent.**²

Subsequent tax increases have fallen short of inflation's impact, making alcohol cheaper and more attractive to youth.

Studies have shown an inverse relationship between beer consumption and its price.¹⁰ One study has shown that **higher excise taxes led to a significant reduction in youth drinking**, with a price elasticity of -0.29.¹¹ (Elasticity is a measure of how demand for a product changes in response to a change in price.) In this case, **for a 10 percent rise in price, demand would fall by just under 3 percent.** Another study has shown that, **if beer prices were indexed to inflation, then overall youth drinking during any past year would drop by 9 percent and heavy drinking by 20 percent.**¹²

The price of alcohol can influence the deleterious behaviors associated with alcohol consumption. Estimates have shown that a 10 percent increase in price would reduce drinking and driving by 7.4 percent for males and by 8.1 percent for females. For those under age 21, a 10 percent price increase would reduce drunk driving rates by 12.6 percent for males and by 21.1 percent for females. In addition, this **price change would reduce youth motor vehicle fatalities by between 7 percent and 17 percent.**¹³ **If the 1951 alcohol taxes kept pace with inflation, fatalities among 18-to-20-year-old drivers would fall by 15 percent.**¹⁴

Analyses of state-level data on violent crime rates also conclude that **higher beer taxes would result in fewer rapes and robberies.**¹⁵

The price of alcohol also can affect a student's education level. There is strong evidence that increased alcohol consumption reduces the probability of a student's high school graduation. On the other hand, a **10 percent increase in price would increase graduation rates by 3 percent.**¹⁶

Further studies have shown that drinking during high school significantly reduces one's higher education, with frequent drinkers completing 2.3 fewer years of college than those who drink less. These studies also estimate that an additional \$1 tax on each case of beer would increase the probability of college graduation by 6.3 percent.¹⁷

Conclusion

Environmental strategies provide lawmakers with an ideal opportunity to become involved with prevention efforts. Alcohol is a legal substance that is subject to regulation and taxes, and a wide variety of public policies can be implemented to curb youth drinking. In addition, **changes to law and policy affect entire communities and can last for generations.** By focusing on proven research-based environmental strategies, lives can be saved and states can reduce the money spent on the health and criminal problems that result from underage drinking.

Citations:

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