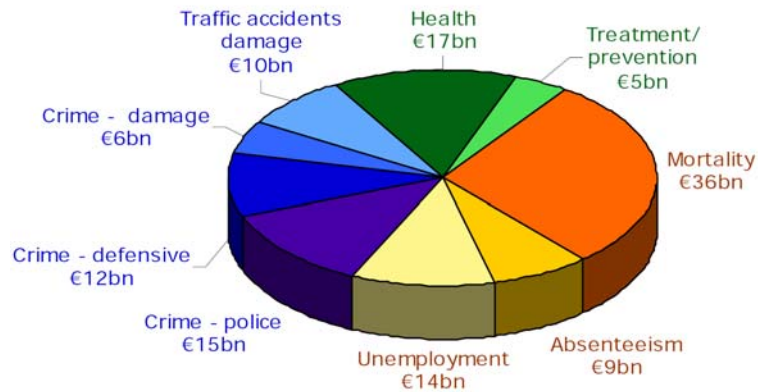


Alcohol – Economic costs and benefits

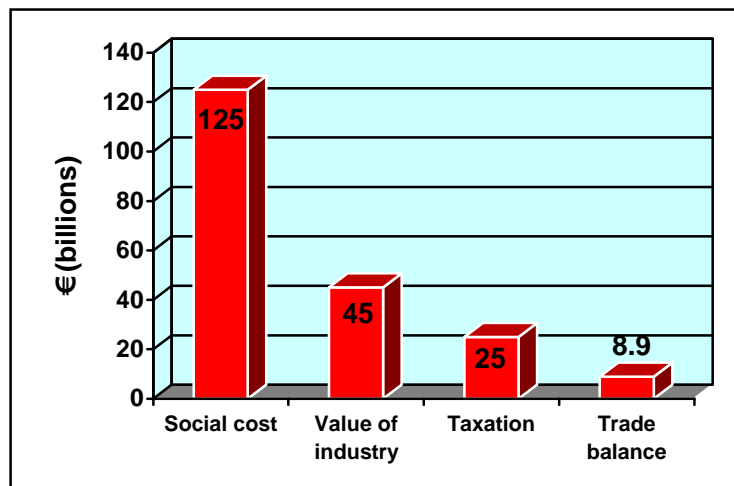
Based on a review of existing studies, the total tangible cost of alcohol to EU society in 2003 was estimated to be €125bn, split between crime costs, health costs and lost productivity costs¹, equivalent to 1.3% GDP, which is roughly the same value as that found for tobacco.



The tangible cost of alcohol to EU society in 2003

The intangible costs show the value people place on pain, suffering and lost life that occurs due to the criminal, social and health harms caused by alcohol. In 2003 these were estimated to be €270bn.

The €125bn tangible cost of alcohol to EU society needs to be compared with the estimated value of the alcohol industry (€45bn)², alcohol excise duties (€25bn), and alcohol's contribution to the Union's balance of trade (€9bn).

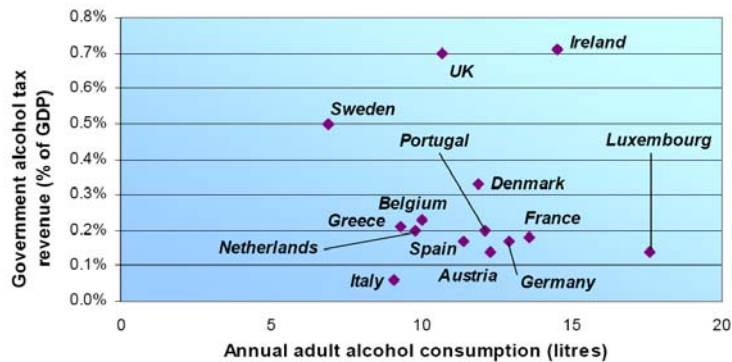


The social cost of alcohol, the value of the alcohol industry, and its contribution to tax income and the trade balance

The value of the wine industry is estimated to be €9bn, with a trade balance of €2bn. However, €1.5bn is given back to the supply chain through the Common Agricultural Policy, making the real trade balance only €0.5bn.

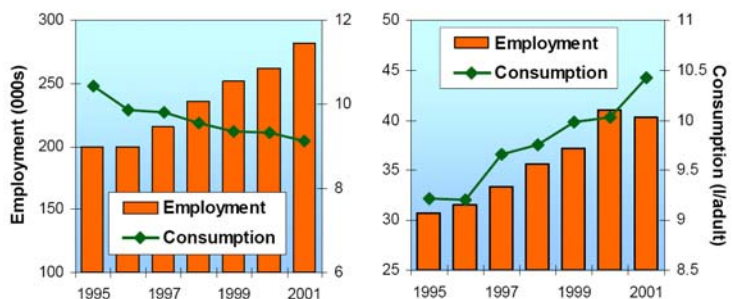
While it may be predicted that the tax from alcohol depends on the total amount of alcohol drunk in a country, the evidence suggests that this is not the case. There is no apparent correlation between the revenue from alcohol-specific taxes (as a % of government revenue or % of GDP) and per capita consumption. The best predictors of the importance of alcohol-

specific taxes are unsurprisingly the average alcohol tax rates, which relate very closely to the income from alcohol taxes.



Alcohol consumption and alcohol tax revenue in the EU15.

Alcohol is also associated with a number of jobs, including over three-quarters of a million in drinks production (mainly wine). Further jobs are related to alcohol elsewhere in the supply chain, e.g. in pubs or shops. However, the size of the industry is not necessarily a good guide to the economic impact of alcohol policies – for example, trends in alcohol consumption show no crude correlation with trends in the number of jobs in associated areas such as hotels, restaurants, and bars, suggesting that the effect of changes in consumption may be relatively weak. A reduction in spending on alcohol would also be expected to free consumer funds to be spent on other areas, with the economic impact depending on the exact nature of the new expenditure. While further research needs to be done on this issue, current evidence from alcohol and other sectors suggests that declining consumption may not necessarily lead to job losses in the economy as a whole.



Employment in bars in **Italy**, left, and employment in hotels, restaurants and bars in **Finland**, right, demonstrating the heterogeneity of links of consumption to jobs

In general, alcohol tax levels are well below their revenue maximising potential and it has been argued that taxes should be shifted from labour to pollution (social costs) to contribute to the EU goals of increasing employment and reducing negative environmental (health) impacts in a cost-effective way, with, in addition, new revenues being allocated to specific funds to be used for financing measures to lessen or offset external costs³.

¹ Anderson, P. & Baumberg, B. (2006). Alcohol in Europe: a public health perspective. http://ec.europa.eu/health-eu/news_alcoholineurope_en.htm

² Horlings, E. and A. Scoggins (2006). An Ex Ante Assessment of the Economic Impacts of EU Alcohol Policies. *RAND Technical Report TR-412-EC*. Leiden, Netherlands, RAND Europe for the European Commission

³ Council of the European Union (2006). Renewed EU sustainable development strategy. <http://register.consilium.europa.eu/pdf/en/06/st10/st10117.en06.pdf>