ADDITIONAL QUESTIONS BY SENATOR KENNEDY AND ANSWERS BY DR. JEFFREY HARRIS FOR THE WRITTEN RECORD: SENATE JUDICIARY COMMITTEE HEARINGS ON THE "PROPOSED GLOBAL TOBACCO SETTLEMENT: WHO BENEFITS?" AUGUST 4, 1997

Q (Senator Kennedy): Dr. Harris, you have testified that the proposed global tobacco settlement will ultimately result in a 62-cent rise in the price of a pack of cigarettes. In response to my earlier question, you testified that tobacco sellers could raise cigarette prices even higher without exceeding the optimum price point. How high could they raise prices? What is the optimum price point? How much more money could be raised?

A (Dr. Harris): In a recent article (*Tobacco Control*, Winter 1996, Vol. 5, pp. 292-294), I calculated that the full monopoly, profit-maximizing price of cigarettes in the United States in 1995 was approximately $4.08 per pack. By contrast, the nation-wide average price of cigarettes in 1995 was about $1.88 per pack. Accordingly, any increase in price up to $2.20 per pack would generate additional profits for manufacturers or revenues for governments. A $2.20-per-pack increase, I calculated, would generate over 32 billion dollars annually, which could be divided between liability payments and industry profits. (See attached article.)

Q: Dr. Harris, you have testified that a $1.50-per-pack increase in cigarette prices would be necessary, by itself, to reduce the percentage of underage smokers to the target level set by the proposed settlement. In response to a question by Sen. DeWine, you testified that if advertising restrictions and other measures to reduce youth smoking were effective, then a price increase of less than $1.50 per pack would be required. How effective would you expect these other anti-smoking measures to be? How much lower would the required price increase be?

A: In 1996, 18.2 percent of 13- to 17-year-olds smoked cigarettes every day. The 62-cent price-per-pack increase provided for in the settlement will, by itself, reduce youth smoking by only one-third of the way toward the targeted amount. Based upon the recent experience of California and Massachusetts, where substantial sums have been devoted to media anti-smoking campaigns and to enforcement of laws barring tobacco sales to persons under age 18, I estimate that a comparable nation-wide campaign might reduce the daily teenage smoking rate to 17 or possibly 16 percent. However, it is also possible that such a campaign will have little or no effect by itself on teenage smoking. Under the most optimistic assumption, if a nation-wide anti-smoking campaign reduced the proportion of daily underage smokers to 16 percent, then a $1.15-per-pack increase in price would still be required to reach the five-year target rate of 10.6 percent imposed by the "look back" provision of the draft settlement.