Lecture title: The pass-through of alcohol taxes to prices in OECD countries
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Abstract: Recent studies in the U.S. show that beer excise taxes are over-shifted to prices. However, the pass-through of wine and liquor taxes to prices are less studied. We linked alcohol excise tax data from OCED tax database to prices at different levels collected from supermarkets and mid-priced stores by the Economist Intelligence Unit (EIU) city surveys, to assess the pass-through of excise taxes to prices exclusive of sales taxes, for beer, wine, and liquor (spirits), respectively. Different types of alcoholic beverages show different patterns of tax pass-through to the price distribution. Overall, beer and wine excise taxes were over-shifted at the mean whereas the liquor taxes were under-shifted. In addition, liquor taxes were fully passed to prices at the higher-priced level, and countries without lower taxes for small distillers have higher liquor prices at the lower-priced level. Future research is needed to identify how market structures of different alcoholic beverages and manufacturers’ incentives impact the shifting of excise taxes to prices.