



**EUROPEAN ALCOHOL POLICY
CONFERENCE
BUILDING CAPACITY FOR ACTION
Barcelona, 3RD-5TH April 2008**

The economic arguments to reduce alcohol-related harm

Dan Chisholm, WHO, Department of Health and Systems Financing, Switzerland chisholmd@who.int

This presentation sets out to address two main questions: **why** is an economic perspective on alcohol policy in Europe needed, and **what** can it bring to the table?

Alcohol has justifiably been labeled as 'no ordinary commodity' because of the impact that its production and consumption have, not only in the clinical and social domain, but also in the economic domain. Unlike many everyday commodities where the forces of supply and demand can be relied upon to guide the optimal level to be produced and consumed, alcohol use can and often does lead to negative spillover effects (such as crime or interpersonal violence), which together with other 'market failures' drive a wedge between the actual versus optimal consumption of alcohol in a society. It is important to be clear about the magnitude of these market failures because, along with epidemiological surveillance, they constitute a key element in the justification for (and extent of) government intervention and consequent public policy.

Estimation of the full costs that society ultimately pays for its relationship with alcohol is one line of economic enquiry and research that, if done well, can provide useful information to policy-makers about the true magnitude (as well as distribution) of the burden of alcohol across different sectors of the economy. Of course just producing big numbers will not make the problem go away, so it is vitally important for public health policy that such estimation exercises, as carried out in Canada for example, are able to isolate the fraction of the overall burden that can be averted by intervention strategies known to be effective. Once such measures have been identified and agreed upon, a further contribution that economic analysis can make to (evidence-based) policy-making is to assess the relative merits of various possible strategies in terms of their costs and effects. Economic evaluation of this kind seeks to determine the most cost-effective way of using society's resources to reduce the existing burden of harmful alcohol use, and is illustrated with reference to the WHO's cost-effectiveness work program (CHOICE) at regional and country level. The presentation concludes with a discussion of key information gaps and analytical challenges, and how work programs such as the EU's *Building Capacity* project can help to overcome them.