
Global Status Report on Alcohol 2004



World Health Organization
Department of Mental Health and Substance Abuse
Geneva
2004

Part I

Consequences of alcohol use

Economic and social costs of
alcohol use

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Economic and social costs of alcohol use

There is a strong interest in many countries regarding the development of scientifically valid, credible estimates of the economic costs of alcohol use (and use of other psychoactive substance use like tobacco and drugs). It is a well established fact that the use of alcohol entails a large number of adverse consequences in such widely differing areas as physical and mental health, traffic safety, violence, and labour productivity. There has been much effort in the past three decades in attempting to estimate these costs and recent investigations have suggested that they account annually for a substantial part of the Gross Domestic Product of industrialized countries (Klingemann & Gmel, 2001).

On the assumption that the harmful effects of drinking can be evaluated in monetary terms, health researchers and economists have attempted to estimate the costs of alcohol consumption to society. According to Klingemann & Gmel (2001), social costs are largely defined as costs to society, i.e. all costs arising from alcohol consumption that are not borne exclusively, knowingly and freely by the drinker, such as spending on the drinks. Thus, social costs are the negative economic impact of alcohol consumption on the material welfare of society. When defining costs, a key distinction is made between direct and indirect costs. According to Harwood, Fountain & Livermore (1998, cited in Klingemann & Gmel, 2001), direct costs refer to the value of goods and services actually delivered to address the harmful effects of alcohol consumption. In contrast, indirect costs represent the value of personal productive services that are not performed because of the adverse consequences of drinking.

Single and colleagues (2003) summarize the many purposes that estimates of the social and economic costs of alcohol use can serve:

- Economic cost estimates can be used to argue or justify certain policies on alcohol i.e. such policies to reduce the harm associated with alcohol use should be given a high priority on the public policy agenda. The public is entitled to a quality standard against which individual cost estimation studies can be assessed.
- Cost estimates help to appropriately target specific problems and policies. It is important for policy makers to be aware of which psychoactive substances involve the greatest economic costs. For example, the recent study conducted in Australia concluded that the costs of alcohol (and tobacco) far exceeds the social costs from illicit drugs, thus drawing greater attention on public policy towards the licit drugs. The specific types of cost may also draw attention to specific areas which need public attention, or where specific measures may be effective.
- Economic costs studies help to identify information gaps, research needs and desirable refinements to national statistical reporting systems.
- The development of improved estimates of the costs of alcohol abuse offers the potential to provide baseline measures to determine the efficacy of drug policies and programmes intended to reduce the damaging consequences of alcohol use.

Relatively few countries have attempted to estimate the costs of alcohol use. Estimating the costs of alcohol consumption encounters problems over availability of data as well as methodological difficulties. However, the fact that studies carried out in different countries using a variety of approaches and methods all seem to lead to convergent results is a positive indication that results are valid. In all cases, there is confirmation that alcohol consumption imposes significant damage on society.

Table 21 presents some data on the estimated social and economic costs of alcohol use in various countries. Note that this table is not comparable as different methods of estimations have been used, and for some data, the year of the study/estimate was not available. Most of the literature on social costs of alcohol consumption comes from the English-speaking, non-European countries, especially from the United States of America, Canada, Australia and New Zealand. It is difficult to make any comparisons as such given that a variety of approaches and methods are used. Please refer to the individual country profiles and the original sources for a more detailed description of the estimation methods used.

Table 21: Social and economic costs of alcohol abuse for selected countries

Country	Year	Total Cost Estimate	% of GDP
Australia	1998–1999	A\$ 7560.3 million	N.A.
Canada	1992	\$7.52 billion	1.1
Chile	N.A.	\$2.969 billion	N.A.
Finland	1990	\$3.351-5.738 billion	N.A.
France	1997	115 420.91 FF	1.42
Ireland	N.A.	€2.4 billion	N.A.
Italy	2003	€26–66 billion	5–6
Japan	1987	US\$ 5.7 billion	N.A.
Netherlands (the)	N.A.	€2.577 billion	N.A.
New Zealand	1990	\$16.1 billion	4.0
Scotland	2001–2002	\$1.071 billion	1.5
South Africa	N.A.	\$1.7 billion	2.0
Switzerland	1998	6480 million Swiss francs	N.A.
United Kingdom (the)	N.A.	£15.4 billion	N.A.
United States (the)	1998	\$184.6 billion	N.A.

Note: Please refer to the individual country profiles to obtain the original source used.

It has been argued that economic cost studies should be conducted within the framework of cost-of-illness studies. In cost estimation studies, the impact of alcohol use disorders on the material welfare of a society is estimated by examining the social costs of treatment, prevention, research, law enforcement and lost productivity plus some measure of the quality of life years lost. It is recognized that data are frequently lacking for many of these costs. However, in many countries it will be possible to develop reasonable estimates for some, if not most, of the costs associated with alcohol consumption. Thus, these guidelines should be viewed as a framework rather than a rigorous methodology to be applied in every situation (Single et al., 2003).