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The relationship between cigarette taxes and child maltreatment

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ABSTRACT

Prior research suggests that income and child maltreatment are related, but questions remain about the specific types of economic factors that affect the risk of maltreatment. The need to understand the role of economics in child welfare is critical, given the significant public health costs of child maltreatment. One factor that has been overlooked is regressive taxation. This study addresses this need by examining whether state-level changes in cigarette tax rates predict changes in state-level child maltreatment rates. The results of both a fixed effects (FE) and a fixed effects instrumental variables (FE-IV) estimator show that increases in state cigarette tax rates are followed by increases in child abuse and neglect. An additional test finds that increases in the sales tax (another tax deemed to be regressive) also predict increases in child maltreatment rates. Taken as a whole, the findings suggest that regressive taxes have a significant effect on the risk of child maltreatment.

1. Introduction

Child maltreatment is a significant public health problem in the United States. Child protective service agencies received 3.6 million referrals of possible child maltreatment involving six million children in 2014 alone (U.S. Department of Health and Human Services, Administration for Children and Families, Administration on Children, Youth and Families, & Children's Bureau, 2016). At least 37% of children become the subject of a child maltreatment investigation at some point before reaching the age of majority (Kim, Wildeman, Jonson-Reid, & Drake, 2017). The annual costs resulting from child abuse and neglect may be as high as \$124 billion (Fang, Brown, Florence, & Mercy, 2012). For these reasons, it is important to identify the predictors of child maltreatment.

One factor that has not been previously examined is regressive taxation. The idea that economic factors, such as a tax, may influence parenting behaviors is not new (Elder, 1974). Pelton (1978) urged researchers not to ignore the role of socioeconomic factors in child maltreatment, which sparked a growing body of research (Berger, 2004, 2005, 2007; Berger, Font, Slack, & Waldfogel, 2016; Cancian, Yang, & Slack, 2013; Drake & Jonson-Reid, 2014). Child maltreatment has since been linked to changes in the minimum wage (Raissian & Bullinger, 2017), gas prices (McLaughlin, 2017), and welfare receipt (Shook, 1999). Changes in macroeconomic conditions (Schneider, Waldfogel, & Brooks-Gunn, 2017), unemployment (Krugman, Lenherr, Betz, & Fryer, 1986), and inequality (Ecknerode, Smith, McCarthy, & Dineen, 2014) have also been found to affect child maltreatment. These findings may explain, in part, why children of a lower socioeconomic status are five times more likely to be maltreated (Sedlak et al., 2010).

If economic factors affect the quality of parenting, then an increase in a regressive tax, such as the cigarette tax, could affect the incidence of child maltreatment. A change in the cigarette tax rate is an exogenous economic shock that may reduce the disposable income of smokers (Remler, 2004), since increases in the cigarette tax are passed on to consumers in the form of higher prices (Chiu & Muehlegger, 2014; DeCicca, Kenkel, & Liu, 2015; Hanson & Sullivan, 2009). The cigarette tax rate is quite high in some states and could be a significant burden for families with one or more smokers (Remler, 2004). In New York City, a person who smokes one pack of cigarettes per day would pay \$2504 annually in cigarette taxes (Tax Policy Center, 2017). The effect on disposable income is particularly significant for low-income smokers, who spend as much as 25% of their income on cigarettes (Franks et al., 2007). Cigarette taxes are highly regressive (Remler, 2004), with people in the lowest income tercile spending 7.7% of their income on

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cigarettes, compared to 3.1% for people in the middle income tercile and 1.4% for people in the highest income tercile (Colman & Remler, 2008). Increases in state-level cigarette tax rates have been linked to an increased take-up of food stamps (Rozema & Ziebarth, 2017), which suggests that cigarette tax increases are not a trivial matter and may create substantial hardship for some low-income families. The financial strain caused by the tax could increase the risk of child maltreatment for these families.

This does not imply that the cigarette tax offers no benefits: some smokers quit or reduce their smoking in response to a tax increase. Quitting smoking could increase their disposable income and lead to important health benefits. Due to the addictive nature of cigarettes, however, many smokers continue smoking following a tax increase. These individuals might respond to a higher tax rate by smoking cigarettes more intensely (Adda & Cornaglia, 2006), obtaining cigarettes smuggled from a lower-tax jurisdiction (Davis et al., 2014), switching to a lower-priced brand of cigarettes (Farrelly, Nonnemaker, & Watson, 2012), or simply continuing their previous smoking habit. The demand for cigarettes is inelastic (Fisher, 2016), with a ten-percent increase in the price of cigarettes only reducing demand for cigarettes by about four percent (Keeler, Hu, Manning, & Sung, 2001). Thus, many smokers are fairly insensitive to price changes and find a way to continue smoking following a tax increase. If these smokers' have less disposable income following the tax increase, any children they have could be at an increased risk for maltreatment.

To test whether changes in cigarette tax rates predict changes in child maltreatment rates, this study uses a fixed-effects approach to control for unmeasurable differences between states. In addition, this study re-performs the main test using a fixed effects instrumental variables estimator (FE-IV). The FE-IV method, which uses a state's cigarette smuggling rate as an instrument for the state's cigarette tax rate, controls for the possibility that the cigarette tax rate variable is endogenous (Kennedy, 2008). While the data used in this study are nonexperimental in nature, the two approaches used in this study allow strong inferences to be drawn regarding the relationship between state-level cigarette tax rates and child maltreatment rates. To further understand the relationship between regressive taxation and child maltreatment, this study performs an additional test that examines whether state sales tax rates are also related to child maltreatment. This test is useful because it shows whether regressive taxation, not just the cigarette tax specifically, is a predictor of child maltreatment.

The goal of this study is to learn whether increases in regressive taxes affect the incidence of child abuse and neglect. This is important for several reasons. First, there are implications for tax policy. There has been a continual push to reduce taxes on the wealthy, yet there is little resistance for tax increases shouldered predominantly by the poor. Society undoubtedly realizes benefits from regressive taxes such as the cigarette tax (Chaloupka, Yurekli, & Fong, 2012; Patrick, Warner, Pordes, & Davis, 2016), but the adverse consequences are largely ignored. Findings from the field of fiscal sociology suggest that taxes may have important social consequences (Campbell, 1993; Martin & Prasad, 2014; Martin, Mehrotra, & Prasad, 2009); regressive taxes, in particular, have been associated with obesity, crime, and education outcomes (Newman & O'Brien, 2011). If changes in a regressive tax affect child maltreatment, legislators should be made aware of this. Second, this study has implications for social service providers. While child welfare professionals are no doubt cognizant of the relationship between income and child maltreatment due to the growing literature (Berger et al., 2016; Cancian et al., 2013; McLaughlin, 2017), they may not understand whether changes in tax policy have ramifications for their agencies. The results of this study might assist child welfare workers in preparing for changes in the number of child maltreatment referrals (after a tax increase) or in providing resources to aid families affected by tax increases. The findings might also be of interest to child advocates who lobby state governments for policies that improve child welfare.

2. Literature review

While child maltreatment has occurred for thousands of years (deMause, 1974), research on child abuse and neglect is relatively recent. Kempe, Silverman, Steele, Droegemueller, and Silver (1962) first brought child maltreatment to the attention of researchers in psychology, medicine, and social work. This led to a plethora of child maltreatment studies that dispelled several long-held stereotypes (Miller-Perrin & Perrin, 2013). The view that child abuse and neglect were only committed by mentally troubled individuals, for example, was discarded as researchers noted the importance of socioeconomic status and class (Pelton, 1978). It is now widely believed that child maltreatment and income are related (Coulton, Crampton, Irwin, Spilsbury, & Korbin, 2007; Drake & Jonson-Reid, 2014; McLaughlin, 2017; Paxson & Waldfogel, 2002; Raissian & Bullinger, 2017).

There are several reasons why this relationship may exist (Berger, 2004). First, financial problems can create stress, which may lead to adverse parenting behaviors (Berger, 2007; Conger & Conger, 2002; Conger & Elder, 1994; Conger, Conger, & Martin, 2010). Smoker parents may become stressed if a cigarette tax increase reduces their disposable income and ability to smoke. Second, a change in disposable income might prevent parents from being able to provide necessities for their children, which could play a role in cases of child neglect (Slack, Holl, McDaniel, Yoo, & Bolger, 2004). An increase in the cigarette tax could make it difficult for a smoker to pay the heat bill or purchase a winter coat for his or her child, which could cause someone to report the family for child neglect. Third, reductions in disposable income might dampen a parent's optimism about his or her child's future earning potential and deter the parent from investing resources on the child's behalf (Becker, 1976, 1988). For any of these reasons, an increase in the cigarette tax could put a child at a greater risk of harm if the tax increase substantially reduces the disposable income of the child's parents.

Unfortunately, only two studies provide evidence that the relationship between income and child maltreatment is causal (Berger et al., 2016; Cancian et al., 2013). The first study (Cancian et al., 2013) took advantage of a natural experiment after the state of Wisconsin allowed child support income to pass through to some welfare recipients who were chosen at random. Cancian et al. (2013) noted that welfare participants who were allowed to receive the child support income (as opposed to other participants, whose child support income was taken by the state) were ten percent less likely to be re-reported for child maltreatment. The second study by Berger et al. (2016) examined how changes in parental income over time affected the risk of child maltreatment. The results

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