

Is a society with smokers profitable?

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France's latest rise in the indirect taxation on tobacco and alcohol took place in June. The most popular brand of cigarettes went up in price from 3.10 euros to 3.30 euros per packet. Are these taxes a form of dissuasion or a way of compensating the rest of society for the harm generated by those who smoke? A study by the Polytechnic University of Cartagena has looked into the most significant questions concerning the tobacco economy.

The research, carried out by Ángel López and Arántzazu Viudes, reviews the main economic arguments for the analysis of the policies to control

tobacco addiction and describes the market failures from different paradigms.

As López declared to SINC, "we have not attempted to verify a specific hypothesis but rather carried out an appraisal of the studies on tobacco consumption from the economic point of view, including both the traditional vision and the more recent progress". It can be seen from this review, for example, that smoking is a personal choice which can generate net losses of welfare for other members of society and for the family of the smoker but, above all, for the person in question. "Upon this basis there exists an economic justification for corrective interventions by the State", the researchers explained.

The article, which has recently been published in the *Revista Española de Salud Pública* (Spanish Magazine of Public Health), also discusses two of the most significant preventive measures nowadays: the ban on smoking in bars and restaurants and the taxes on payment in tobacco.

The economists put forward the following argument: "the measures depend on the mechanisms which generate losses of welfare. The taxes have traditionally been justified as corrections for the costs imposed on the rest of society, due either to a supposed imbalance between taxes and payments from the public sector or to the harm caused by secondhand tobacco".

The advantages of raising taxes

The question which then arises is whether the taxes are sufficient for the costs generated by tobacco. For López, "if we bear in mind all the significant costs, the evidence available indicates that this is not so".

In their work, and according to the evidence collated, the financial externalities are partly compensated for by the level of taxation applied

in many industrialized countries. Nevertheless, the most solid justification for increases in taxes lies "in the existence of failures in the sovereignty of the consumer, both when starting to smoke and when attempting to give it up and sticking to such a decision. These failures generate a demand for self-control mechanisms, and the high price is one of the most effective mechanisms", the economist explained.

Under no circumstances can it be said that a society with smokers is per se economically ineffective. According to López, it depends on whether the smokers are fully aware of the harm they cause to themselves and smoke because they want to (not because they cannot overcome the addiction) and whether they compensate the rest of society for the external costs they generate. "It is quite difficult for these premises to be fulfilled", the researchers asserted.

The taxes on tobacco, the study says, can also be justified by the existence of externalities arising from the social use of tobacco and by the possible inappropriateness of regarding the costs imposed by secondhand tobacco affecting the rest of the family as private costs. The restrictions on consumption in closed public places is another powerful self-control mechanism and represents "a second solution to the problem of the externalities arising from secondhand [tobacco](#)".

According to López, "both taxes and the restrictions on consumption are measures which impose losses of welfare on the people who smoke with full sovereignty, in other words, those who value the pleasure of smoking more than the present and future costs of the habit. Nevertheless, in view of the estimates of the private costs and the evidence that most smokers want to stop give up, the hypothesis that taxes and restrictions on consumption increase net welfare gains plausibility. In any case, the researchers argue that "measures of prevention and control which increase the options of individuals without interfering in the decisions of those who wish to smoke with full sovereignty are desirable".

The policies in the study which are regarded as being inspired in the principles of liberal paternalism "may produce positive results in the future, although there is still much to be done as regards their potential implementation and evaluation", the experts concluded.

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