

# Push the tobacco industry to change through economic incentives

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Public health measures to reduce smoking would have more success if policy makers intervened to curb the vast profitability of the tobacco industry, say researchers.

The lucrative nature of the cigarette market, dominated by a small number of large shareholder-owned companies, results in a vigorous fight against any new [public health](#) measures that may disrupt their profit-making.

## Lessons from other industries

The researchers from our School of Management and the University of Ottawa say governments should look to the success of past policies that have transitioned other industries towards products that are less harmful to health, such as the switch from leaded to unleaded petrol.

### 'Carrot and stick' incentives

The researchers suggest a new approach to competition policy and a range of 'carrot and stick' incentives including:

- tax differentials, which place combustible products, like cigarettes, at a marketplace disadvantage compared to less hazardous alternatives like e-cigarettes
- giving companies tax credits for the development of lower risk products
- more direct measures such as price controls and product licensing that favours lower risk products

Effective regulation of the industry to curb profits would create new appeal in less harmful commercial opportunities, such as e-cigarettes, thereby promoting an escape route for corporations and removing their need to fight so hard for the continuation of current tobacco markets.

Introducing tobacco related [health measures](#) would consequently be more straightforward, quicker and cheaper and smoking rates could be reduced more easily.

## Fighting for corporate survival

Dr Rob Branston, Deputy Director of the Centre for Governance &

Regulation in the University's School of Management, said: "An extremely profitable company that only operates in a cigarette dominated tobacco market has the ultimate incentive to fight tooth and nail against cigarette control measures because they are fighting for corporate survival.

"The current structure of the tobacco industry means each and every public health measure requires repeated and ongoing battles with the tobacco industry in individual countries. States often face massive legal battles if they are to successfully implement tobacco control measures and corporations fight long, hard and viciously.

"Public health goals can be hard enough to achieve without unnecessarily making tobacco companies behave like cornered animals."

## **Historic public health breakthrough**

Professor David Swenor from the University of Ottawa's Faculty of Law and Centre for Health Law, Policy and Ethics, who spearheaded the development of world-leading tobacco control initiatives in Canada, added: "A proper tobacco/nicotine diversification and exit strategy for the shareholders of the profit seeking [tobacco industry](#) would protect public health by addressing the current addiction to the continuation of the cigarette market.

"Companies need to be given incentives to move away from their focus on extraordinarily deadly cigarettes so that they accept the winding down of combustion-based [tobacco](#) products, much like petrol companies transitioned from leaded to unleaded fuel.

"Intelligently designed industry incentives could lead to a viable and rapid endgame for cigarettes, ultimately achieving a public health breakthrough of historic proportions."

**More information:** J. Robert Branston et al. Big tobacco, E-cigarettes, and a road to the smoking endgame, *International Journal of Drug Policy* (2015). [DOI: 10.1016/j.drugpo.2015.12.023](https://doi.org/10.1016/j.drugpo.2015.12.023)

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