

Factors of increase in demand for cigarettes

Economics



**ASSIGN
BUSTER**

Explain three factors that could lead to an increase in demand for cigarettes

All three factors that affect the demand curve are non-price related. This is why it affects the demand curve. The first factor that could increase the demand for cigarettes is an increase in population. There the increase in population makes the potential number of buyers increase, thus the demand curve shifts to the right.

Another factor that can affect the demand curve for cigarettes is the increase in salary. When the consumer's salary increases, they can afford more things, such as cigarettes, and also people who were not able to afford it with their low salary, might now that their salary has increased afford certain goods that they were not able to get before. In this case cigarettes can be seen as a luxury, because it is not a necessity. This would all cause the demand curve to shift to the right and therefore increase.

The last factor that could increase the demand of cigarettes, could be seasonal. By pastoralist because in many countries you are not allowed to smoke in restaurants, and they would therefore have to smoke outside in the cold, which might not seem too appealing to the consumer, which would lower the demand. In contrast in summer, the consumers can stand outside with nice weather and smoke, which most smokers might enjoy, thus the demand increases in summer.

b) Discuss three policies a government might use to reduce the consumption of a demerit good such as cigarettes.

There are three main policies that government could use to reduce the consumption of a demerit good such as cigarettes, which are related to the negative externalities of consumption. A negative externality is a cost that is

suffered by a third party as a result of an economic transaction. In a transaction, the producer and consumer are the first and second parties, and third parties include any individual, organization, property owner, or resource that is indirectly affected. Externalities are also referred to as spill over effects, and a negative externalities is also referred to as an external cost.

The first action that government could take is banning cigarettes through the use of laws. This could be a quick solution for the problem, but it often comes with other problems. Having laws that forbids smoking will not stop some people from it. They will smoke illegally. Therefore by banning cigarettes completely, the number of smoker will decrease but will not disappear completely. Another problem with the laws though, is that the people that vote for it, include the smokers, causing the votes to be influenced by their preferences.

This could cause that the majority of people would decline the creation of those law that are against cigarettes. The second thing that government could do is increasing taxes on cigarettes. This is indirect taxes on a product, the price rises and according to the demand and supply curve, the consumer should demand less, as visible in the graph below: One of the only problems with putting taxes on cigarettes, is that cigarettes have a price inelastic demand, because the habit-forming, therefore taxes do not manage to reduce the quantity demanded sufficiently. The government revenue will simply rise without reducing the consumption.

It might even cause black market. The third and last action that government could take is to provide education about the dangers of smoking. This way the

people that are being educated will maybe be shocked and at least a few might quit. By giving those educational classes, the MAP curve would shift at least a bit to the left. One problem about this idea, is that there are high costs involved in this education, because government need to pay people to educate the smokers. And there are doubts of the effectiveness of education in reducing cigarette consumption.