

Health economics of cigarette smoking essay sample

[Health & Medicine](#), [Addiction](#)



1. Introduction

In this modern age, health has become a concern in gigantic proportions. Keeping well means more than eating the right kind of foods and proper exercise. Wellness involved the making sure that one has the right kind of health insurance, access to the best professional care, is near to effective health institutions and is well educated in the health care markets.

The resources that enable people and communities to stay healthy are as much in scarcity like oil. And to ensure proper management of these types of resource, health economics as a branch of economics is assigned to discuss, study and analyze the many issues concerning the health markets.

The cost of education, training and medical personnel and medical research add up to the computation of the costs of health services. Factors such as, “ capital and current costs, and depreciation must be considered. In addition all health economists have differentiated the direct cost of sickness including cost of prevention, detection, treatment, rehabilitation, research, training, and capital investments from indirect costs that include loss of output to the economy, disability and premature death. Using these concepts, some understanding of cost trends, cost accounting, cost benefit analysis and cost efficiency analysis is be made available in the medical curriculum and for health administrators so that health management can be more standardized and effective.” (Satpathy, 1982)

Tables below sample the extent of the smoking issues on health as it affects youngsters and is responsible for annual deaths in America.

Among the prevailing controversial issue that health economics is continually in debate is the health economics of cigarette smoking. Cigarette smoking during the 19th century took the form of cigars and was only used by the gentlemen of the era.

The cigarettes that were gathered from the factory floors of the tobacco factories were smoked by the very poor. When machines were invented in the 1880s, the mass production of cigarettes enabled more people access to it. However, tobacco companies gave free cigarettes to millions of soldiers who fought the World War I. After the war, the increase in cigarette smokers increased substantially.

With this increase, issues on how cigarettes has affected lives of people, communities and societies have required the government to intervene bearing many issues concerning cigarettes and how this global and centuries old habit affect social, political, cultural and most of all economic elements of daily human living.

1. Cost to Personal Health

On a microenvironment, the cost of cigarette smoking to personal health has been well documented. Studies that focus on the correlation of cigarette smoking to lung cancer has also increased. Observations from the studies note that cigarette smoking posed health risks. Noted observations go as far back as the 1900 readings.

“ If one goes into a medical library and pages through old medical texts from the nineteenth century, one finds almost no reference to lung cancer. If one

searches through the medical literature up to the year 1900, there are only references to a total of 100 cases of lung cancer. Even as late as 1912, Adler could find only 374 cases. Grosse reviewed 100 years of autopsies in Dresden, Germany, and found that the incidence of lung cancer had gone from 0.3% in 1852 to 5.66% in 1952." (Grannis, 2006)

But these rates have continued to change towards more degradation of human health. Besides lung cancer, more diseases have been noted by doctors and scientists so much so that organizations that focus on banning smoking have been created. The strong correlations therefore have solicited focused attention from health economics to discuss the many issues hounding the tobacco industry, the health industry and how it affects the smoker in particular and the community in general.

III. Cost to Society

On a macroeconomic scale, cigarette is more than a product that costs human lives and wellness. It is a way of life that affects human labor that is more than an economic item. Human labor is a fundamental source of wealth. The modern economist would think of labor as a cost.

The laborer in turn would appreciate work as a sacrifice where wage is a form of compensation for it. But common to both these interests, labor, if it must continue to be of use and be source of wealth, must be in the best of health. The capitalist will not employ a sick worker and a worker would not want to get sick even if he has tons of gold in his closet. Here is where health markets come in. And here is where cigarette smoking causes great debates.

Percent distribution of smoking status among adults aged 18 years and over, by sex: United States, 2005 Smoking status and sex Percent 95% confidence interval

	Never	Former	Current
Total	57.6	21.5	20.9
Male	51.3	24.9	23.9
Female	63.4	18.5	18.1

DATA SOURCE: National Health Interview Survey, 2005. Data are based on household interviews of a sample of the civilian noninstitutionalized population.

The data from NHIS in 2005 above shows that one of five Americans is currently smoking and half of the population aged 18 and over has tried to smoke cigarettes in their lifetime. China consumes a third of the world supply and cigarette companies such as Philip Morris covet this income.

“ Philip Morris USA and Philip Morris International are the largest transnational tobacco company and owner of the Marlboro brand, the world’s top-selling cigarette since 1972. In 2004, Philip Morris captured about one-sixth of the world cigarette market by operating in 160 countries and selling cigarettes worth more than US \$ 57 billion.” (WHO, 2006)

This continued increase in income catapults the increase and sustainability of employment in various tobacco firms, marketing and sales industries, and in advertising industries as well. An International Labor Organization report estimates that there are 100 million people employed in the tobacco industry. 1. 2 million of the workers are in manufacturing while 40 million works in the leaf processing and growing industries. 20 million are employed in the cottage industries in India and Indonesia focused on bidi and kertek making while the rest are involved in either distribution, sales and production of tobacco use. Some jobs have been created by organizations that lobby to fight tobacco use.

A big buying market worldwide sustains employment in similar proportions however, issues lie in the health risks confirmed since the onset of lung cancer have been scientifically attributed to cigarette smoking. The Surgeon General has stamped his warnings on all kinds and brands of cigarette.

He warns the smoker of the health consequences of tobacco such as lung, laryngeal and esophageal cancer, contributes to bladder, pancreatic and kidney cancer, is associated to stomach and cervical cancer as well. Smoking is also linked to deaths from cardiovascular, pediatric and respiratory ills. One of five deaths in California in 1999 has been attributed to smoking.

“ This loss translates to \$5. 7 billion in lost productivity and 12. 4 years lost per death. Lung cancer is the number one cause of cancer deaths among men and women. In 1999, lung cancer caused the death of 13, 737 Californians and accounted for 17, 042 new cancer cases. Nonsmokers also

die as a result of exposure to cigarette smoke. An estimated 4, 560-7, 800 nonsmokers die each year in California from lung cancer or heart disease associated with exposure to secondhand smoke.” (WHO, 2006)

The deaths and diseases caused by cigarette smoking has been alarming due to costs on health economics attributable to the use and effect of tobacco. In a country where health insurance is of prime importance, the insurance industry could not help look into the rising cost of health. The premiums of insurance is based on many factors such as possible diseases that people will be prone to have and the possible cost of the different treatments of these ills. When these diseases arise from lifestyle such as smoking two packs a day or simply living with people who smoke, there is need for health markets to compute, analyze and justify costs and expenses.

“ One group of researchers examined the costs of smoking from the perspective of the individual. Oster, Colditz, and Kelly (1984) estimated the total expected lifetime costs of cigarette smoking and the total expected lifetime benefits from quitting. Costs included the direct economic costs of preventing, detecting, and treating individuals with smoking-related diseases and the loss of productivity due to illness, permanent disability, or premature death.

Productivity loss was based on the earnings of individuals and future earnings were converted to present values using a three percent discount rate. The total economic cost for a male who was a heavy smoker (over two packs a day) was more than \$61, 000 (\$1980). The benefits from quitting,

based on the reduction in smoking-related diseases due to quitting and the costs of such diseases, amounted to more than \$40, 000.” (Dardis, 1995)

External costs of smoking include elements illustrated by the table below. Each pack’s cost is ranked in percentage. This is the reason why smoking is a health care concern because most of the elements listed below involve health such as insurance, medical care, nursing home care, and sick leaves. These are social costs that are a part of each cigarette pack.

TABLE External Cost per pack of Cigarettes, 1993

Discount Rate

Category	0 percent	5 percent
Medical care	\$0. 72	\$0. 51
Group life insurance	0. 24	0. 09
Sick leave	0. 00	0. 02
Fires	0. 01	0. 02
Nursing home care	-0. 60	-0. 08
Retirement pension	-2. 89	-0. 37
Lost payroll taxes	0. 88	0. 12
Net Cost per pack	-1. 63	0. 32

Source: Cato Institute, 1997

III. Rationale for intervention of the government

There is need for government intervention on the issue of cigarettes because the concern traverses perspectives that zoom into the moral, economic and political lives of society. One perspective deems smoking as something positive for health economics due to the early demise of people who needs health care. The earlier people die, the cheaper it is to support diseases, research, and insurance premiums.

But this argument cannot hold water in the long run. Its moral implications do not justify values the community and civilization in general holds. And more importantly, society does not want people dead. Society needs its people in the best of health so that they continue to lead productive lives for themselves and for the general population as well.

The second perspective banks on the jobs that cigarette industry creates. With the millions of people employed in the tobacco industry business, the total closure of the industry will pose economic upheavals to both individuals and communities that rely on the industry.

The tobacco farmers have relied on this crop for generations and it has fed mouths, clothed families and supported communities to develop into cities. Wages for millions of people have enabled them to have the economic power to buy and consume goods, afford a lifestyle that is proportionate to their income. If the world puts and end on tobacco farming, cigarette

manufacturing, marketing, sales and advertising, both tobacco employed people and users will definitely react and feel the economic changes attributable to this.

The third issue discusses short term and long-term effects of the cigarette industry on the economy and on health. Income and profits from the tobacco industry are by no doubt on the rise and it can develop economies for sure. Ironically, profit from the industries has been used to fund health researches on lung cancer and other diseases attributed to cigarette consumption.

Health markets have been affected by increasing problems caused by cigarette smoking that has continually been eating up their budgets. Lung diseases caused by first hand and second hand smoke has been causing preventable deaths in the US. It has also produced health-related economic costs to the community. From 1995 to 1999, annual estimates yield 440, 000 premature deaths and approximately \$157 billion economic losses. As billions of dollars is fueled to finance research, data on the bad effects of cigarette smoking still prevail.

In 1998, smoking-attributable personal health-care medical expenditures were \$75. 5 billion.

“ For each of the approximately 46. 5 million adult smokers in 1999, these costs represent \$1, 760 in lost productivity and \$1, 623 in excess medical expenditures. Smoking-attributable neonatal expenditures were \$366 million in 1996, or \$704 per maternal smoker (\$8 per adult smoker). Maternal smoking accounted for 2. 3% of total neonatal medical expenditures in 1996.

The economic costs of smoking totaled \$3, 391 per smoker per year.”
(MMWR, 2002)

The long-term effects of cigarette smoking pose a heavy burden on the health economy. Instead of funneling dollars to research, care and cure for other diseases, the health markets are spending money on ills spawned by a habit that do not have any positive value including jobs for millions of people.

1. Feasibility of various interventions

Since no one has the right to stop anyone from his decision to smoke, even if it causes him his death, the only way to buffer health care costs due to smoking cigarettes is to find ways and means to regulate accessibility of cigarette smoking to the community especially since society has not yet found the real solution to this centuries old problem. Feasibility of interventions spell success of campaigns to be able to regulate the industry and strike a balance between industry and personal health.

Interventions come in different forms such as higher excise taxes, warning labels required of cigarette brands, government impositions on smoking bans on planes, government buildings and other public venues, attacks on advertisers and posing advertising restrictions against tobacco industry executives and scientists. Prohibitions have become as created as the need begins to become urgent.

“ Westin Hotels & Resorts is banning smoking in all of its hotel rooms and common areas beginning January 1, 2006, and will charge any guest a \$200 cleaning fee if they violate the ban.” (Hampton, 2005)

“ EPA recommends that every company have a smoking policy that effectively protects nonsmokers from involuntary exposure to tobacco smoke. Many businesses and organizations already have smoking policies in place but these policies vary in their effectiveness.” (Dr. Green. com, 2006)

“ It is also legal for a landlord to ban smoking in individual units. Landlords have the legal right to set limits on how a tenant may use rental property – for instance, by restricting guests, noise, and pets. A “ no-smoking” term is similar to a “ no pets” restriction in the lease – another way for a landlord to protect his or her property.” (TALC, 2006)

Smoke bans protect the public from the hazardous effects of passive smoking. As much as people have rights to choose to smoke, non smokers have rights not to smoke as well. Smoke bans protect people who do not have this free choice due to work and other limitations. Banning would help smokers smoke less and hopefully give up. The government can do this imposition since government pays all or some of the cost of treating smoke related ill.

Protecting people’s health also protects the communities’ economies.

Banning smoking would endanger the revenues of pubs and restaurants.

Smoke bans on businesses would not be able to attract smokers who may occupying a large chunk of their market. Smoking less at work will also lead

to smoking more at home endangering families and children. It is most unlikely that the government will be able to monitor smoke bans therefore it will be harder to make the campaign a success.

Taxing has also been a way on how government controls smoking of cigarettes. Concerned groups such as the American Heart Association continue to lobby for significant increase in federal and state cigarette taxes. These taxes help reduce teen smoking which directly leads to adult smoking. Tax increases help discourage the youth from starting to smoke in a most effective way. The tobacco industry does not see that tax increases can be a factor but they continually admit that children are always sensitive to price.

To date, increasing cigarette tax has been termed as a win-win solution for most of the States. The solution continues to win for health, win for fiscal earnings, win to reduce health care costs and a sure win for politicians. “ Increasing cigarette taxes is a WIN, WIN, WIN solution for states – a health win that reduces smoking and saves lives; a fiscal win that raises revenue and reduces health care costs; and a political win that is popular with the public.

It’s no wonder that 42 states and the District of Columbia have increased cigarette taxes since January 1, 2002, more than doubling the average state cigarette tax from 43. 4 cents to 93. 7 cents a pack. The average state cigarette tax will rise even more to 96. 1 cents per pack in January 2007 when recently approved tax increases in Hawaii and Texas take effect.”
(tobaccofreekids, 2006)

Another form of intervention involves increasing awareness on the hazards of smoking through advertising while regulating the content and form of marketing and advertising efforts of the cigarette brands. The Surgeon General's warning has not been sufficient. Some of the regulations go as far as banning characters who smoke as depicted in the media, movies, television and advertisements.

All these campaigns look into cost benefits that spell success or failure of interventions. " For a population similar to that which participated in the 1988 National Health Interview Survey, smoking-cessation programs would be cost-effective if the program cost \$80 or less. In general, to be cost-effective, a smoking-cessation program has to decrease smoking rates by 2.15% to justify every \$10 in program costs.

Sensitivity analyses showed that as the baseline spontaneous quit rate in the smoking population decreases, smoking-cessation programs of higher cost become more cost-effective. Smoking cessation programs during pregnancy may be cost-effective for preventing low birthweight if their cost is \$80 or less and they achieve success rates of at least 18%." (Hueston, 1992)

" The major estimated costs are health warning printing costs, the loss of income for the tobacco industry, and the loss of government revenue. The major benefits are health improvements leading to greater length and quality of life, savings in health care costs, and income gained by non-tobacco industries.

Experts in epidemiology (Begg et al., 2003) forecast that a 3% fall in tobacco consumption will lead to 332 fewer tobacco-related deaths in 2006 and to 488 fewer such deaths in 2021. To put this in valuation perspective, a saving of 400 deaths with an average of 9 years of life valued at \$87, 500 per year, with a present value of \$622, 000 per life, generates a present value benefit of nearly \$250 million a year. In addition, there are significant quality of life benefits.

The major cost is the loss of excise and customs revenue which exceeds an estimated \$130 million per annum in the early years. In addition, with a 3 per cent fall in tobacco consumption, the tobacco industry may loss net revenue before tax of some \$25 million a year as well as incurring significant printing costs. The economic evaluation indicates that, under likely assumptions, there is a substantial net benefit of over \$2 billion from the new health warnings and a benefit cost-ratio greater than 2: 1. (CDHA, 2003)

Government cannot totally ban the smoking industry because the industry fights back by paying high taxes and giving donations to cancer institutes. The government gets a lot of money out of these industries and therefore totally eliminating this industry would slice a big part of tax revenues for the government.

1. Conclusion

The health issues that cigarette smoking produces is more than economic and nature. Short term effects may bring positive income to a community but like smoking that is addictive, negative long term effects of this addiction

will be harder to counter. The fact remains that society needs to decide what value is more profitable for the long term. If life is the ultimate economic value then drastic transformations must be done with social, economic, political and cultural will.

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