

The history of anti smoking economics essay

[Economics](#)



**ASSIGN
BUSTER**

The following is an extract from a column by Jill Stark in The Age newspaper of May 22, 2011 ('Now butt out: new push seeks to outlaw cigarettes'). ANTI-SMOKING campaigners have far from finished their battle with the tobacco industry, with some pushing for a "licence to smoke" and many predicting that cigarettes could be outlawed within a decade. With the federal government's plans to introduce plain packaging for cigarettes expected to be challenged in the High Court, health experts are advocating even tougher restrictions, saying that public support is growing to ban tobacco. Professor Simon Chapman, an anti-smoking campaigner from the University of Sydney, says a smoking ban could be a reality within 10 to 15 years, and believes a licensing scheme would pave the way..... In Singapore, the country's top lung cancer surgeons and specialists have proposed making it illegal for anyone born after 2000 to buy tobacco products. With a study showing 70 per cent of Singaporeans support the move, the Ministry of Health is considering it. And in Finland, the government has declared the country will be smoke-free by 2040, introducing tough laws to reach the goal, including jail terms for giving children cigarettes and a ban on vending machines. Cigarettes are often cited in economics texts as an example of a particular type of market failure. Identify that market failure, and illustrate the failure using an appropriate diagram. (3 marks)Market failures mean that a free functioning market loses its ability to produce an effective outcome(market failure by renee courtols haltom). Market failures contain externalities, public goods and common resources. In this case, Cigarette smoking is treated as a negative externality which has a bad impact on the bystander. In recent years, there has been growing concern that non-smokers may also be at risk for some cigarette smoke-associated diseases as a result of involuntary

<https://assignbuster.com/the-history-of-anti-smoking-economics-essay/>

exposure to environmental tobacco smoke. (Immunomodulatory effects of cigarette smoke , Mohan L. Sopori, Wieslaw Kozak). For example, Cigarette smoking significantly increases the risk of heart disease, lung cancer and microbial infections. (Effects of cigarette smoke on the immune system, Mohan Sopori). We can see from the diagram (figure1) that the negative externality makes the market to produce more quantity than it needs. Many economists believe that a Pigovian tax is the most efficient mechanism for offsetting this market failure. Explain what is meant by the term ' Pigovian tax' and contrast the effectiveness of such a tax with a command and control approach to market failures. (3 marks)Pigovian taxes are taxes implemented to correct the effects of a negative externality. Command and control approach is a kind of way used by the government to regulate or ban some activities to correct the externality. For example, there are two different industries and their cost to reduce their pollution is different. So in that case, when we use the command and control approach to require each industry to reduce same amount of pollution, it is obvious that their cost will be different even if their amount of pollution is equal. Whereas using the pigovian taxes to control the pollution can reduce the pollution more efficiently. The industry which has a low cost of reduction would reduce pollution vastly to avoid pay the tax and another industry would reduce less pollution and pay the tax. Furthermore, the pigovian tax is better to the environment. Because the industries would not stop reduce pollution before they reach the target set by the regulation. On the contrary, factories under the control of the tax would try to improve their technology to reduce their pollution and reduce the money they have to pay for the tax. So Command and control approach does not fully explain pollution shifting or create innovative approaches to

<https://assignbuster.com/the-history-of-anti-smoking-economics-essay/>

protection goals, pollution prevention incentives. (Command-and-control approach has no place in the future, report says Kratch, Kellye) It is often claimed that the producers of goods such as cigarettes should be taxed rather than the consumers of these goods. Discuss the validity of this argument, with reference to a diagram. (3 marks)

Consider a tax only levied on the producers of the cigarette, because the tax is not levied on consumers, the demand curve does not change. Whereas the tax on the producers raises the cost of selling the cigarettes and this leads the supply curve to shift to the left (from s_1 to s_2). P_2 represents the price the consumers pay and the p_1 is the price the producers receive. P_0 is the price without tax and $(p_2 - p_1)$ is the tax. Then we consider a tax levied on consumers. The tax on consumers makes buying cigarettes less attractive and this leads the demand curve to shift to the left (from d_1 to d_2). Because the tax is only levied on the consumers, the supply curve is not affected. In the diagram, p_2 represents the price consumers pay and p_1 represents the price the producers receive. P_0 is the price without tax and $(p_2 - p_1)$ is the tax. It is obvious that the cigarette market has a very elastic supply and relatively inelastic demand. We can see the diagram below that when a tax is imposed on a market with these elasticities, the price received by producers does not fall much, so the producers bear only a small burden. In contrast, the consumers bear most of the burden of the tax. What determines how the burden of a tax is shared between producers and consumers? Who is likely to pay most of any tax on cigarettes? (3 marks)

Therefore, no matter the tax is only levied on the producers or the consumers, both the producers and the consumers would share the burden of the tax. The difference between the two is their elasticity. The supply

<https://assignbuster.com/the-history-of-anti-smoking-economics-essay/>

curve is elastic and the demand curve is inelastic. Thus the producer with a great elasticity would bear a small burden of the tax and the consumer would bear most of the burden of the tax. Other policies designed to reduce the incidence of smoking related illness include bans or restrictions on the advertising and promotion of tobacco products. An unintended short run consequence of bans on tobacco advertising has been a short run increase in the profits of tobacco company profits. Identify and explain a plausible reason for this effect. (3 marks)

Bans on tobacco advertising have a direct impact on the producers rather than the consumers. When the tobacco advertising was banned, it would raise the cost of selling tobacco and reduce the quantity of tobacco supplied. The demand for tobacco would not change. In the short run, the demand for tobacco is likely to be inelastic and the supply of tobacco tends to be elastic. Bans on tobacco advertising raise the price of tobacco substantially more than the quantity it reduces. So an increase in price raises total profit in the market. A recent suggestion which has generated some publicity is a ban on purchases of cigarettes and tobacco products by anyone born after the year 2000. Identify the potential advantages and disadvantages of this as a public policy measure, in comparison to the use of a Pigovian tax. (3 marks)

There are possible negative effects of advertising bans such as employment. Job losses may occur in the tobacco industry in sales and promotional staff, in sections of the printing industry and in the advertising agencies of tobacco firms.

(tobacco advertising bans: some thoughts. Terry Maxwell alchin)

The ban on the cigarettes may increase the amounts of the substitutes of the cigarette, like some drugs. some researches show that the ban was comparatively less effective in discouraging older non-smokers from buying tobacco. And

<https://assignbuster.com/the-history-of-anti-smoking-economics-essay/>

although there was a significant overall decrease from 26.3% to 10.8% in the proportion of 13-15-year old adolescents buying tobacco. Surprisingly, the proportion of adolescents who purchased for others (rather than for themselves) was relatively high both before (48.7%) and after (40.6%) the tobacco sales ban. (The tobacco sales ban and tobacco purchases by adolescents: a general population study in The Netherlands Wendy M. I. Verdonk-Kleinjan¹, Ronald A. Knibbe², Bert Bieleman³, Henk N. de Groot¹, Hein de Vries) Nevertheless, there are also some advantages from the ban. For example, Tobacco sales ban and its active enforcement can reduce youth access to tobacco products from commercial sources over a few years. (The tobacco sales ban and tobacco purchases by adolescents: a general population study in The Netherlands Wendy M. I. Verdonk-Kleinjan¹, Ronald A. Knibbe², Bert Bieleman³, Henk N. de Groot¹, Hein de Vries) The ban on cigarette is an essential step to prevent morbidity and mortality caused by tobacco smoking and help non-smoking people get rid of the situation of "passive smoking" which can improve the citizens' health greatly. (Towards the world-wide ban of indoor cigarette smoking in public places\$ Luis R. Rivero, James L. Persson, David C. Romine, John T. Taylor, Theron C. Toole, Christopher J. Trollman, William W. Au). What is more, brand and firm shares are more stable after the ban. (tobacco advertising bans: some thoughts. Terry Maxwell alchin) The use of Pigovian tax could raise the price of the cigarettes, so the consumers would bear most of the burden of the tax. In that case, the higher price would lead to a decrease on amounts of cigarettes people smoke. But most addictive or necessary life goods tend to have an inelastic demand, like the cigarettes. So the tax on the cigarettes may not stop the people who are addicted to the cigarettes. In contrast, the <https://assignbuster.com/the-history-of-anti-smoking-economics-essay/>

public policy would be much more efficient, that is, because the government could regulate the situation by its power. Identify a purpose for smoking bans (or licences) which is not directly related to the market failure normally discussed in our study texts. (2 marks) Many people switch their smoke habit for a nut habit. That means when people want to smoke cigarettes, they would find some nut to eat which is a good way to use both your hands and mouth to get the same feeling of smoking.

[Total: 20 marks]

Note that in writing the essay it is important first to consider what economic theory has to suggest on the topic that is of relevance, and then second to consider and discuss the evidence. Your grade will be based on both the content and clarity of exposition of your paper. There is no set number of references that you should use" however the expectations for this assessment is that you use your own knowledge as acquired from studying from the recommended textbook and associated material and not by simply collecting the ideas from various sources. A note on plagiarism: You must be the author of your paper using your own words. Whenever you use text from somebody else, you must put this in quotes in give the precise reference. Quotations should be rarely used" only in those cases where the meaning would be lost if the author was to use his/hers own description, which is extremely rare. In cases of plagiarism, I follow the University rules strictly.