

# [Since of smoking cigarettes are human health](https://assignbuster.com/since-of-smoking-cigarettes-are-human-health/)

Since the past few decades , Australia has tried to reduce the consumption of cigarettes which are demerit goods , within its borders . A demerit good is referred to as a good or service whose consumption is considered degrading, or socially undesirable due to the negative effects on the consumers . The use of such goods  in turn leads to negative externalities of consumption , which is the negative spill over cost of the individual consumption of a commodity , on society as a whole .

The negative externalities of smoking cigarettes are human health issues such as serious cardiovascular and respiratory diseases, lung cancer and in some cases death .    In fig. 1. 0 the socially optimal amount of cigarette consumption is where MSC= MSB and the market is in equilibrium with Price and Quantity represented by P\* and Q\*. However in this case , a larger quantity is consumed ( Q1 ) leading to welfare loss , represented by the orange triangle .

It should be noted that MSB < MPB , meaning that the marginal benefit is greater for the consumer than the society . This results in allocative inefficiency . In the selected article the government has tried to reduce this negative externality through advertising , legislation , taxation on tobacco and prohibition . Fig.

1. 0 also shows the effect of government regulations and advertising in eliminating the negative externality  . This can be seen through a shift in D1 = MPB towards MSB . This shall continue till D1 overlaps with D2 , eliminating the externality with price falling to P\* and quantity to Q\*. Through advertising campaigns , the government has used harsh graphics depicting health warnings and slogans such as “ It’s a toxic, poisonous mix of substances” exhibiting the harms that smoking causes to human health .

This has helped to discourage addicted tobacco cigarette smokers . With high costs of advertising ( paid by government revenue received through taxes ) , the government has to bear opportunity costs . These range from possible expenditure on education to national security . As a short term solution , advertising is not the most effective ( Time required ) but as a long term solution it may help to discourage smokers.

Regulations dealing with restrictions on smoking in public places , as those mentioned in the article “ smoking prohibited within 10m (33ft) of a playground, within 4m (13ft) of the entrance to a public building, at rail platforms….” can be very effective in reducing the external costs of smoking , alleviating the negative externality as it marginalises smokers  . Also regulations on packaging cigarettes such as; Plain Packets , health warnings , ambiguous branding; reduce these externalities (Rules: 75% of the front is covered by health warning, and 90% of the back ).

Take for example the graphic images of throat cancer on cigarette packs make individuals avoid looking at the pack of cigarettes , making them reconsider their decision to consume such products thereby making them avoid it , research shows that avoidance strategies of individuals become predictors of their quitting of something . Such regulations have major effects on different stakeholders ( firms , governments and consumers ). Large firms tend to lose their monopoly on the market and many lose the incentive to produce the good , reducing the supply of cigarettes, this leads to the government not having to spend on anti-smoking campaigns but rather allows for spending on more lucrative sectors . In the case of consumers , it repels them and helps preserve human health . Now , if we consider “ taxation” as a solution .

Economists would prefer market based solutions to solve problems of negative externalities . This is probably , since imposing indirect taxes helps to internalise externalities and create incentives for consumers to change habits , much like imposing an indirect tax on something like sugary drinks could reduce consumption . The graph above exhibits a decrease in supply and an upward shift of the supply curve from MPC to MPC + tax , intersecting with MSB at Qopt  ,  dropping quantity demanded . Price increases from Pm to Pc.  It may seem like a utopian solution for reducing smoking but there are issues . Firstly it is almost impossible to measure external costs of smoking and logistical assessment is a difficulty  .

Secondly , goods such as tobacco cigarettes have inelastic demand , meaning that changes in the price have a proportionally smaller decrease in consumers than the relative price increment . Taxation however , may be beneficial for increasing government revenue which may mitigate the opportunity cost . Eg. the price increase of cigarette packs to AUD $ 40 might greatly increase government revenue . To conclude , the Negative Consumption externalities caused by cigarettes can be reduced by a combination of policies and trends .