

Softly-softly could make Big Tobacco turn over new leaf

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Cornered, aggressive cigarette companies are no good to anyone. (sadface)
Credit: Mendhack/flickr

Making and selling cigarettes may not be an edifying business, but it is a very lucrative one. In 2013 the profit of the world's top six tobacco companies was US\$44.1 billion – [equivalent to the combined profits](#) of Coca-Cola, Walt Disney, General Mills, FedEx, AT&T, Google, McDonald's and Starbucks. The problem is that this profit is made almost entirely from a product that kills many of its long-term users.

Smoking remains the leading cause of preventable premature death. Globally, tobacco use has [killed 100m people in the 20th century](#), much more than World Wars I and II combined. As a snapshot, more than [78,000 people](#) were killed in England in 2013, and it has been estimated that the total cost of tobacco use in England is [about £14 billion a year](#).

To address this, there needs to be a change in how governments deal with the industry. The relationship now is adversarial, and it's not hard to see why: Big Tobacco exists to deliver nicotine to addicted smokers, who then develop illnesses which the state must pay to treat.

Governments have made this [business](#) more difficult over time, through higher taxation and advertising bans, but [tobacco firms](#) continue to thrive by selling significant quantities of deadly cigarettes at high prices. Big Tobacco firms listed on the FT500 global stock index are currently [valued at more US\\$550 billion](#), which suggests they will not be going out of business any time soon.

It is time for governments to add some nice cop to the nasty; time to guide the world's major tobacco firms away from their core business with economic incentives that encourage the marketing of less harmful alternatives.

Responding to threats

At the moment, companies fling themselves into bitter [legal battles](#) to protect their markets against restrictions that seek to improve [public health](#), but which damage the industry's ability to make money. Just consider the millions being spent as Big Tobacco challenges the UK government over the latest measure that [requires standardised tobacco packaging](#) and the failed efforts put into stopping a similar measure in Australia.

Not only do such expensive battles make it harder to protect public health, but existing public health policies also unintentionally trap the industry in the business of making very profitable but deadly cigarettes. Measures such as advertising bans and restrictions on using their brands outside the field of tobacco make it hard for the industry to diversify.

The tobacco companies could use their profits to follow the example of [companies like Nokia](#), which moved from operating in rubber and wood pulp to be a leading producer of mobile phones. But the trouble with this type of diversification is that it doesn't actually give the tobacco firms any incentive to stop making cigarettes. Indeed, they have tried it before, such as in the 1970s when British American Tobacco bought the Argos retail chain and in the 1980s when it dived into the [UK insurance business](#).

But what if the state stopped slapping down the industry and instead shepherded it towards a more desirable future, one where public health improves and cigarette firms stop acting like cornered animals fighting for their existence? Why not fix the market so other less deadly products were more profitable instead?

In this situation the industry would actually want its consumers to move away from cigarettes because it would make more money from doing so. The changed market environment would present the firms with a powerful reason to escape from their current business.

An opportunity in e-cigs

This might sound fanciful but the growing popularity of e-cigarettes is a real opportunity to act. The [available evidence](#) suggests that these products are certainly massively less toxic than smoked tobacco products, and it is likely that they can be precursors of further innovations that lead to even better replacements for cigarettes.

While it can't be said that there is no risk from using such products, it is clear that there are enormous health benefits if all tobacco smokers were to [switch to e-cigarettes](#). Tilting the market so that tobacco firms favour e-[cigarettes](#) at the expense of their existing tobacco products would mean the interests of the firms are finally more in line with those of wider society.

They can then either act on such incentives or go the way of companies like Kodak, who went out of business because they were out-competed by rivals more adept at responding to changing market conditions.

Governments have deliberately tilted markets in this fashion before. We switched from leaded to unleaded fuel because governments used a combination of [carrot and stick policies](#) to shepherd the auto and fuel industries in the right direction. They are doing it again now by favouring clean forms of energy like wind and solar power, over polluting sources such as the burning of coal and gas.

Such transformations, however slow, can happen when the economic incentives change. The desired products are given favourable tax treatments, subsidies and advantageous regulations, while products to be phased out are subject to heavy taxes, onerous regulations, and measures directly constraining the [profit](#) to be made.

Health kick

You might have spotted a problem with this. Adoption of such deliberately transformative policies in the regulation of the tobacco industry could certainly keep [tobacco companies](#) alive for longer (if they succeed in their competition with new market entrants). This shouldn't be a concern, however.

Many of our current corporations have in the past produced products we

now regard as unwelcome. Consider that Coca-Cola's original formula [contained cocaine](#) or that Grünenthal, the Germany drug company responsible for Thalidomide (which caused many to be born with disabilities) now produces Tramadol, a widely used painkiller.

What matters is that by moving away from the current adversarial approach to [tobacco](#) regulation, we can make the companies actually want to fundamentally change the nature of the products they sell.

The firms would then become part of the solution instead of being part of the problem, and most importantly, we could rapidly achieve a public health breakthrough of historic proportions.

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