# LEANZ Seminar – Tobacco and smoke-free policies 24 September – 5pm

## Topic

Should the Smoke-free Aotearoa goal be achieved and if so how?

## Discussion

What is this goal we are considering?

The New Zealand Government has set a goal so that by 2025 fewer than 5% of New Zealanders will be smokers.

It is stated that this will be achieved by:

* protecting children from exposure to tobacco marketing and promotion
* reducing the supply of, and demand for, tobacco
* providing the best possible support for quitting.

Modern governments are very keen on “goals.” So much easier to announce goals than actually to do anything.

On the other hand arguably just announcing goals maybe far better policy than doing harmful things. New Zealand would have been far better off if, in 1982, Sir Robert Muldoon simply announced a goal of eliminating inflation. Instead he did something – decided to set the price himself of all New Zealand goods and services. The goal was fine the problem was doing something to achieve it.

If the objective of a goal is to have one, then whether the goal is achieved seems irrelevant to its purpose.

Maybe we can conclude discussion of the topic at that point.

But let us look at the way this goal is supposed to be achieved.

**Support for quitting smoking.**

I am not ideologically opposed to the government providing support for those wanting to quit tobacco consumption given that tobacco consumers are generally low income earners. I do question, however, why other taxpayers should pay taxes to fund support for me.

**Reducing the supply of tobacco**

I would not worry about reducing the supply of tobacco on the reasonable basis that supply will match demand. This is of course provided the government does not interfere with the efficient operation of markets. If the government does interfere, history shows problems are created. Alcohol prohibition of the 1920s is an example. Hopefully the government will not enforce a reduction of supply.

**So this leaves reducing the demand for tobacco.**

The demand for tobacco is set by individual choices. The government can influence this demand by coercion or persuasion.

Why should it?

The traditional argument has been economic externalities. But that has been in my view largely discredited – especially at the levels of taxation we have now reached on tobacco. The unfortunate fact for the anti-smokers is that most, if not all, of the costs are internalised.

Reverting to fiscal costs on the government is wrong-headed and seems to me to suggest that smoking should be subsidised not taxed. For example the McLeod 2001 Tax Review noted that the cost of New Zealand superannuation for smokers is about half that of non-smokers. Put this into rough number – the fiscal saving from a person smoking is about $200,000 as a one off sum.

My only additional comment on this is that the economic arguments advanced for anti-smoking government action always seem to ignore the idea that smokers get benefits from smoking. They enjoy smoking. Sorry.

I refer to the artist David Hockney when asked why he has decided to leave Los Angeles after over 50 years:

“I'd like to just work and paint,” he says. “And to be able to smoke and eat in a restaurant at the same time. Thank God for Normandy. The French know how to live. They know about pleasure. Americans have become too censorious about smoking and that is something I shall never give up.”

Any proper economic analysis should take the benefits of smoking into account as well as any costs.

My focus is on the perverse outcomes from government attempting to coerce people into non-smoking by way of taxes and regulation.

* Taxing tobacco places a very high tax burden on one section of society – the poorest. Tobacco taxes are vey high and regressive. The McLeod 2001 Tax Review stated that, at a then retail price of $8.37 for a packet of cigarettes, the tax rate was 235%. The retail price is now about $30. It reported that these high taxes were paid disproportionately by the most deprived. Since smoking rates among Maori are double that of the general population – it is a tax that particularly impacts on Maori.
* Tobacco taxes raises some $1.7 billion per year in revenue. To raise this money through income tax the 33% top personal rate would have to rise to about 38%. We are taxing the poor to lessen the tax burden on the rich.
* As the 2018-19 Tax Working Group noted, high tobacco taxes appear to be a factor in an increasing number of robberies and criminal activity.
* Regulation of tobacco takes a number of forms. From age restrictions on purchase, areas where smoking is prohibited, to advertising. I shall focus on bans on advertising including plain packaging and secret locked cabinets where tobacco is sold. While advertising is often seen as a cost consumers bear for subsidised newspapers and internet use, it clearly preforms a valuable role for the functioning of markets and for the benefit of consumers. It provides information. This informs consumer choice, reduces barriers to entry of suppliers and so forth. I doubt the role of measures such as plain packaging in reducing tobacco consumption but the result seems to be:
  + Reduced advertising costs and higher tobacco company profits
  + Reduced competition with existing brands permanently entrenched
  + Less informed and empowered consumers.

Not surprisingly tobacco companies are still very profitable.

Things are as they are but we should not make the same mistakes with vaping and the like. We should not assume that the general population are idiots. We should promote a fully informed public making choices that best meets their preferences.

In that respect I do support government action to:

* Inform the public of health risks of smoking and vaping. Suppliers have an obvious incentive to downplay these risks.
* Restrictions on the supply of products to the young. **This is the third goal action point.** This is an agency issue. While the high price of cigarettes seems to discourage smoking among the young, this does not in my view justify further impoverishing the poor. The idea that we deal with this agency issue by protecting children from exposure to tobacco marketing and promotion seems bizarre. We are mainly talking about adolescents. Telling an adolescent that they should not look at something because it is bad does not work. Putting cigarettes behind secret locked cabinets only adults can open seems an open invitation to adolescent smoking. Better to use criminal sanctions if products are supplied to the young.
* As noted above, there are reasonable grounds for the government providing the best possible support for quitting but probably target the assistance to low income earners.

So with respect to vaping the government should encourage information being provided by suppliers and also challenge inaccuracies and provide accurate information itself. Then let consumers choose.