

Curing the Addiction to

PROFITS:

A supply-side approach
to phasing out tobacco

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A SUPPLY-SIDE APPROACH TO PHASING OUT TOBACCO

Cynthia Callard, Dave Thompson
and Neil Collishaw

CANADIAN CENTRE FOR POLICY ALTERNATIVES

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PREFACE

The year was 1987, and the Minister of National Health and Welfare, the Honourable Jake Epp, had recently introduced the draft Tobacco Products Control Act as Bill C-51 in the House of Commons. I was the civil servant responsible for the tobacco legislation file. Very quickly, it became clear that we had a tiger by the tail. The tobacco industry pulled out all the stops to defeat or weaken the government's proposal to ban tobacco advertising.

Members of Parliament were assaulted with blizzards of letters arriving, seemingly from ordinary citizens protesting the new law. There were various texts, fonts, styles and paper stocks. It seemed like a genuine grassroots protest. In reality, it was an early example of fake write-in grassroots campaign organized by a corporation in its own private interest—a “grasstops” campaign. The tobacco industry hired high-profile lobbyists; they created fake coalitions of influential citizens (“Coalition 51”); and they bombarded us with reports they arranged to have sent to us from all over the world, from organizations like the Children's Research Unit, the Smokers' Freedom Society, INFOTAB, the World Federation of Advertising, and Freedom of the Right to Enjoy Smoking Tobacco (FOREST). These and other petitioners they sent our way were all financed by the tobacco industry. Their efforts succeeded to some extent; the initial proposal to ban almost all forms of tobacco advertising was weakened somewhat when it was finally adopted by Parliament in 1988.

In 1987 and 1988, I was kept very busy inside the Health Department reacting to one missive after another from the tobacco industry. What kept me going was the belief that the problem would be solved. The proposed new law would surely bring tobacco consumption to an end.

How wrong I was! I suffered from a common delusion; I was so deep in the FOREST that I could not see it for the trees.

Years later, I was to find myself even deeper in a much bigger forest that I once again could not see for the trees. It was Sunday, March 8, 1998 and I was at home in Ferney-Voltaire, France, just across the border from Geneva, Switzerland where I worked at the World Health Organization (WHO) in charge of the Tobacco or Health Program. The telephone was ringing non-stop. Journalists and colleagues were calling me at home from all over the world, demanding an explanation of the story on page one of that day's London Sunday Telegraph. The story began, "The world's leading health organization [WHO] has withheld from publication a study which shows that not only might there be no link between passive smoking and lung cancer but that it could even have a protective effect."

I did not have a copy of the newspaper; I was only dimly aware that our sister agency in Lyon, the International Agency for Research on Cancer (IARC) in Lyon, France had been conducting a study on passive smoking. I had certainly not seen any results from the study.

I and WHO had been ambushed by the tobacco industry. It was only at the end of the next day that we managed to get a news release out of WHO detailing the misinformation in the Sunday Telegraph. "Passive smoking does cause lung cancer, do not let them fool you," screamed the headline on our news release. But it was too little, too late. In a single day, the tobacco industry's public relations machine had made sure that the story initially published in the Sunday Telegraph was news in every corner of the world. IARC and WHO were staffed with good scientists and skilled international health bureaucrats, but these slow-moving bureaucracies' media relations offices were significantly outgunned by the tobacco industry's global public relations machines. IARC did not even have a media relations officer. Their press officer doubled as IARC's librarian!

Later, Elisa Ong and Stanton Glantz at the University of California researched the circumstances surrounding this event, and discovered that the tobacco industry had been tracking the IARC study since 1993, and spent far more in tracking the study and in planning and executing their masterful disinformation campaign than IARC spent to do the study. Ong and Glantz's careful research was published in the respected medical journal *The Lancet* in April 2000, but received scarcely any media attention. Two years after the fact, the story was "old news."

Tobacco industry misinformation, fanned by a well-oiled public relations machine, operating everywhere in the world, had trumped careful scientific work by well-meaning health professionals working for IARC, WHO and the University of California. To this day, tobacco industry apologists continue to cite the March 8, 1998 edition of the *London Sunday Telegraph* as "proof" that passive smoking does not cause lung cancer.

These are just two examples of many similar experiences I have had in nearly a quarter-century of full-time work on tobacco control. Now, finally, I am no longer lost in the trees; I can clearly see the forest.

What the tobacco industry was doing to the Canadian government in 1987 and 1988, and to the World Health Organization in 1998 was exactly what it was programmed to do. Tobacco companies are obliged by laws governing corporations to make money for their shareholders. They can only do this by selling more and more cigarettes. So Big Tobacco will never stop beating up on public health policies and public health agencies. After all, their actions threaten cigarette sales, the only route to shareholder profit for tobacco companies. But the monstrous tragedy of this logic is that the more cigarettes they sell, the more their customers will get sick and die.

As long as we continue to allow tobacco companies to exist as for-profit business enterprises, every attempt we make to curb tobacco industry behaviour in the name of public health improvement control will be met by unceasing tobacco company efforts to defeat, attenuate, mitigate, delay, counter or confuse the new knowledge or new policy measures that tobacco companies think might cut into their sales.

We will never succeed in completely phasing out tobacco consumption until we remove profit-making from the tobacco business.

This book clearly spells out just why this must be done and proposes a variety of workable ways that it could be done.

Public health policy makers can choose to continue the grinding ground war against Big Tobacco, making progress slowly, inch by inch, while, globally, we continue to lose ten people a minute, deaths caused by tobacco.

Or they can choose to bring this grinding trench war to a quicker end by changing the very nature of the corporate machine opposing public health improvement—the Big Tobacco corporate machine that is killing five million people per year around the world.

Ultimately, in the name of human decency, the latter choice is to be preferred. But it can only be made legitimately—democratically and collectively. And that means a lot of people would have to agree that taking the profit out of the tobacco business is the right thing to do. Much thought and discussion and debate will be needed before it happens. We hope that this book will fuel such a debate and lead us closer to the beginning of the end of tobacco consumption.

Neil Collishaw

June 2005

EXECUTIVE SUMMARY

For almost half a century, governments have addressed the devastating health consequences of smoking with measures that encourage individuals to adopt healthier lifestyles. The policies deployed to reduce smoking—high tobacco taxes, bans on cigarette promotions, health warning labels, public education, etc.—try to modify the mindset and actions of smokers or potential smokers, which is why they are considered to be “demand-side” interventions. Even though “supply-side” measures have been found effective for other components of public health (like safe drinking water, hospitals, and controlled access to some drugs), they have not yet been recommended or adopted for tobacco control.

Nonetheless, the problems with the current supply side of the tobacco market are well known. In Canada, as elsewhere, cigarettes are sold by a small number of multinational tobacco corporations whose efforts to undermine public health are well known and well documented. The record of their actions has led many to view tobacco corporations as an immoral, unethical, rogue industry.

This view is mistaken. Tobacco corporations can only be immoral and unethical if they have the capacity to make moral and ethical judgments which, we argue, they do not have. Business corporations are instruments created for the sole purpose of facilitating trade and programmed to make decisions aimed at one exclusive goal: the making of money. They are “legal persons,” but they are not human. A more accurate metaphor

for this social instrument is a machine, a computer program, or a car. Cars can't feel sorry for the people they hurt, and neither can corporations.

Corporations are required under law to act in the "best interests of the shareholder," which has come to have the unequivocal meaning of maximizing profits. They are rule-driven systems and their behaviour is programmed and predictable. In striving to sell more cigarettes and recruit new smokers, they are doing exactly what they were created to do—sell cigarettes—and what they are required to do: maximize the value of the corporation for its owners by making and selling cigarettes as profitably as possible. The rules of corporate law, combined with the forces of the competitive for-profit marketplace, compel them to try to increase tobacco use. Even if a given tobacco corporation were to remove itself or be removed from the tobacco market, other companies would replace it as long as it was in their shareholders' interest to do so. Those who work for tobacco companies have the capacity to value more than profit-making, but they have neither the authority nor the power to impose this personal view on the corporation's sole focus on profit.

This analysis has clear implications for public health. Tobacco companies will seek to sell more cigarettes and, to do this, they will continue to try to defeat, weaken, bypass, and violate tobacco control measures. Health regulators may develop more sophisticated and stringent tobacco control measures, but the companies will reply every time with more sophisticated and imaginative strategies to blunt their effect.

Governments can overcome this problem by adding a "supply-side" approach to their current "demand-side" strategies. This can be done by transferring responsibility for the supply of cigarettes to a type of enterprise that is not driven to seek profits. There are many forms and hundreds of examples of public-interest enterprises, such as cooperatives, public utilities, Crown corporations, and non-profit agencies, that can serve as models for creating a new public-interest tobacco manufacturer that has a legally-binding mandate to help reduce smoking.

One way to implement such a supply-side strategy would be to acquire existing tobacco corporations, through voluntary or legislated purchase, and then transfer responsibility for manufacturing and supplying tobacco to a public-interest enterprise that is given a legislated mandate to reduce smoking. There are many ways in which such an enterprise

could be structured, from which we have identified three models—a public agency, a private agency, and a hybrid licensing commission—for more detailed consideration.

Since society pays the health costs associated with smoking, the cost to Canadians of buying tobacco companies is much lower than the cost of leaving them in place to keep smoking rates high. We estimate that acquiring Canadian tobacco operations and implementing a strategy to phase them out would cost from \$0 to \$15 billion (one is currently in bankruptcy and they all face major law-suits), and that no more than two years' tobacco tax revenues would be required to finance the purchase. The smokers whose taxes would be assigned to this purchase would be the ones who would benefit the most, as they would finally have a cigarette supplier mandated to meet their desire to quit smoking.

This transfer could be managed without immediate inconvenience to smokers, tobacco growers, tobacco manufacturer employees, retailers, or other market stakeholders, much as private sector transfers in ownership do not necessarily affect these stakeholders. Workers and retailers would not stop manufacturing and selling cigarettes, but their new management would direct them to do so in ways that encourage smokers to quit. Instead of being told to fight or undermine measures that help smokers quit, these workers would be challenged to use their entrepreneurial talents to accelerate and improve on them. The knowledge and expertise that is now used to market cigarettes could be re-directed to de-market smoking and to design and manufacture their cigarettes in ways that reduce their attractiveness or addictiveness. Economic incentives that currently increase tobacco use could be transformed into incentives to decrease tobacco use.

The public health goal of reducing tobacco use is—now and for the foreseeable future—in direct conflict with tobacco corporations' mandate to increase profits. The approaches now used to modify tobacco industry behaviour (shaming, punishment, and imposed codes of conduct) wrongly expect the companies to be capable of behaving against their fiduciary responsibilities. Instead, we should focus on the moral, ethical, and legal responsibilities of those who have granted business corporations control over the tobacco market when healthier options are available.