Smokers and taxes

SIR

Hugh V McLachlan has argued that it is unfair to tax smokers, and smokers alone, for the health-related costs associated with smoking.1 Unfortunately, McLachlan’s position is based upon a misrepresentation of Le Grand.2 Taxing smokers is sound public policy, but its defence requires adequate conceptions of informed consent and costs — something neither McLachlan nor Le Grand provide.

McLachlan asserts that Le Grand has a “dubious notion of equity”. His preferred conception of equity is one “...whereby, ‘equity’, ‘fairness’ and ‘justice’ are identical, or at least, very, very, similar”.3 But Le Grand writes: “Generally, therefore, I shall follow common usage and treat equity, justice, and fairness as synonyms”.4 Surely, it is the difference McLachlan alleges that is “dubious”.

McLachlan argues that taxing smokers would violate Le Grand’s own equity standard. But his criticism stems from a misleading summary of Le Grand, which is taken from the “Afterword” of Le Grand’s book. Inexplicably, McLachlan ignores chapter 6 where Le Grand presents his analysis of “equity” and choice. For Le Grand, it is a function of an individual’s “constraints” and her “choice set”. The former he defines as “factors beyond individual control”, the latter as the “set of possibilities bounded by constraints”. Under these conditions: “A distribution is equitable if it is the outcome of informed individuals choosing over equal choice sets”.5

This view of equity requires an analysis of both the “constraints” and the “choice set” faced by decision makers. This joint requirement narrows substantially the range of relevance and applicability of his conception of equity.

Le Grand’s primary concern is to determine if, and under what conditions, the exercise of informed, voluntary choice tips the scales when deep questions of fairness are concerned. Those who meet such conditions ought to be liable for the added health care costs their actions produce. Le Grand presumes that smokers meet this condition and that they knowingly run risks to their own health. For the subset of smokers for which the presumption is met, Le Grand shows that it is both logically consistent and fair that smokers pay for added health care costs that result from smoking. This is true, whether they, as individuals, actually become ill or they do not.6 By implication, taxing the remaining subset of smokers is justified on weak paternalistic grounds since addicted, ill-informed, or irrational smokers fail to meet a reasonable standard of informed consent. Serious illness results from a myriad of reasons, and it is not always clear that those who suffer from smoking-related diseases choose to smoke. Thus, an excise tax on smokers can be defended on a combination of equity and weak paternalistic grounds.

McLachlan’s final criticism amounts to a simple argument from slippery slope—adopting an excise tax on smoking would result in a plethora of special excise taxes. But McLachlan’s argument stems more from his decision to view the excise tax as “(an)....enforced pre-payment for a specified service”7 instead of a means of covering the added health care expenses caused by smokers’ exercise of choice. Even Le Grand’s approach is sufficient to distinguish smokers from the other groups identified by McLachlan as likely targets for future taxes and used for maximum rhetorical effect.

Ironically, the misinterpretation of Le Grand is not the primary deficiency of McLachlan’s essay. Both McLachlan and Le Grand presume that smoking is a private vice, based upon informed choice, and that the full costs of smoking are visited upon smokers (and smokers alone). Neither position addresses two crucial issues: “informed consent” and the externalities associated with smoking. Sound public policy-making requires that both of these dimensions be addressed explicitly. The number of smokers who actually meet a reasonable standard of informed consent is an empirical question. For all those who do not, an excise tax is easily defended on weak paternalistic grounds. Externalities associated with smoking probably dwarf rationality concerns. The costs borne by non-smokers are enormous. Unless the interests of innocent third parties are addressed explicitly, public policy discussions of taxes and smoking will remain hollow.

VARDMAN R SMITH
ANTHONY E BOPP
Department of Economics, James Madison University, Harrisonburg, VA 22807, USA and Department of Health Sciences, James Madison University, respectively.
(Corresponding author: Dr Anthony E Bopp.)

References

3 See reference 1: 209.
4 See reference 2: 11.
6 See reference 2: 123.
7 See reference 1: 212.