



Why Big Tobacco Is So “Concerned” about E-Cigs and Your Health

The Unholy Alliance of Cronies and Busybodies Strikes Again

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“When it comes to e-cigs, Big Tobacco is concerned for your health,” writes Martinne Geller for Reuters. Her article attempts to explain the recent trend of tobacco companies working with the US government and public-health advocates for more stringent regulation of electronic cigarettes (e-cigs).

“Why would tobacco companies want more regulation?” one may ask. Well, when we look at the incentives involved for each concerned party, this unholy alliance makes perfect sense.

Just days before this Reuters report hit the internet, a team of well-known professors of regulatory policy released a report explaining why this alliance would form. The answer lies in the familiar parable of “Bootleggers and Baptists” laid out by Bruce Yandle in the journal *Regulation*. Coincidentally, it is this same journal that would publish the report on e-cigarettes 22 years later.

Simply put, industry incumbents seek regulation to keep upstart competitors at bay, while moralizers (the “Baptists” in the parable, or anti-tobacco groups today) seek to regulate the industry to make selling products they dislike more difficult. Both sides seek regulation, but for very different reasons.

In this case, moralizing e-cig opponents have joined with “Big Tobacco” and government tax offices to stymie the growth of e-cigs in the market. Each group has a distinct interest in regulation. Many health advocates seek to further stigmatize the perceived act of smoking, and want to treat e-cigarettes like traditional, combustible cigarettes to achieve this goal.

Major cigarette companies seek to make moving to alternative products more difficult, further entrenching their current, dominant position. Government officials, faced with falling cigarette-tax revenues, seek to prevent further drops by either taxing e-cigarette products or shoring up dwindling traditional cigarette sales.

All these groups are doing exactly what one would expect given the incentives that they face. Note that nowhere in this conversation is the consumer, nor the independent e-cig producers. Moreover, in many cases, public-health officials who seek lighter regulations are flatly ignored.

For consumers, there is a good reason to err on the side of under-regulation rather than over-regulation. Consumers have shown clear demand for a non-combustible way of consuming nicotine, and regulation would make catering to this demand more costly and difficult.

Regulation rarely adapts at the speed of the market, and setting rules for a market that has yet to fully develop will likely stifle innovation in the field. It will prevent e-cig companies from creating as many new or better products, knowing that they must comply with some combination of rules that were passed by groups with a clear and rational animosity toward them.

And all of this says nothing about traditional public-health arguments in favor of e-cigarettes. The National Institutes of Health and other federal agencies have complimented the products for their ability to help people quit smoking, or to prevent people who would choose to smoke from ever doing so.

The Reuters article mentioned earlier contains a number of quotes from such officials. When policymakers are faced with choosing between the lesser of two evils, some will wish the evils away, while others will simply take the least bad option.

When dealing with innovation, regulators must make a choice: either let the market develop, with better outcomes for consumers and more aggregate innovation, or regulate to mitigate some new harm the product brings to society. Determining which option to choose is a challenge, especially when costs and benefits are ill defined.

The question remains: should e-cigarettes be regulated like cigarettes? No. The arguments for harms remain weak, while many perceived harms (like falling cigarette tax revenues) are not harms at all. The benefits are less defined, but the growing market for e-cigs shows that consumers are clearly receiving some real benefits from them.

No matter what the bootleggers and Baptists may say, treating e-cigs to the same vigorous regulation as tobacco is a bad idea.