

Theoretically Unfounded: Some New “Business” Impulses to Tobacco Revenues Can Ruin Future

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How to cite this paper: Lordkipanidze, R. (2024). Theoretically Unfounded: Some New “Business” Impulses to Tobacco Revenues Can Ruin Future. *Theoretical Economics Letters*, 14, 1508-1512.
<https://doi.org/10.4236/tel.2024.144074>

Received: May 8, 2024

Accepted: August 4, 2024

Published: August 7, 2024

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Abstract

This seems to some that science (theory) and education separate a person from practice and income. Haste and an animalistic desire to make a profit prompt some to make rash decisions. Moreover, such “practitioners” believe that economic theory is not needed at all. The example of the unprecedented increase in smokers among children, I think, will force even such people to think. According to the latest information from the World Health Organization, the marketing sophistication of the “activities” of some “tobacco” scammers has led to the fact that they began to prey on the most sacred part of society—children, who, in the end, even surpassed adults in smoking.

Keywords

Economic Theory, Business, Revenue, Tobacco Industry

1. Introduction

For the benefit of genuinely scientific and creative individuals, a more transparent and technologically equipped future is approaching, but we must somehow free ourselves from the reaction of the past, which wants to prevent its collapse and has now been able to attack the future generation—according to the latest WHO data (World Health Organization, 2024), children have begun to smoke e-cigarettes more than the entire adult population. Tobacco industry experts estimate that tobacco killed 100 million people in the last century and will kill more than a billion this century (Figure 1) unless the trend of smokers increasing changes significantly in the opposite direction.

We have been seeing the vicious sides of the shadow tobacco industry for a very long time and we are especially concerned about the fact that, despite the enormous harm of tobacco on health, the need for tobacco products is very great and incomes are still among the best in the world economy. We used the histor-

ical and geographical features of economic analysis, mathematical and neuro-economics methods for multifactorial study, even innovatively applied the achievements of nuclear physics (Dalkey & Helmer, 1963; Zak, 2013; Debreu, 2008; Martin, 2006; Jariskog, 2008; Friedman & Schwartz, 1963; Keasbey, 1901; Lordkipanidze, 2024a; Li & Zhu, 2024; Huang & Tan, 2024; Wang, 2024; Lordkipanidze, 2024b) and came to the conclusion that the secret monopolies of the tobacco industry must be fought with the full force of the international community, as the famous case was with the Covid-19 pandemic.

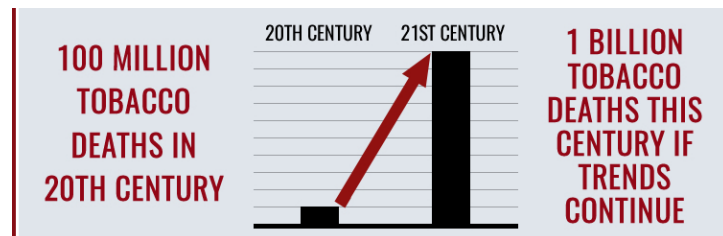


Figure 1. Epoch risks of Tobacco (Tobacco Health Consequences, 2024).

2. What Needs to Be Done Urgently to Immediately Correct the Situation?

Naturally, it is practically impossible to find perfect statistical data from the tobacco industry, especially from its shadow part. Therefore, to modern observations and forecasts by 2030, I decided to use the long experience of my doctoral research from the 80s of the last century, when I personally developed statistical forms and sent them to enterprises and local authorities in Georgia, which went through difficult times after the collapse of the USSR, when my country was in last place in terms of living standards in the world. My summaries of the data showed (Figure 2) that monopolism in the tobacco industry is extremely ineffective.

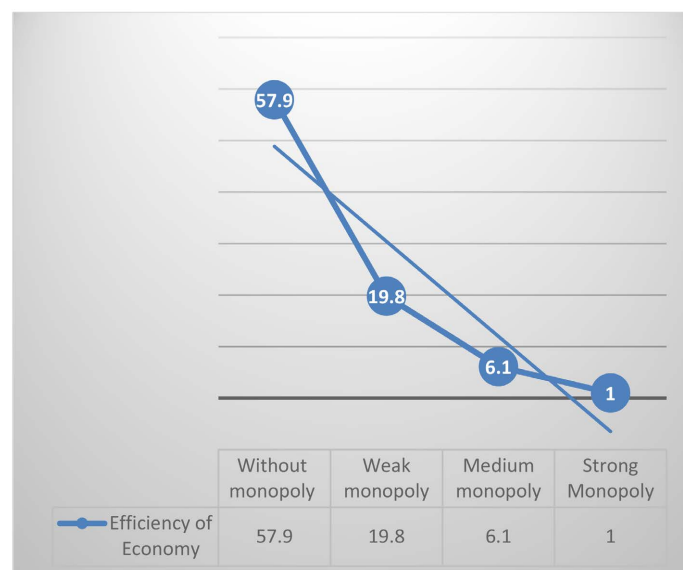


Figure 2. Inefficiency of Tobacco Industry by author's approximate estimates.

Due to a lack of statistical data, I was not able to observe hidden tobacco monopolies and strategic alliances in other countries, but I hope that with the strengthening of international antimonopoly services, this information will become more transparent and accessible to the researchers.

Under the USSR, when the Georgian tobacco industry was practically monopolized by the public sector and single enterprises operated in large regional areas, corruption and an extremely low level of quality flourished, which was accompanied by the shadow sector of the growth in imports of foreign cigarettes and narcotic drugs.

With the onset of democratic reforms in the post-Soviet economy and improved monitoring of the industry, high-quality (less harmful) local products appeared from various private enterprises, including Marlboro's subsidiary in Georgia. As we see, the shadow sector of the hidden monopolies of the tobacco industry uses mechanisms of predatory dumping through artificially low prices by circumventing taxation. Our research experience has shown that international monitoring (with the creation of antimonopoly services under Interpol) is necessary over the shadow sector of hidden monopolies in the tobacco industry and improved taxation of existing companies.

3. Conclusion: How Will Secret Monopolies Retreat?

The most concise conclusion of our study can be expressed by two main priorities:

- 1) Organization of international monitoring of tobacco business;
- 2) Application of the so-called "healing" taxes.

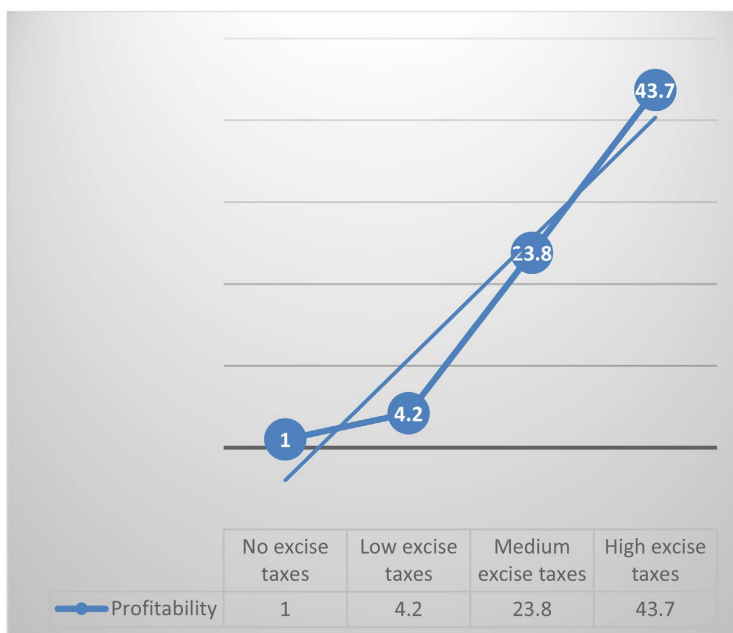


Figure 3. Macroeconomic Profitability from Smart Taxation of Tobacco Industry by author's approximate estimates.

In the first case, I think it would be appropriate to cite the Chinese experience, which applies many mechanisms of free market zones, but, at the same time, successfully combines them with reasonable government regulation, which I wrote about even before the start of reforms in China. With the creation of the Internet and the global market, better international regulation (monitoring) becomes necessary, following the experience of the economically rapidly growing Chinese phenomenon.

As for the second problem of taxation, observation experience in my country has clearly shown that an increase in the excise tax (naturally to a reasonable limit, taking into account the specifics of each country) on tobacco products clearly has direct beneficial consequences (**Figure 3**) for the economy. Consequently, state budget revenues, support for young progressive enterprises and technological projects and ultimately the profitability (cost-effectiveness) of the macroeconomics are growing.

Acknowledgements

The author is especially grateful to the scientists of University Geomedi, Tbilisi State University and Georgian Technical University for great interests to my unremarkable works and invitations to give lectures.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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