Joe Camel: Brought To You By The FTC

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Last month's sweeping tobacco settlement appears to herald a new era in which heavily regulated cigarette makers must disclose the true health hazards of their products and make do without popular mascots like the Marlboro Man and Joe Camel. (For more on the tobacco settlement, see the tobacco stories.) Sounds like a clear case of government acting to fix a problem that free markets could not, right? Not quite. Until the 1950s, cigarette companies advertised some of the dangerous health consequences of smoking, and it was the government--specifically, the Federal Trade Commission--that stopped them. This all-but-forgotten story is a fascinating account of how the market was ahead of the government in publicizing the dangers of smoking, and of the damage done by government regulation. Because regulation has prevented the cigarette companies from discussing health, they have settled for emphasizing glamor and hipness. Joe Camel is a monster the FTC helped create.

Fear of the dangers of smoking did not begin with the Surgeon General's report of 1964. For decades before that, people had referred to cigarettes as 'coffin nails.' Cigarette companies dealt with these fears by claiming that their products did not cause medical problems. 'Not a single case of throat irritation' went the ad for Chesterfield. 'Smoking's more fun when you're not worried by throat irritation or smoker's cough,' said a Philip Morris ad. Jack Calfee, an economist at the Washington-based American Enterprise Institute who has studied the issue, points to an ironic side effect of all this advertising: While each company's purpose was to distinguish its brand from the competition's, consumers were constantly reminded of the nasty symptoms that came with smoking.

But the FTC's view back in the 1940s was that all major brands were essentially identical and did not pose a health risk. In 1950 the FTC, stating that 'the smoking of cigarettes...is not appreciably harmful,' banned comparative health claims.

The 1950 ruling left a loophole, however: It applied to specific existing brands, not new ones. After two epidemiological studies published that year found a strong link between cigarette smoking and lung cancer, a few cigarette companies rushed to exploit that loophole. In 1952, Lorillard, with only 6% of the market, introduced Kent, whose 'Micronite' filter reduced tar and nicotine. Kent ads noted pointedly that 'the difference in protection is priceless.'

Industry observers worried that such advertising would hurt business. It did. Per capita sales, which had risen continuously since 1931, declined by 2.8% in 1953 and a further 6.1% in 1954. Why did the companies do something that so obviously hurt their industry? It wasn't altruism--just an attempt by smaller companies to grab a bigger share of the market. By the end of 1954 filtered cigarettes made up more than 10% of industry sales, up from under 2% in 1950. Brown & Williamson, the only company that concentrated on filter brands, was also, in 1954, the only one to gain sales. The two largest cigarette makers, American Tobacco and RJ. Reynolds, with a combined market share in 1952 of 59%, avoided fear advertising, but they did introduce filtered brands as a response to the competition. The big winner in all this was the consumer, who was told nightly on TV, courtesy of the smaller cigarette companies, that smoking could be harmful.

This just wouldn't do. So in 1955 the FTC struck again, publishing rules to prohibit references to the 'throat, larynx, lungs, nose, or other parts of the body' or to 'digestion, energy, nerves, or doctors,' and to explicitly permit advertising of taste and pleasure.

Health-related cigarette advertising had one last gasp in the late 1950s, when medical experts began claiming that reducing the tar content of cigarettes would reduce the risk of lung cancer. This set off the great 'tar derby,' in which cigarette companies reduced tar and nicotine content and advertised the fact. Between the middle of 1957 and the end of 1959, tar and nicotine levels drooped nearly 40%. According to Calfee, about half of all the improvement in cigarettes since 1957 occurred during this 2 1/2-year period.

Guess what happened next. The FTC ruled in 1960 that claims about tar were implied health claims and as such could not be made unless substantiated by epidemiological evidence. Thus, in 1960, the competition to reduce tar ended--and with it the research to design cigarettes that were healthier, so to speak.

It wasn't until the mid-1960s, after the publication of the Surgeon General's report linking smoking and cancer, that the FTC began to think of smoking as a health risk--and began to require health warnings in advertisements. In 1970 the agency negotiated written pledges from all six manufacturers that they would include tar and nicotine measures in their ads. But it still won't let the companies do anything with that information. A cigarette company can't, for example, say that its low-tar brand is safer than a high-tar brand. Whereas in the 1950s the FTC considered all cigarettes equally safe, today it considers all brands equally dangerous and forbids any cigarette manufacturer from saying otherwise in its advertisements.

Given the history of tobacco regulation, it's no surprise that cigarette ads emphasize glamour and hipness--the FTC won't allow much else. What the government should allow is for tobacco companies to come up with their own catchy reminders of the awful consequences of smoking each other's coffin nails.