

Benefits and costs, \$

$P_t$

$P_0$

$u_A(x_A, x_{Bt})$

$u_A(x_A, x_{B0})$

Price  
after tax

Price  
before tax

$x_{At}$

$x_{At}^{\text{direct}}$

$x_{A0}$

Indirect  
effect

Direct  
effect

A's smoking

