

Rational Behavior in Cigarette Consumption: Evidence from the United States

Yan Song*

Abstract

The primary focus of this essay is to use a long time series of state cross sections for the 1955-2009 time period in the United States in order to predict cigarette consumption. This essay updates estimates of the rational addiction model of cigarette consumption obtained by Gary Becker, Michael Grossman, and Kevin Murphy in their seminal 1994 American Economic Review paper. By using two types of prices, the cigarette price and the cigarette tax, and employing a cigarette demand function, I verify that smoking is a rationally addictive form of behavior. This is based on the theory that current smoking behavior is affected by both past and future smoking behaviors. Furthermore, I estimate long-run and short-run elasticities and find that the long-run elasticity is larger than that in the short run.

[Key words] Cigarette consumption, Price, Myopic model.

* Assistant Professor in Economics, Finance and Global Business department, William Paterson University, New Jersey, email: songy2@wpunj.edu