

## Accepted Manuscript

Title: Smoking kills: An economic theory of addiction, health deficit accumulation, and longevity

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PII: S0167-6296(17)30649-5

DOI: <https://doi.org/doi:10.1016/j.jhealeco.2018.09.001>

Reference: JHE 2146

To appear in: *Journal of Health Economics*

Received date: 11-7-2017

Revised date: 29-3-2018

Accepted date: 5-9-2018



Please cite this article as: Holger Strulik, Smoking kills: An economic theory of addiction, health deficit accumulation, and longevity, *Journal of Health Economics* (2018), <https://doi.org/10.1016/j.jhealeco.2018.09.001>

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# Smoking Kills: An Economic Theory of Addiction, Health Deficit Accumulation, and Longevity\*

Holger Strulik<sup>†</sup>

Revised Version. March 2018.

**Abstract.** In this paper I unify the economic theories of addiction and health deficit accumulation and develop a life cycle theory in which individuals take into account the fact that the consumption of addictive goods reduces their health and longevity. I distinguish two types of addiction: sophisticated and naive. Individuals with sophisticated addiction perfectly control their addiction. Individuals with naive addiction, though otherwise rational and forward looking, fail to fully understand how their addiction develops. I argue that the life cycle consumption pattern predicted for naive addiction is more suitable for motivating empirically observable patterns of addictive goods consumption. I take the case of smoking as unhealthy behavior, calibrate the model with U.S. data, and apply it in order to investigate the life cycle patterns of smoking and quitting smoking and the socioeconomic gradients of unhealthy consumption and longevity.

*Keywords:* addiction, unhealthy behavior, health investments, aging, longevity.

*JEL:* D11, D91, E21, I10, I12.

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\* I would like to thank Gustav Feichtinger, Sophia Kan, Alexia Prskawetz, Timo Trimborn, and an anonymous referee for helpful comments.

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