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Poster Presentation 32

**FEDERAL TAXES AND CIGARETTE SMOKING: A MICRO ANALYSIS
OF YOUTH SMOKING**

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The focus of this study is the effect of federal taxes on smoking. The Clinton Administration and others believe that an increase in federal taxes of between one dollar and one dollar and fifty cents per pack of cigarettes will substantially reduce the amount of youth smoking in the United States.

This research makes use of two schools of thought to describe the decision to smoke by both adults and youth. One theory states that people act myopically and consider past consumption and current influences but do not adequately consider future costs or benefits. The rational addiction theory says that a person makes smoking decisions rationally, taking into consideration past, present, and future costs, benefits, and influences in decision making. According to either theory youth with low levels of past consumption will be more sensitive to changes in price than adults with presumably more stock of addictive consumption.

This analysis will use a data set from the National Longitudinal Survey of Youth to estimate the overall consumption change in a federal tax increase and create a predictive regression model for youth's decision to start smoking. The model will be able to control for influences on a youth in the present and past and estimate influences on the decision to smoke.