

## Bright-Line Rules and Addiction

Miaomiao Dong

*Abstract :*

I study addictive good consumption by a consumer with hyperbolic discounting preferences. The good is addictive in that higher past consumption raises current marginal utility. I find that heavy past consumption necessarily traps the consumer in excessive consumption in the future, but when past consumption is low, she can—and must—adopt a « bright-line rule » to avoid that trap. Moreover, any Markov equilibrium without a bright-line rule is Pareto dominated by one with a bright-line rule. These results help explain the lapse-activated consumption pattern commonly documented in individuals with addiction.”