



Non-monetary factor in the production of health: evidence from the Russia Longitudinal Monitoring Survey

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This paper suggests a dynamic model in which health is produced either using medical care or following rules of health behavior. While medical care has monetary costs, following a health rule is free but induces disutility. A structural equation for the demand for health is derived from the model and estimated using Russian Longitudinal Monitoring Survey data. It is found that the elasticity of health production function in respect to health rules is approximately twice as large as the elasticity in respect to medical care. No direct effect of formal education on health is found. Using these estimated elasticities, I do an exercise of cost-benefit analysis. I compare costs and efficiency of anti-smoking "Quit and Win" campaign that took place in Finland in 1996-97 with the potential costs of reaching the same level of health improvement via extra utilization of medical care and find that it is more beneficial in terms of overall health gains to finance health-promoting campaigns than an increase in medical care usage.