



## The Economic Approach to Addiction; Why Behavioral Economics is a Pertinent Analytical Framework?

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### Extended Abstract

This paper sets out to present a better understanding of the economic approach to the analysis of addictive behavior. Addiction, in accordance with the standard definitions, is a consumption behavior, which follows certain behavioral patterns. Based on recent neuroscience researches on addiction, there is now a wide consensus regarding how the consumption of addictive substances affects the neural mechanisms of decision-making. These findings, next to strong supports from psychological patterns of addictive behavior, have led to a better understanding of the nature of addiction. The development of this understanding to required policies in the field of addiction, meets what we expect from the economic approach to the analysis of addictive behavior. By defining welfare criteria for consumers, the application of economic theory in this analysis helps developing policies that are measurable and comparable in terms of achieving their goals. Accordingly, the behavioral economic approach to addictive behavior helps assimilating qualitative concepts and insights of relevant disciplines into a quantitative analytical framework of making decision as to addictive consumption. This is particularly important for generating a more rigorous, and at the same time comprehensive toolkit for making policies that are seeking to reduce the harms of addiction. On this basis, in this paper, we have attempted to explain why behavioral economics is an analytical framework suitable for extracting requisite policy implications in the field of addiction.

*Keywords:* behavioral economics, addiction, addictive behavior, Rational Addiction, addiction policy, neuroeconomics

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## INTRODUCTION

Why do some people repeatedly consumes particular goods while they know it conflicts with their lifetime well-being? In which situations such consumption behaviors are recognized as addictive behaviors? Considering its nature, can addictive behavior be a subject matter of economics? What are the benefits of economic study of addictive behavior for economic theory and addiction knowledge? What is the contribution of conventional economics in analyzing the addictive behavior? What are considerations and implications of the latest findings and scientific evidence on understanding addictive behavior in adopting a suitable analytical approach to addictive behavior? Why is behavioral economics suitable for this purpose? This paper aims to provide a theoretical framework based on common literature in economics and addiction knowledge for better understanding and answering these questions.

## PURPOSE

The main purpose of this paper is to critically examine the conventional economic approach to the analysis of addictive behavior and to provide a suitable analytical approach in using the potential capacities of economics to extract the required policy prescriptions in the field of addiction.

## METHODOLOGY

Economic analysis of addiction can be generally considered at two individual and social levels. From the social perspective, without focusing on behavioral details at individual level, the effects and consequences of addiction are considered when it becomes a collective and inclusive behavior. If this issue is important, at first its importance is emphasized by relying on statistics and external evidence; then, macro policies are discussed, which can reduce the harms and costs associated with it as much as possible. From individual perspective, addiction analysis is attractive as a behavior. Thus, addiction is first considered as a behavior at an individual level. If results of examining this behavior indicate the necessity of intervention with regard to it, the level of analysis would require to be promoted to a collective level as much as possible, and policies for effective intervention to be provided. The important point here is that the adopted policies would remain committed to the results, which consensus was achieved on them at the individual level of analysis. While these policies are recommended due to their effectiveness at the collective level, their theories are based on addiction analysis as a behavior at the individual level. The present article has been developed based on some questions, focusing on economic analysis from this perspective. The first section of the article deals with common concepts and literature on economics and the knowledge of addiction. Studying this section is important because it shows the addiction characteristics as a consumption behavior with regard to economic theory as an analytical framework. This section also shows the importance of the subject and the benefits of economic approach to addictive behavior analysis in brief.

An essential prerequisite for any economic approach to addictive behavior analysis is to understand the nature of addictive behavior and its relation to the behavioral patterns studied in economics. Such an understanding determines our attitude toward economic theory and its application to explain and predict the addictive behavior. In fact, it should be

first ensured that the economic concepts and tools have the appropriateness for this purpose. Accordingly, the second section of the article explains that adopting economic approach to addictive behavior analysis involves which insights and considerations. Providing a new understanding of addictive behavior, the final section of the article tries to explain that in the analysis of addictive behavior, the introduction of concepts and psychological insights and neuroscience into an analytical framework provided by economics is an undeniable necessity. From this perspective, behavioral economics will have the highest alignment with addictive behavior analysis in a single and coherent analytical framework by providing the conditions for involvement of insights of disciplines such as psychology and neuroscience in the analytical frameworks of economics.

### RESULT

The formation of interdisciplinary areas and, in particular, behavioral economics will have the greatest alignment with the addictive behavior analysis. In fact, if economic theory is a suitable analytical framework to study consumer behavior, the theory of behavioral economics would be a suitable framework for analyzing behavior in addictive consumption.

### CONCLUSION

Addictive behavior analysis requires a single and coherent analytical framework, which is rooted in a new understanding of addictive behavior on one hand, and provides effective policies to reduce the harm associated with addiction on the other hand. An effective intervention in the field of addiction requires a single analytical framework, which can formulate concepts and insights associated with addictive behavior in a coherent form of policy prescriptions. Based on this, while addiction analysis requires various perspectives, without an integrated theory including various dimensions of addictive behavior, an efficient explanation cannot be provided on mechanisms, which influence the incidence of addictive behavior. Thus, different and sometimes contradictory results on the effect of economic, psychological, and social factors on addiction behavior presented by different disciplines will not be surprising.

However, irrespective of analytic approaches, addictive behavior would be a complex and multi-disciplinary phenomenon, which a wide range of its types includes both voluntary and involuntary dimensions of human behavior. Thus, limiting it to either of these two dimensions would mislead us in selecting the suitable analytic framework. From this perspective, addictive behavior analysis requires involvement of theories related to both the voluntary and the involuntary aspects of human behavior. The prerequisite for reducing addiction-related harms is development of policy systems, which include two important characteristics. First, it should provide a specified plan for the optimal allocation of available resources. Second, it should be measurable and comparable in terms of its goals. To design and present policy systems with these two characteristics, it will be necessary to extract the generalizable rules of addictive behavior and they should be formulated in the form of decision-making models. This requires achieving a real and comprehensive understanding of addictive behavior. In fact, an analytical framework is required, which translates the psychological and neurological insights of addiction into the literature needed for policy-making and forms a real and comprehensive understanding of addictive behavior.



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**NOVELTY**

The scientific contribution of the present article is presenting a theoretical background to juxtapose specialized results related to addictive behavior and economic concepts and insights in a single analytical framework to extract policy implications required in the addiction area in more realistic and effective form.



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