

Addiction to a Network

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Short Summary

- **Research Question:** when an individual is part of a network of other individuals who consume the product and exert peer pressure on her to consume, what are the circumstances under which a rational and informed individual can find herself addicted to a harmful product,
- **Key Findings:** being part of a network can encourage or discourage the individual to become an addict depending on whether the harm inflicted on the individual is concave or convex in the network's accumulated consumption.
 - If the harm is concave, an individual who would have abstained from the addictive product absent the network may start consuming it and follow a consumption path that leads to her own addiction.
 - If the harm inflicted by the network is sufficiently convex, the individual counteracts the network's harmful consumption by mitigating her consumption.

Main Comments

- Assumption 3: individual's utility is always decreasing in aggregate stock
 - FaceBook, Instagram, TikTok, and Weibo
 - Positive network effects in digital markets
 - Individual's utility seem to be first increasing in network size, then decreases
- Peer pressure on the individual reduces the individual's marginal utility from consuming non-additive products (advertising)
- Extensions
 - Individuals have no control over her connection to the network
 - There is always a welfare-maximizing consumption-less equilibrium, as long as members' initial stock of consumption is sufficiently small. Any possibility to distinguish the influential one and have some extensions?