

Chapter 2

Neuroeconomics and Media Economics

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ABSTRACT

This chapter investigates the development of neuroeconomics as a relative new sub-discipline in the fields of economics and behavioral science. After comparing paradigms of both classical and behavioral economics, the problem of the “conscious and rational consumer” is addressed in relation to more passive views of consumerism in neuroeconomics. Highlighting the most recent trends in neuroeconomics, the chapter also addresses the historical development of the discipline of neuroeconomics as an independent field of research within the fields of media and economics. The problem of new marketing strategies as well as the evolvement of neuroeconomics as an independent discipline in the age of digitalization is presented while considering the changing nature of the media industry.

INTRODUCTION

While treatises and writings on subjects regarding economic activities have existed at least since the Classical Ages, the emergence of economics as a separate scientific field is often credited to Adam Smith's milestone publication on *The Wealth of Nations* in 1776. Economists assume that Smith's book should be seen as the first step in the classical period of economic theory. In his treatise, Smith described a number of phenomena critical for understanding choice behavior and the aggregation of choices into market activity. These were, in essence, psychological insights (Glimcher, Camerer, Fehr, & Poldrack, 2009).

Neuroeconomics is the question of how the brain and not “the enlightened consumer” makes economic decisions and seeks to explore the mechanisms of decision-making which classic economists view not as conscious value judgments but merely computational processes. The goal of neuroeconomics is not only the understanding but also the prediction of strategic choices made by the consumer (Houser & Kevin, 2008). Since the late 1990s, several converging trends in behavioral and natural sciences as well

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as social sciences have provided common ground for the “birth” of neuroeconomics (Glimcher, Camerer, Fehr, & Poldrack, 2009). In a rather traditional definition, neuroeconomics is more or less subordinated to behavioral economics which uses empirical evidence regarding the limits of computation, the free mind, and “greed”. Nevertheless, neuroeconomics hopes to inspire new theories and approaches in a multidisciplinary research environment (Camerer, 2008).

Given that background, the study of media and communications has traditionally been dominated disciplines outside the sphere of economy from a scientific point of view. This might be true from a purely theoretical approach, but omits that economics has proven to be a highly relevant factor in understanding how media conglomerates and the mainstream media are operating as commercial, profit orientated players. The media economics area of inquiry emerged strongly in the 1970s and has more breadth and depth than many who are unfamiliar with its literature assume, and is based on a variety of economic theories and analysis methods (Picard, 2006).

According to Conen and Padua-Schioppa (2015), the brain processes information regarding economic decisions within the offer cells of the orbitofrontal cortex (OFC). Nevertheless, both authors stress that clinical and statistical data regarding the offer cells are yet to be improved in order to establish more certain outcomes (Conen & Padua-Schioppa, 2015). In addition, neuroeconomics strives to explore the function of the brain and use information in order to gather statistical proof for the measure of preferences. Furthermore, statistical proof will improve if more and reliable data is collected; in that aspect, neuroeconomics strives to link social theory with hard prove natural science evidence (Camerer, Bhatt, & Hsu, 2007).

Within the field of behavioral science, neuroeconomics focuses on the mediation of choices and valuation of consumption alternatives; it researches computational processes in specific brain areas and contributes with “hard data” gained from research within medical and psychological science. (Sun, 2012). Neurological reflexes are measured as emotional responses which in become economic decisions; again, neuroeconomics seeks to establish scientific background information in order to integrate it into economic theory (Burton & Shah, 2013). The business operations of corporations and smaller players in the media firms are to be evaluated in the context of given market conditions, technological alternatives, the regulatory and legal environment, and their anticipated financial implications (Owers, Carveth, & Alexander, 2004). Besides those factors, international trade, business strategies, pricing policies, competition and industrial clusters have to be analyzed if to be put in to the context of neuroeconomics, as those are having a deep impact on media corporations and industries (Doyle, 2002). Within this context, this chapter of the book is dealing with the potential impacts of neuroeconomics on economic processes in the field of media.

MODERN ECONOMICS AND NEUROECONOMICS

One of the key concepts of classical economics is the research of the gain of maximum value from limited sources centered on the concept of the “homo oeconomicus” with the consumer treated as rational actor. Thus, the rational actor thrives to maximize his profits based on self-interest (Fey, 1936). We must consider that early theorists did not construct “economic man” as a merely theoretic metaphor, but instead placed him in charge of representing real life economic actors (Bidlingmaier, 1973). The wish to maximize profit encourages competition, itself channeling collective ambitions towards socially desirable ends, resulting in the “common good and common welfare” being maximized by individual economic

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