

The Failure of Mandated Disclosure: Why It Falls Short in Protecting Consumers



In an era where consumers are bombarded with information, mandated disclosure has become a popular tool used by governments and regulatory bodies to protect consumers and ensure fair practices in various industries. However, despite its intentions, mandated disclosure has often been met with criticism for its failure to achieve its desired results.

The Concept of Mandated Disclosure

Mandated disclosure is a regulatory approach that requires companies and individuals to provide specific information to consumers. It aims to enhance transparency and enable consumers to make informed decisions. For example,

mandated disclosure may require businesses to disclose pricing, terms, or potential risks associated with a product or service.



More Than You Wanted to Know: The Failure of Mandated Disclosure by Carl E. Schneider (Kindle Edition)

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The Illusion of Informed Decision Making

While mandated disclosure is intended to empower consumers, it often falls short in practice. Research has shown that individuals rarely engage with the information provided, and even when they do, they struggle to comprehend and utilize it effectively.

One reason for the failure of mandated disclosure is the complexity of the information presented. Legal jargon, lengthy documents, and technical language make it difficult for consumers to understand the key points and implications of the disclosure. As a result, they are unable to make truly informed decisions.

The Ineffectiveness of Lengthy Reports

In many cases, mandated disclosure requires businesses to produce lengthy reports or documents that are often ignored or undervalued by consumers.

Whether it's a terms and conditions agreement or a financial disclosure document, these reports fail to capture the attention and interest of consumers.

The limited attention span of individuals in today's digital age poses a significant challenge to the effectiveness of mandated disclosure. Consumers are more likely to skim through or skip over lengthy documents, overlooking important details and potential risks.

Alternative Approaches to Consumer Protection

Recognizing the limitations of mandated disclosure, experts have been advocating for alternative approaches to consumer protection. One such approach focuses on simplifying information and making it more accessible to consumers. Instead of relying on lengthy documents, the use of visual aids, clear language, and concise summaries can enhance understanding and engagement.

Another approach is shifting the responsibility from consumers to businesses. By holding companies accountable for their actions and promoting ethical practices, regulators can ensure that consumers are protected without overwhelming them with complex disclosures.

The Importance of Behavioral Economics

Behavioral economics, a field that combines psychology and economics, can play a significant role in improving consumer protection measures. By understanding consumer behavior and decision-making processes, regulators can design more effective interventions that go beyond mandated disclosure.

The failure of mandated disclosure highlights the need for a new approach to consumer protection. While transparency remains crucial, it is essential to find innovative ways to present information and incentivize businesses to act ethically.

By incorporating insights from behavioral economics and embracing alternative approaches, regulators can better safeguard consumers in today's complex marketplace.

Written by John Doe



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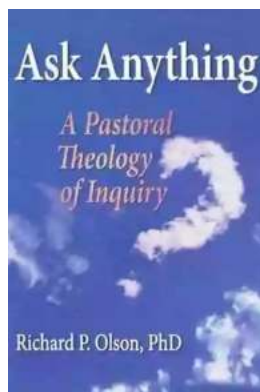
How mandated disclosure took over the regulatory landscape—and why it failed

Perhaps no kind of regulation is more common or less useful than mandated disclosure—requiring one party to a transaction to give the other information. It is the iTunes terms you assent to, the doctor's consent form you sign, the pile of papers you get with your mortgage. Reading the terms, the form, and the papers is supposed to equip you to choose your purchase, your treatment, and your loan well. More Than You Wanted to Know surveys the evidence and finds that mandated disclosure rarely works. But how could it? Who reads these disclosures? Who understands them? Who uses them to make better choices?

Omri Ben-Shahar and Carl Schneider put the regulatory problem in human terms. Most people find disclosures complex, obscure, and dull. Most people make

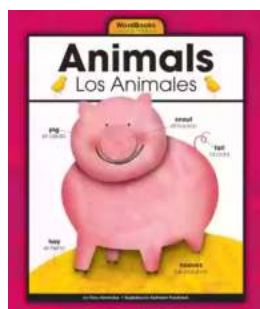
choices by stripping information away, not layering it on. Most people find they can safely ignore most disclosures and that they lack the literacy to analyze them anyway. And so many disclosures are mandated that nobody could heed them all. Nor can all this be changed by simpler forms in plainer English, since complex things cannot be made simple by better writing. Furthermore, disclosure is a lawmakers' panacea, so they keep issuing new mandates and expanding old ones, often instead of taking on the hard work of writing regulations with bite.

Timely and provocative, *More Than You Wanted to Know* takes on the form of regulation we encounter daily and asks why we must encounter it at all.



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