

WATCHDOG ((ARENA))

Do mandatory disclosures actually benefit consumers? Click to ‘accept’

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From the terms of service for iTunes – we just hit “accept” – to the dense documents used to buy a car, we have all been subject to mandatory disclosures. The intention is to keep us informed and accountable, but do they really accomplish this?

In his new book, *More Than You Wanted to Know: The Failure of Mandated Disclosure*, Professor Omri Ben-Shahar of the University of Chicago says they do the exact opposite. At a book event on Tuesday co-sponsored by the Federalist Society and the Cato Institute, Ben-Shahar argued that there is actually too much disclosure. “When I was trying to download a track on my iPhone a few years ago ... [I had] to agree to the revised terms,” Ben-Shahar said to the forum. “It said page one of fifty-six, go to next page, or to just agree, or to email it to myself – which I did and then printed it out.”

The Terms of Service’s 56 pages totaled over 10,000 words in eight-point font (see below).

Omri Ben-Shahar stretches out the 56 pages of iTunes disclosure that most people just hit “accept” to.

Our desire for disclosure comes from a rational place. It’s challenging for people to make the right decisions with little or complex information.

It’s easy to see why mandatory disclosures are always being pushed by Congress. They fit into all ideologies. “Even within Obamacare, you know, the most partisan and tightly fought legislative battles in the U.S. history. There was an element that passed [with] both parties’ [support], which was the ‘sunshine’ laws” explained Ben-Shahar. These laws direct health care and insurance providers to inform patients and enrollees of the risks and terms for what they’re consenting to.

Ben-Shahar believes that a person having a lot of information is valuable, but there comes a point where it becomes a hindrance to its own goals. As disclosures start to pile up in front of the consumer, they often lose patience and accept what’s before them, being left just as uninformed.

Andrew Strivers, deputy director of consumer protection at the Federal Trade Commission, disagreed with Ben-Shahar at the forum. Strivers argued that mandated disclosures were needed

because having that information was still valuable and it attempts to balance out the knowledge problem when being engaged in trade.

Strivers explained that someone buying a house, for example, would like to know whether or not the building is infested with termites. Knowing the information ahead of time can save the buyer from making the sale and save them the cost of litigation.

Ben-Shahar's response was that the market already had a solution: a buyer could hire their own inspector to look the building over. He went on to say that the market also gives the incentive for some businesses to naturally disclose imperative information. Disclosing such information, like whether or not peanuts are present in a product, protects themselves and customers.

Politicians want to make sure people are receiving information to protect them from their own bad decisions. The result, however, seems to be that people are overwhelmed with so much information that they either don't know what to do with the information or what it means to them. Both Ben-Shahar and Striver did agree that information is good, but how much to give is still up for debate.