

Innovation Management and Education Excellence Vision 2020: Regional Development to Global Economic Growth

Impact Assessment and Consumer Behavior: Russian Evidence

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Abstract

In the article impact assessment as an instrument of economic policy has been analyzed in terms of the basic institutional concepts and notions of theory of routine behavior. Neither European nor Russian assessment practice is not complied with these principles. In detail results of two laws concerning consumer behavior were examined: consumer protection in case of content services and anti-smoking law. The first regulation problem was resolved not by the intervention of the legislator but by cellular carriers. The second law actually turned to be low-performing. We suggest the need to implement behavioral principles in the impact assessment of drafts to improve the procedure performance.

Keywords: consumer behavior, anti-smoking law, impact assessment

Introduction

In recent years, the approach to economic policy has been changing. The successes of the behavioral sciences, increased demand on the economic policy performance and the accelerating pace of social change have led to the fact that the economic policy as a set of norms, institutions, and texts begin to shift from the declarative approach and focus on a set of procedures.

To understand the general regularities and general relationships there is a need to focus on the procedures of human behavior, in which the government tries to interfere for the purpose of regulation of economic activity.

Samples of behavior (in the scientific literature - memes (Wilkins (1998), Olney (1998), Brodie (2009))) as a strategy of behavior are developed not by themselves, but in the context of the existing socio-economic system. Features of memes are determined on the basis of typical for this community configuration of social institutions. Those memes, which are the behavioral implementation of affirmations (routines), correspond to social conditions and are constitutive for them, become meta-routines. Groups of consumption memes which are well adapted to the conditions prevailing in the society due to their effectiveness are easy to expand and form the core of behavioral strategies, which are typical for the variant of social structure. On the one hand, the economic system and the system of relationships in it define existing meta-routines. On the other hand, a set of typical patterns of behavior, their everyday adhering and implementation in the behavior of the overwhelming mass of citizens is the essence of the socio-economic system.

Routine as a Basis of Consumer Behavior

In institutional economics the following understanding of four interrelated concepts (the routine, rules, norms and institutions) has developed.

1. Routine as the way of compact storage of knowledge and skills required for everyday human activities, mostly unconscious response patterns of behavior.
2. Norms as regulations on possible ways of behavior in the most general terms.

3. Rules as a sequence of actions in the particular choice situations aiming the elimination of the uncertainty of the reaction from other people or nature.

4. Institutions (according to D. North (1990)) as rules of the interaction in society, supplemented by enforcement mechanisms.

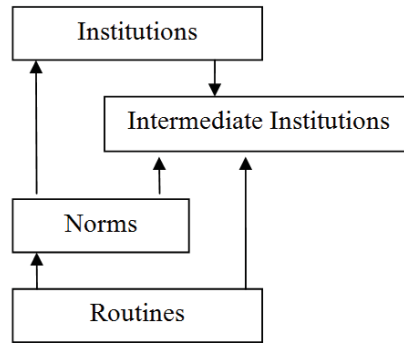


Fig. 1. Interconnections between routines, norms and institutions

From this set of definitions the logic of the evolution of relations in the socio-economic system does not follow. Revealing the logic of the genesis and evolution of the principles of our behavior, we are intended to make clear some other points of difference between the concepts. The logical connection of institutions, norms and routines is displayed in Fig. 1.

The starting point for the building of a system of relations "institution - norm - routine" is, of course, the routine. As conditions change and the subject hits in an unfamiliar situation, she produces a behavioral strategy which played over and over again in case of initial success and of repetitions of situations. This behavior is observed by other individuals, is reproduced by themselves and is expected from the rest of others. Thus, the new, but already routinized, behavior becomes a norm. Existing and occurring institutions are adjusted to this norm. We do not exclude the reverse process. By changing formal institutions (regulatory framework and supporting agencies (Dukart, Ryzhkova (2013)) the norm can be changed, followed by a possible modification of the routine. More likely a revolutionary change in the institutions will not lead to the formation of new "more progressive" standards and routines, but to the emergence of duality in its performance. In parallel with formal institution a new informal intermediate institution will appear which will be designed to reconcile the existing norm and routine to the changed formal conditions. Therefore it is necessary to change formal institutions very slowly, trying to avoid conflicts with the basic patterns of behavior, which are common for the society.

Impact Assessment and Anti-Smoking Law

The inevitable consequence of the approach to behavior as a set of memes and routines is the idea of possibility of goal-oriented behavior shaping under government control. In this regard, there is a bunch of recently published papers on the normative approach to legal regulation in the framework of libertarian paternalism. It is the so-called "nudge" approach which can be described as "the development of public policy in such a way as to push individuals to the best choice without restricting their freedom." (Hausman (2010), Thaler and Sunstein (2008), Kapelyushnikov (2013)). Recently lawmakers go from a naive belief in the literal fulfillment of new laws to their comprehension as the system prior to the approval in attempt to consider the functioning of the future rules and mechanisms for changing the current behavior (existing meta-routine). In particular, the mentioned processes start to be implemented in such a novel direction as the Impact Assessment (IA). In Europe this practice has existed since the late of

XX century so that there is considerable experience accumulated in regulating expertise. For Russia it is a new practice.

After the analysis of the European Commission webpage and the webpage of the Department of Regulatory Impact Assessment of the Ministry of Economic Development of the Russian Federation a number of relevant conclusions can be made. Firstly, these regulatory bodies are more often focused on organizational routines, which are analyzed using conventional methods of foresight. The need for “nudge” arises only for legislative acts aiming the change of individual behavior. Secondly, the behavioral approach can be found in the documents of the regulatory body extremely rare if not to say as exception. Third, recently IA has become a platform for business support in their opposition to the Russian authorities (see Official Publication of Ministry of Economic Development of the Russian Federation “Business performance as a reflection ...” and “IA has become a barrier for a number of pernicious laws for business”).

In particular, there are some European Commission documents containing “nudge”. First of all it is Health-Enhancing Physical Activity policy (HEPA), which unfortunately pay not so much attention to the change of daily routines (only in sections “Schemes promoting active movement to school and work”, “Promoting cycling and walking“, “Improvement of infrastructure of active recreation“, “Scheme promoting physical activity in the workplace“).

In Russia in 2010 there was introduced a procedure for regulatory impact assessment (see “On general principles of organization of legislative (representative) and executive bodies”), and was established a Department of Regulatory Impact Assessment in the Ministry of Economic Development. Analysis of assessment rules (see “Rules of regulatory impact assessment”) suggests that procedure spell out by the law is a behavioral treatment, but conclusions of Department of Regulatory Impact Assessment in Ministry published on its website provide a structure simplified to consultations. In particular, main disadvantages are shallow analysis, the lack of systematicity in bringing stakeholders to negotiations (the neglect of the interests of all stakeholders), and disregard for the calculation procedures.

Since the establishment of the Commission, laws concerning consumer behavior were evaluated in the following areas (on each see the reference section to the commission conclusion below):

1. Gambling;
2. Drug returns;
3. Exchange and return of consumer goods;
4. Disposal of goods;
5. Transportation accessibility to disabled;

and a number of others.

Below we provide the story of two bills in the field of consumer behavior that were evaluated and got commission conclusion, and for which is already possible to estimate the approximate social effect.

The first concerns the solution to the problem of content services by mobile operators (Federal Law 23.07.2013 No 229-FZ). Prior to the passage of the law the common practice in Russia was to provide unnecessary content services from mobile operators, payment of bills of which was carried out automatically and inobservably for the consumer. In accordance with the change in the law there were

introduced the norm of the possibility of establishing a special account from which the payment for content services would be made. That makes the routine of the content order more difficult, and thus prevents consumer from accidental and inadvertent operations. The comments made in the conclusion of the IA concerning the unique interpretation of user confirmation actions for receiving content services, was eliminated in the final version of document, leaving the operators the opportunity to come up with a new scheme by which the consumer can still receive unnecessary services. Using the tools of the theory of consumer behavior routine, it is possible to suggest a clearly defined procedure of content services order for all mobile providers with access to a common database of content providers. But after a consideration of the problem in depth, it becomes obvious that with the help of smartphones and network exchange resources such as Play Market (Android) and the App Store (iOS), sale of content via the mobile operator makes no sense any more. As a result, by 2016 the main channels of “involuntary” sales of content services have been blocked. In addition, operators have introduced a free service “prohibition of content services.”

The second concerns the another Russian law “On the protection of the health of citizens from tobacco smoke and the consequences of tobacco consumption” (hereinafter - the Law). The Law is intended to fight a bad habit, and thus applied methods should be behavioral. Indeed, the main emphasis is on gradual decline of the number of legal smoking areas, which should lead to inconvenience for smokers and, presumably, breaking bad habit. Additionally advertising and display of cigarettes at shops are prohibited, accompanied by rationing the number of cigarette packs in stores. Violation of the rules prescribed in the Law involves penalties, both for persons and corporate entities. Reading the Law, other regulations, and discussion in the media gives the impression that, in spite of the 17-month preparation process, the draft was not ready to be signed into law.

In particular, the IA conclusion indicates that there are no provisions leading to unreasonable costs of business entities, while the equipment which satisfies the Law requirements concerning the room for smoking costs between 100000 and 400000 rubles (1500 to 6000 USD), and the price of the “No-smoking” sign is 170 rubles (2,5 USD), and it must be located at the entrance to each nonsmoking room. Thus the total cost of implementation of the Law for the owners of buildings is huge.

Since the adoption of the Law additional restrictions were issued for example a decree to reduce the level of toxic substances in tobacco. Also it is necessary to have marking in black on a cigarette pack, saying about the harmful effects of cigarettes to health. The second side of the pack should contain other special inscriptions: photos of diseased human organs and warning labels. Also the production and sale of cigarettes with other types of products are prohibited, and it is decided to move tobacco kiosks from the shops and public places over a distance of three meters. It is hoped, that the use of these methods will help to combat smoking for at least one per cent of smokers.

The adopted anti-smoking law contains “nudge” in an unrevealed form: at the moment 40 % of Russians are smokers, but they were not invited to any procedure of IA thus had not been able to define and defend their interests.

And the most important thing. Prior to the introduction of the Law, smoking in a public place was accompanied by social condemnation. Condemnation was legalized, but procedurally, nothing has changed. It is possible to hold liable smokers to a fine only if an executive authority representative, a police officer or a local police inspector caught her at the time of the offense. CCTV footage as the evidence obtained in violation of the law, cannot be used in court. Therefore, to punish the lawbreaker is very difficult (Ermakova (2013). According to the Russian survey data at the time of the introduction of the Law, 67 % of respondents expressed doubts about its usefulness.

Preliminary Results of Anti-Smoking Regulation

Publications on the Internet are full of impressive quitting percentage after the introduction of the Law. But we turn to the data of big Russian sociological surveys. The effectiveness of anti-smoking campaign was measured a year after the introduction of the Law by the Public Opinion Foundation poll. From April 22, 2012 to October 5, 2014 the number of ex-smokers increased by 2%, which is in a range of statistical error. But there was an increase in the number of people who believe that the harm of smoking is exaggerated. Compared to 2008 the number of non-heavy smoker decreased (by 23%), while heavy smokers (more than 20 cigarettes a day) did not change their behavior. The vast majority of smokers (2/3) take into account the interests of non-smokers, more often in the variant that they try not to smoke or move aside in the presence of non-smokers (10%). Only 6% of smokers comply with the Law (do not smoke in prohibited for smoking places and smoking in specially equipped areas). It is difficult to determine whether they do so under the influence of the Law, or on its own convictions.

In general smokers reveal positive attitude to the anti-smoking restrictions. 50% of smokers agree with the necessity of innovation. In this sense, we cannot say that the Law causes a significant resonance in society. Of the 33% of smoking respondents, only 37% are against the Law. Thus, the Law infringes on the interests of only 12% of Russians.

The most painful measures for smokers were rising prices for tobacco products, bans on smoking in long-distance passenger trains, the ban on smoking in cafes, restaurants, bars and canteens, ban on the sale of cigarettes in shops less than 50 square meters. It all is despite the fact that 26% of respondents believe all the measures are necessary and correct. Yet the vast majority of smokers (55%) and approximately the same share of non-smokers (45%) believe that fundamentally nothing has changed after the introduction of the Law. And 69% of smokers do not feel that after the Law something has changed in their lives, and the remaining 31% felt only a change in the cost of cigarettes.

In the near future in Russia it is planned to monitor the ingredients of tobacco, to raise gradually the tobacco excise. Advertising of tobacco products will be prohibited completely.

At the same time, respondents of the nationwide survey suggest the following, in their opinion, effective measures:

1. Educational work with children and youth, organizing their leisure activities (5%);
2. A complete ban on the production and sale of tobacco products (4%);
3. Provision of affordable treatment for tobacco addicted people (1%);
4. Sale of harmless cigarettes, and search for an alternative to tobacco smoking (1%);
5. Provision of monetary and nonmonetary incentives for nonsmokers (less than 1%).

Most of these measures are mentioned indirectly in the Law, but up to now it is only intentions.

In parallel, there is an adjustment of all market agents to the anti-smoking law. Manufacturers introduced a number of innovations aimed at reducing harmful effects of cigarettes to consumers (new filters, flavors simulating the smell of natural tobacco leaf, reconstituted tobacco leaf, etc.). Producers of substitutes for cigarettes were intensified. Among them are producers of special drugs, antidepressants, gum and

patches, anti-tobacco bracelets, special medical treatments (acupuncture, massage, psychotherapy). We should also mention the appearance of electronic cigarettes and nontobacco evaporators.

Conclusion

There was a unique situation with anti-smoking law. In general, society supports the Law. Even directly affected smokers agree that it is a good idea to force people to give up smoking. Nevertheless, the dynamics of smokers and changes in their behavior suggest the lack of a significant effect of the Law.

In this case the theory of consumer behavior routine may offer to substitute one routine by another, and it is necessary to examine what needs (including psychological and behavioral) are satisfied by smoking pattern. It is necessary to develop a set of habits and measures for their implementation that will replace smoking. I suggest that economic incentives (penalties) are not the only tools that should be taken into account. Physiological (as well as sedative and antidiarrhetic), psychological and social effects matter and also should be involved in the routine maintaining process. And it is unfortunate that these aspects were not taken into account at the stage of the impact assessment.

In any case, the use of behavioral techniques and “nudge” in the world and domestic practice of policy-making is fragmental. According to the analysis of regulations and IA it can be concluded that government is not able to reconcile the views of different stakeholders, and therefore cannot avoid infringement of the interests of particular groups. Until there is no effective mechanism for such coordination, it is not much use in “nudge” as in an element of government policy.

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