

CHAPTER VII

Consumer Policy on European Market - Models and Organizational Structure

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LEARNING OBJECTIVES

Learning this Chapter, you will be able to

- understand phenomenon of consumer interest protection and consumerism;
- understand the concept and instruments of consumer policy on European market;
- evaluate the models of consumer protection on UE market.

ABSTRACT

In market economy you have have the possibility of selecting the right product, as well as the form, place, and time of its purchase, and should have proper conditions for making the right decision. Such goals are achieved by means of various methods and tools. In the European Union all those instruments and actions are systematized in framework of consumer policy, which all member states need to implement on local market.

The consumer policy is one of the priority for the European Union. However diversification of the Member States convert also into different models of consumer policies and different institutional framework for consumer interest protection in those countries. Analysis of all those models shows advantages and limitation, and provide to conclusions that the best model should have mix character. That is why nowadays the EU tries to harmonized all aspects of consumer protection in Europe.

KEYWORDS: consumer interest, consumer interest protection, consumerism, consumer policy, models of consumer protection, models of consumer law

CONSUMER PROTECTION ON MARKET – HISTORICAL BACKGROUND

Consumer interest refer to body of law that pertains to things the producers of goods must do to protect consumers from harm. Consumer interest requires protection because of many threats on market.

Threats to consumer interests:

- lack of transparency in the market (many diverse products, introduction of new products, etc.);
- depersonalisation of the market;
- selling products in large shopping facilities;
- using sophisticated methods to seduce buyers, e.g., by arousing emotional motives to purchase a product;
- artificially provoked needs, e.g., through promotional activity of enterprises;
- increasing prices through manipulating the assortment of goods and by means of a well-developed brokering network; and
- over-function of packing, which often causes an increase in prices and has ecological consequences, etc.

Consumer interest protection is a set of activities directed at the protection of consumers when their rights and interests are being threatened.

Consumerism - it is an umbrella term for all the activities undertaken by state, social, and private institutions for the benefit of consumers. It is a movement designed to increase the rights of consumers in their relation with producers and providers of goods and services. The basic objective of consumerism is to extend the rights and powers of buyers in their relationship with sellers of goods and service providers. Thus consumerism motivates all subjects participating in economic life to be active in educating and informing consumers as well as in protecting consumer rights.

instruments of consumer protection can be divided into three groups: state instruments, individual instruments, and mixed. The state instruments are activities of the state that, either directly or indirectly, protect the consumer without his/her active participation, e.g., obligatory standards of quality and safety, labelling food, anti-trust law, etc. The state acts on behalf of the consumer. Individual instruments are types of consumer behavior that

protect him/her. Whether a consumer uses them or not depends entirely on him/her. They include all kinds of decisions made by the consumers, such as where to buy, for what price, how to use the product, how to treat a trademark, etc. Mixed instruments are the laws that vest in consumers the right to protect their interests, such as the part of the Civil Code that refers to warranty and others.

Legal protection instruments are the laws that objectively concern consumers, the goods they buy, or the entities offering those goods, and such enactments that do not directly refer to the consumer, but that provide the conditions for the proper functioning of the market (packages of laws protecting fair competition and anti-trust laws). Economic protection instruments are those that are used by the consumers themselves as well as those that are used by the producers and vendors. This group of instruments includes some that are related to quality protection, such as trade-marks, quality standards, certificates, etc. Psychological and ethical protection instruments may also be of considerable importance, though their practical significance in present conditions is rather small.

Reflection



You are member of one of national consumer organization. Your boss asks you to develop complex set of actions to protect consumers interests on the liberalized European energy market. You need to focus on psychological and ethical instruments. What would you propose for government, other consumer organizations, and private institutions to increase the rights of consumers in their relation with energy producers?

[Use the space below to answer.]

CONSUMER POLICY ON EUROPEAN MARKET

Consumer policy is generally aware of the actions of the state, aimed at shaping such conditions on market that facilitate the pursuit of consumers' aspirations to the fullest possible satisfaction their needs form from their income.

Consumer policy conditions:

- Appointment of an appropriate institutional structure that would deal with consumer issues, as well as the allocation of horizontal and general competences in the field of consumer affairs, and the coordination of these tasks,
- The existence of consultative, general or industry structures (in areas such as food, children's toys, medicines, etc.) that are designed to represent consumer interests and ensure their participation in the decision-making process,
- Development of information and education programs aimed to expand consumer knowledge,
- Existence of appeal mechanisms that allow effective enforcement of consumer claims.

In practice, this means a state actions in the field of legislation, organization and support of projects that protect the life and health of consumers, market control, the judiciary, a means of redress consumer claims, and creation of institutional structure.

Reflection



Nowadays, the program of European Union action in the field of consumer policy consists of the European Consumer Agenda and the Consumer Programme. This Agenda has several objectives:

- Promoting consumer safety,
- Enhancing knowledge of consumer rights,
- Strengthening the enforcement of consumer rules,
- Integrating consumer interests into key sectoral policies,
- Empowerment.

Please, point possibilities, challenges, and threats of implementation of this Agenda in your country?

[Use the space below to answer.]

The implementation of consumer policy is served by instruments such as the development of competition, concern for the appropriate structure of supply, demand and prices as well as consumer information and consumer education.

Reflection



Minister of National Education announce competition for the best project of consumer market education. The winning project will be implemented in high schools and will be integrated with curriculum of first year of study. You are the member of one of team which is going to participate in this competition. What would you advise to other member of your team according to tools and topics of young consumer education?

[Use the space below to answer.]

MODELS OF CONSUMER PROTECTION ON EUROPEAN MARKET

models of institutional consumer protection systems in the EU:

- Ombudsman model – in which the crucial role in consumer protection is that of a single-person institution, a consumer advocate or ombudsman. He/she is administration-independent, appointed for a fixed term, usually by the Parliament. A consumer advocate is usually vested with specified powers.
- Administrative model – in which it is the administration that exercises the consumer policy. Consumer protection is usually performed by a single, specialized administrative body (usually situated in economic ministries), which usually has a well-developed structure throughout the country.
- Court model – based on a highly advanced operation of courts, where common access and short procedures (the so called courts of petty matters, courts of small claims) guarantee quick compensation. This model also assumes the functioning of various public institutions executing and coordinating the consumer protection policy. The most characteristic feature for this model, however, is the presence of fast-operating courts, which only deal with deciding consumer litigation.
- German model – in this model the consumer policy is executed by means of strong consumer organizations. Consumer organizations are state-independent citizen associations that deal with the protection of buyer rights. They are present on the local and national level, and they have a joint representation in community institutions, which allows them to act on particular issues arising between buyers and vendors. They also fight to bring about changes in legal regulations that favor producers and traders.

Three model approaches to consumer law in the EU:

- Consumer code model - e.g. in France, where there is a consumer code, which is a normative act of a comprehensive nature and containing regulations belonging to two basic branches of law, i.e. civil and

administrative law. The advantage of this model is the concentration of the entirety of the law on consumer protection in one main legal act,

- The framework regulation model - found in countries that have passed consumer protection laws, is based on a formal premise, which is the adoption of the law on consumer protection,
- Distributed regulation model - is characterized by the absence of one act of consumer law, either in the form of a code or specific acts, and instead there are numerous special acts regulating consumer protection issues.

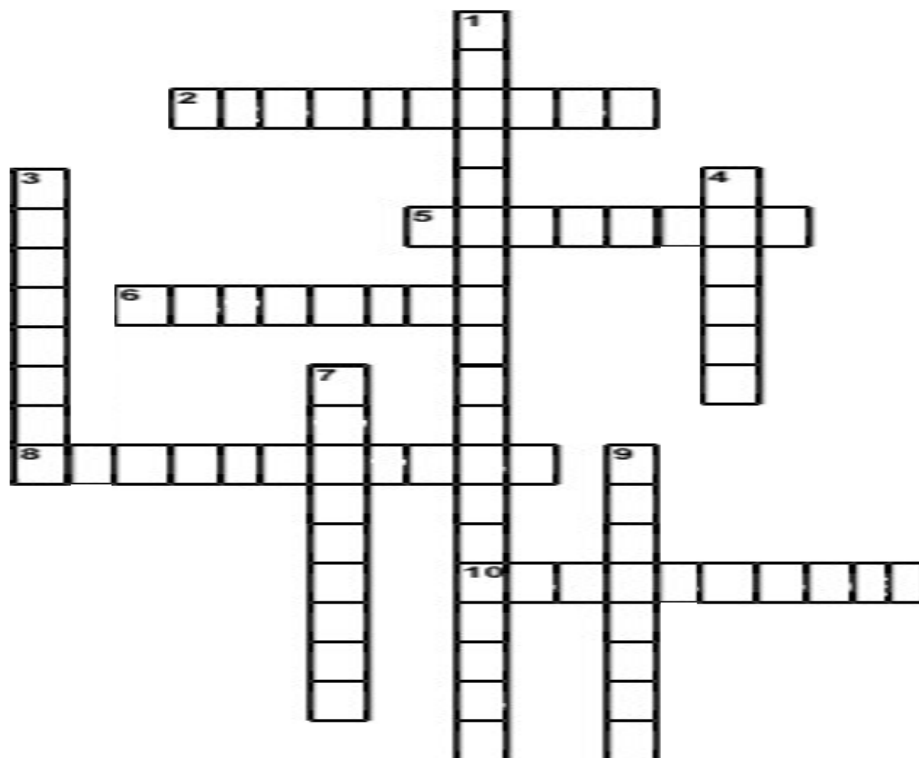
Reflection



There are many countries in the European Union where institutional systems of consumer protection and consumer law are usually mixed. Please find information about chosen country model of consumer protection, describe it and evaluate its efficiency.

[Use the space below to answer.]

Test



Vertically:

2. Consumer protection, therefore, refers to laws and other forms of government regulation designed to protect the rights of consumers. Consumer protection is based on consumer rights, or the idea that consumers have an inherent right to basic health and safety.

5. A process of obtaining the resources and consuming them in order to satisfy the consumer's needs.

Social movements which aim at transforming consumption or marketing related order of environment and promoting consumer protection.

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8. Behavioral acts by consumers, who violate the generally accepted norms of conduct in consumption situations, and thus disrupt the consumption order.

10. A consumer law system where there is a consumer code, which is a normative act of a comprehensive nature

and containing regulations belonging to two basic branches of law, i.e. civil and administrative law. The advantage

of this model is the concentration of the entirety of the law on consumer protection in one main legal act.

Horizontally:

1. A set of activities directed at the protection of consumers when their rights and interests are being threatened.

3. The range of activities undertaken by consumers or NGOs to make demands or state their views about

certain causes linked directly or indirectly to a company.

4. Consumer policy is generally aware of the actions of the state, aimed at shaping such conditions on

market that facilitate the pursuit of consumers' aspirations to the fullest possible satisfaction their needs

form from their income.

7. The understanding by an individual of their rights as a consumer concerning available products and services

being marketed and sold. The level of understanding and recognizing consumers' rights and responsibilities by consumers.

9. The body of law that pertains to things the producers of goods must do to protect consumers from harm.

Assessment



Provide a synthetic example of consumer organization in your country:

1. Describe its goals, structure, and activities;
2. Evaluate its current projects dedicated to consumers;
3. Indicate strengths and weakness of this organization are its activities
4. Propose to this organization new solutions according to consumer's sustainable consumption

[Use the space below to answer.]

Conclusion

This chapter gave an overview of why and how a consumer interest should be protected. Apart of it concept of consumer policy and consumer institutional protection models on European market are analyzed.

Within the last few years, the European Union has introduced many legislative changes which regulate the market as whole and also regulate specific sectors of market. The UE give freedom to the Member States in area of creation various institutions of consumer protection. However, observing the dynamic development of the markets across Europe, and taking into consideration the phenomenon of inter-penetration of various European submarkets, it would be worth considering the possibility of setting up one institution responsible for complex consumer protection. This institution should stimulate also consumers to increase knowledge about their rights on market and make more rational decisions.

It should be also underline that more focus should be on consumer education and consumer inclusion to market. It should be borne in mind, however, that any legal and institutional solutions can be applied to the extent determined by consumer awareness of their existence on the market.

RECOMENDED READINGS FOR CHAPTER

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