

Russia's Duma Doesn't Understand Economics

July 09, 2014



The State Duma has passed so many prohibitory laws lately that the general public, experts and even Duma deputies themselves have not had enough time to debate them all. One exception is the law passed last week banning advertising on pay television channels. Some observers pointed out how strange the law is — considering that the lawmaker who authored the bill was reacting to a television show he had seen on a federal channel, not pay television.

Other observers pointed out the absurdity of not knowing what to do about advertisements already airing on Champion League games, and the sad fact that it might lead to the closing of certain "niche" channels. Some analysts suggested that the law might be intended to apply pressure on such foreign television programs as the Discovery Channel, or on the political opposition with such channels as Dozhd TV.

I would like to draw attention to a general concept that should have stopped the deputies — namely, that it is best not to interfere with the free market on insufficient grounds. It is generally only necessary to step in when one or more market participants endanger the welfare of others.

Markets differ, and it makes sense to regulate monopolies because they always want to produce too little of their products in order to increase profits. There is also good reason to regulate banks to protect against risky behavior. The authorities also need to regulate education and health care because the "buyers" cannot gauge in advance the quality of the services they receive.

Why, in this case, did government officials think that the market could not cope with the situation? Advertisers and television channel owners are competent professionals who answer for their own businesses. Television viewers are mature adults whose decisions about what to watch and how many commercials they will tolerate pose no threat to others.

Advertisers will not bother to purchase advertising time on a channel that does not offer a desirable return on their investment. Even if an advertiser foolishly overpays or the channel sets their rates too low, the public does not suffer as a result.

The same applies to citizens: Why should the authorities doubt their ability to choose which television channel to watch? After all, they have no trouble choosing which cell phone to use, along with the choice of which operator to sign with, which phone plan to purchase and which carrying case to use.

Here is a simple example. Ten years ago, it seemed absurd to broadcast football games on pay channels because it was thought that people had an inherent right to view them and that limiting access would lead to social unrest.

Nevertheless, a revolution took place and a significant percentage of all games were switched to pay-per-view — without any riots or demonstrations breaking out. Who benefited from the change? Those who previously covered the costs of such broadcasts without even knowing it. The switch to the free market shifted that burden to those who love watching football, who were willing to pay for the service.

According to this logic, the advertising ban for pay television channels is a step backward, away from economic efficiency.

Konstantin Sonin, a columnist for Vedomosti, is professor of economics and vice rector at the Higher School of Economics in Moscow.

The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.

Original url:

<https://www.themoscowtimes.com/2014/07/09/russias-duma-doesnt-understand-economics-a37169>