

THE IMPACT OF FINES ON DECEPTIVE ADVERTISING: EVIDENCE FROM ITALY

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Deceptive (or misleading) advertising can harm advertisers' competitors, confuse consumer choices, and reduce the confidence in the informative role of marketing communication. Many countries do not allow deceptive advertising and provide severe penalties in the case of infringements. In Italy, deceptive advertising has been prohibited since 1992, but penalties were only introduced in 2005. This paper examines whether the adoption of fines and their increase in 2007 led to a decline in the legal proceedings undertaken by the antitrust authority for deceptive advertising. The results show that the adoption of fines did not have a significant impact on the number of proceedings. However, when higher fines were introduced there was a significant decline in this number. The impact of the fines depends on the size of the advertising firms, the economic sectors, the media involved, and the deceptive component of the advertising message. These results can be helpful in refining and improving the enforcement of advertising regulations, given the scarce resources available to regulation agencies to combat this widespread marketing practice.