

INTERNATIONAL JOURNAL OF LAW
MANAGEMENT & HUMANITIES
[ISSN 2581-5369]

Volume 8 | Issue 3
2025

© 2025 International Journal of Law Management & Humanities

Follow this and additional works at: <https://www.ijlmh.com/>

Under the aegis of VidhiAagaz – Inking Your Brain (<https://www.vidhiaagaz.com/>)

This article is brought to you for free and open access by the International Journal of Law Management & Humanities at VidhiAagaz. It has been accepted for inclusion in the International Journal of Law Management & Humanities after due review.

In case of any suggestions or complaints, kindly contact support@vidhiaagaz.com.

To submit your Manuscript for Publication in the International Journal of Law Management & Humanities, kindly email your Manuscript to submission@ijlmh.com.

Influence in Behaviour: Acceptance in Law

SHIVANSH PANDEY¹

ABSTRACT

At times when parliament has a subject matter of making law in relation to the behaviour change of people it gets tough to understand what they are really doing. In modern times with various products and a huge market gap people often get confused about what to do and what not and along with that comes the change in law. Despite governments' various attempts to make the economic flow smooth, the sudden change in the demand and supply of the market either domestic or internationally leads to a chaotic situation be dealt with. The behaviour of the consumer is very dynamic, and law is majorly rigid until unless you have flexible judiciary to implement the written text into most efficient comprehension.

This article deals with understanding of how behavioural economics effects the law-making authority decisions. At times people criticize the government for the union budget until they learn about no tax for individuals earning Rs.12 lakh per annum. Dynamic is a small word that highlights the consumer and for this never comprehending concept we have limited applications such as consumer law , contract law & other such law which deals with the law related to economics.

Dealing with wider concept the paper specifically understands the law-making authority decisions on the changing behaviour of the citizen and showing the connection between both law and economics. This Article may lead to show case a balanced relation between law and economics.

Keywords: *Behavioural Economics, Legal Economy, Statuary Provision, Dynamic Customer Behaviour*

I. INTRODUCTION

The intersection of human behaviour and legal frameworks represents one of the most complex and dynamic challenges in modern governance. As economic systems evolve and consumer behaviours shift rapidly in response to technological, social, and psychological forces, lawmakers are tasked with crafting legislation that not only reacts to these changes but also anticipates and influences future behavioural patterns. Traditional models of legal regulation, rooted primarily in rational choice theory and neoclassical economic assumptions, are increasingly inadequate in addressing the nuances of actual human behaviour. This inadequacy has led to a paradigm shift in legal scholarship and legislative practice, with

¹ Author is a Student at Bharati Vidyapeeth New Law College Pune, India

behavioural economics emerging as a critical framework in understanding and designing legal mechanisms.

According to research published in the *Stanford Law Review*, the traditional approach to law and economics—predicated on the rational actor model—has been significantly transformed by the recognition that human behaviour often deviates from idealized economic rationality. Rather than making utility-maximizing decisions based on stable preferences and complete information, individuals frequently rely on heuristics, exhibit cognitive biases, and are influenced by contextual cues and social norms.

Recent developments in behavioural economics have dramatically reshaped our understanding of legal decision-making. A 2024 study in *Implementation Science* illustrates how behavioural economics can inform the design of more effective legal frameworks by accounting for systemic cognitive limitations and observable decision-making tendencies. This evolution in legal thinking comes at a crucial moment. In 2025, new consumer protection legislation in the United States and abroad has introduced unprecedented changes across sectors—from medical debt reporting and healthcare access to digital privacy rights and sustainability mandates. These changes reflect an increasing reliance on behavioural science to inform legal reforms.

As parliaments and regulatory bodies across the world grapple with the challenge of legislating behavioural change, the inherent complexity of human decision-making presents significant difficulties. Contemporary marketplaces—characterized by overwhelming product choices, fragmented information sources, and significant gaps in financial and digital literacy—often leave consumers in a state of paralysis or manipulation. While governments endeavour to ensure the smooth functioning of markets, rapid and sometimes unpredictable shifts in supply and demand, exacerbated by globalization and digital transformation, often produce economic volatility requiring careful legislative recalibration.

This paper examines the role of behavioural economics in reshaping modern law-making, particularly through the lens of 2025 legal developments. It explores how legal frameworks are adapting to human behavioural realities and considers the implications for future policy, regulation, and governance.

II. THE BEHAVIOURAL FOUNDATION OF LEGAL CHANGE

At its core, the relationship between behavioural economics and law-making is built upon a foundational shift in understanding: from viewing individuals as rational agents to recognizing them as psychologically complex beings subject to biases, emotions, and social influences. As legal scholars Zamir and Teichman argue, the field of behavioural law and economics

challenges traditional assumptions of rational choice and market efficiency, introducing a more empirically grounded understanding of decision-making.

Behavioural economics incorporates insights from psychology, neuroscience, and sociology to explain phenomena that standard economic models often disregard—such as procrastination, loss aversion, social proof, status quo bias, and framing effects. These concepts are crucial when crafting laws aimed at influencing behaviour because they reveal the conditions under which people are more or less likely to comply with legal norms, engage in desired conduct, or respond to incentives.

The “nudge” theory, introduced by Thaler and Sunstein, has been particularly influential in legal and regulatory contexts. Nudges are subtle interventions that steer individuals toward better choices without restricting freedom of choice—such as default enrolment in retirement savings plans or calorie labels on menus. By understanding how individuals respond to such cues, lawmakers can design regulations that are more aligned with actual human behaviour.

III. CONSUMER BEHAVIOUR’S IMPACT ON LEGISLATIVE DECISION-MAKING

The dynamic and often unpredictable nature of consumer behaviour presents unique challenges and opportunities for legislators. Several recent developments in consumer protection legislation demonstrate this evolving relationship between behavioural insights and legal frameworks.

1. Digital Privacy Protection

The exponential growth of digital platforms and data-driven services has intensified the need for robust consumer privacy protections. In 2025, the enactment of the New Jersey Data Privacy Law (NJDPL) and the Iowa Consumer Data Protection Act (ICDPA) reflects an ongoing transformation in legislative approaches to digital privacy. These state-level laws require businesses to provide consumers with clear disclosures, opt-out mechanisms, and robust data governance protocols.

Behavioural economics plays a central role in the design of these laws. For instance, by acknowledging that consumers rarely read or understand complex privacy policies, lawmakers have mandated simplified disclosures and the use of default settings that favor privacy. The recognition of “consent fatigue” and “dark patterns” (design tricks that manipulate users into sharing data) has led to bans on deceptive user interface designs.

2. Market Response Mechanisms

The Federal Trade Commission (FTC) has embraced behavioural insights to refine its

regulatory responses to market misconduct. From addressing fraudulent advertising to curbing deceptive subscription practices, the FTC's 2025 enforcement strategy demonstrates a nuanced understanding of consumer psychology. For example, interventions that address default subscriptions or "free trials" are grounded in the insight that consumers are often inattentive to recurring charges or overwhelmed by cancellation processes.

3. Adaptive Legislative Frameworks

Modern legal systems are increasingly adopting adaptive frameworks capable of responding to rapidly evolving consumer behaviours. The proliferation of class-action lawsuits, regulatory sandboxes for fintech innovation, and real-time rule updates reflect this adaptive orientation. These changes illustrate a growing awareness among legislators that rigid legal structures are ill-suited for contemporary marketplaces where behavioural patterns can shift quickly in response to new technologies or economic shocks.

IV. THE ECONOMIC-LEGAL BALANCE

Striking the right balance between economic liberty and consumer protection remains a central concern in the legislative domain. Policymakers are often caught between the competing goals of fostering innovation and ensuring equitable outcomes for consumers.

Recent research from the University of Chicago underscores the utility of behavioural analysis in designing laws that promote market efficiency while safeguarding against exploitation. For example, default rules in financial regulation (e.g., auto-enrolment in debt relief programs) are increasingly being used to promote equitable access to credit and banking services without imposing heavy compliance burdens on financial institutions.

Behavioural law and economics have also been instrumental in challenging the myth of the "informed consumer." By recognizing that many consumers operate under significant cognitive constraints—such as limited attention, information asymmetries, and susceptibility to framing—lawmakers are reconsidering laissez-faire approaches to market regulation.

Practical Applications and Implications

The practical application of behavioural insights has yielded significant developments across multiple areas of law. Key innovations in 2025 include:

1. Medical Debt Protection

In January 2025, the Consumer Financial Protection Bureau (CFPB) finalized a landmark rule banning the inclusion of medical debt on credit reports. This regulation is grounded in behavioural research showing that medical debt is often incurred under duress and does not

reliably predict creditworthiness. The rule acknowledges that individuals facing health crises are likely to make suboptimal financial decisions—an insight that traditional credit scoring systems fail to accommodate.

2. Universal Opt-Out Mechanisms

State privacy laws are increasingly mandating universal opt-out mechanisms, which allow consumers to globally signal their data-sharing preferences. These provisions leverage insights about the power of default settings, simplifying the consumer's burden of repeatedly managing preferences across platforms.

3. Enhanced Enforcement Mechanisms

The FTC's new enforcement strategies in 2025 mark a shift from traditional penalty-based models to more behaviourally informed deterrence measures. These include permanent industry bans, asset forfeiture, and public naming of violators—actions that target reputational and psychological deterrents, not just financial costs.

4. Consumer Protection Mechanisms

Consumer law is now addressing not just market failures but also psychological vulnerabilities. This includes regulating misleading "Buy Now, Pay Later" schemes, combatting digital addiction via app design standards, and monitoring algorithmic pricing that may exploit cognitive biases.

5. Market Regulation

Behavioural insights are increasingly embedded in financial regulation, particularly concerning investment disclosures, consumer lending, and insurance product design. By ensuring transparency and mitigating complexity, regulators seek to empower rather than overwhelm consumers.

6. Policy Design

Governments are institutionalizing behavioural science units (e.g., the Behavioural Insights Team in the UK or the Social and Behavioural Sciences Team in the US) to integrate behavioural research into the legislative drafting process. These units run field experiments, policy pilots, and randomized controlled trials to test legal interventions before full-scale rollout.

V. INTERNATIONAL PERSPECTIVES AND JUDICIAL IMPLEMENTATION

The integration of behavioural economics into legal systems is not confined to national

borders. In 2025, international jurisdictions are increasingly aligning their legal innovations with behavioural principles.

1. Global Legislative Harmonization

A March 2025 report by Greenberg Traurig notes the alignment of legal reforms across 26 countries in areas such as digital privacy, sustainable finance, and health law. This convergence stems from the universal applicability of behavioural insights—regardless of cultural or jurisdictional differences.

2. Judicial Decision-Making Evolution

The Court of Justice of the European Union has begun incorporating behavioural economic reasoning in its judgments. For instance, in recent cases involving consumer choice and data portability, the Court emphasized the importance of cognitive load, choice architecture, and fairness in consent.

3. Cross-Border Compliance Frameworks

2025 arbitration trends show that behavioural factors are increasingly relevant in dispute resolution—especially in ESG (Environmental, Social, Governance) disputes and digital asset conflicts. Arbitrators are now trained to consider behavioural drivers of compliance, such as status motivations, trust dynamics, and fear of reputational harm.

Judicial Implementation and Interpretation

Judicial bodies are also adapting to the behavioural turn in law-making, as evidenced by recent shifts in interpretation and enforcement.

1. Supreme Court Considerations

During the 2024–2025 term, the U.S. Supreme Court deliberated on nearly 49 cases involving regulatory frameworks and consumer protections. In multiple opinions, justices referred to behavioural data to evaluate whether regulations were unduly burdensome or appropriately calibrated to real-world behaviour.

2. Regulatory Framework Evolution

A new federal rule finalized in March 2025 expanded behavioural health access under Medicaid. The rule was explicitly informed by behavioural research on stigma, access delays, and navigation challenges in mental health systems.

3. Compliance and Enforcement

Behavioural economics has enhanced enforcement strategies in areas such as tax compliance.

For example, tailored reminder letters, social norm messages (“9 out of 10 citizens file on time”), and simplified forms have all improved filing rates significantly, as documented in IRS pilot studies.

VI. EMERGING TRENDS AND FUTURE IMPLICATIONS

Looking ahead, the convergence of behavioural science and law will continue to shape the future of governance and regulation.

1. Technology and Behavioural Regulation

Technological advancements, including AI-driven personalization and biometric data usage, raise new questions about how to regulate choice environments. Legal frameworks are now incorporating "behavioural impact assessments" alongside traditional risk evaluations.

2. Sustainable Investment Behaviour

Recent research has shown that "green nudges"—regulatory and incentive structures aimed at guiding individuals and institutions toward environmentally sustainable investment decisions—have become increasingly popular in 2025. These include ESG-labelled disclosures, green default investment plans, and visual rating systems that simplify sustainability information for consumers. The European Union’s Sustainable Finance Disclosure Regulation (SFDR) continues to lead global practice by mandating asset managers to report not only on financial risk but also on the behavioural impact of sustainability disclosures.

Regulators are increasingly interested in how to mitigate "greenwashing"—the practice of making unsubstantiated or misleading claims about the environmental benefits of a product or service. Behavioural economists have advised using randomized audits and reputational penalties, understanding that public exposure is often a stronger deterrent than fines alone. Additionally, by structuring investor dashboards with color-coded impact metrics and comparative peer data, regulators are leveraging choice architecture to influence investment patterns.

3. Health Behaviour and Law

Healthcare legislation has increasingly incorporated behavioural tools to improve public health outcomes. In 2025, a growing number of public health laws now use behavioural interventions to improve vaccination uptake, reduce opioid misuse, and encourage preventive care. For example, new Medicaid rules encourage default enrolment into behavioural therapy programs for patients at risk of substance abuse. This approach is based on the behavioural

insight that proactive engagement often outweighs reactive care-seeking in public health success.

Furthermore, health warnings on ultra-processed food packaging have evolved from simple nutritional facts to behaviourally designed, graphic and color-coded labels that evoke emotional reactions—an approach shown to be more effective in steering choices. Legal mandates now require restaurants and food delivery services to display default healthier options, with unhealthy choices being opt-in rather than opt-out.

4. Education and Financial Literacy

A key area of concern for behavioural policymakers in 2025 is the rising gap in financial literacy. Laws mandating financial education in schools, compulsory user testing of high-risk financial products, and the simplification of legal terms in contracts are all rooted in behavioural research on comprehension and informed consent. New regulations in Australia and Canada now require fintech platforms to test comprehension of key risks before allowing users to trade in volatile assets like cryptocurrency.

VII. CRITIQUES AND LIMITATIONS OF BEHAVIOURAL LAWMAKING

Despite its growing influence, behavioural economics in law-making is not without criticism. A central critique is that behaviourally informed laws can easily veer into paternalism, undermining individual autonomy under the guise of promoting welfare. Critics argue that subtle nudges may be manipulative if they are not transparent or if they disproportionately affect vulnerable populations. As Sunstein himself has acknowledged in his 2022 work, there is a need to balance the efficacy of nudges with respect for freedom of choice.

Another concern is the overreliance on heuristics without sufficiently accounting for structural inequalities. For example, laws that aim to simplify financial products may still fail to reach marginalized groups if they do not address access barriers, discrimination, or digital divides. Moreover, the effectiveness of behavioural interventions can vary significantly across cultural, economic, and institutional contexts, challenging the assumption that nudges are universally applicable.

Legal scholars also question the democratic legitimacy of behavioural laws that rely on technocratic expertise and empirical trials rather than deliberative public processes. If behavioural interventions are designed by elite policy units without transparency or public engagement, they may escape the scrutiny necessary in a democratic society.

Toward an Integrated Model of Behavioural Governance

The way forward lies in an integrated approach that harmonizes behavioural insights with traditional legal safeguards. Law-making must ensure that behavioural interventions are transparent, reversible, equitable, and evidence based. To this end, several governments in 2025 have begun institutionalizing behavioural oversight boards that review proposed nudges for fairness and impact. These boards often include ethicists, social scientists, legal experts, and representatives from affected communities.

Additionally, an emerging trend in global law-making is the co-creation of behavioural regulation with citizens through participatory trials and deliberative assemblies. This approach not only democratizes the legislative process but also increases the likelihood of compliance and legitimacy by grounding laws in lived experiences and shared values.

Behavioural law and economics must also expand its epistemic toolkit beyond experimental psychology. As Ginsburg and Jolls have argued, legal decision-making must integrate structural economic analyses, sociological context, and political realities to avoid reducing human behaviour to narrow psychological mechanisms.

VIII. CONCLUSION

In the year 2025, the fusion of behavioural economics and legal frameworks has reached an unprecedented level of sophistication and institutionalization. Lawmakers are now better equipped to understand the psychological, social, and emotional dimensions of human behaviour, allowing for the creation of legal systems that are more responsive, adaptive, and equitable. Whether in the regulation of digital privacy, financial markets, healthcare, or sustainability, behavioural insights have become indispensable tools in the legislative arsenal.

Yet, with great influence comes the responsibility to ensure that these tools are used ethically and transparently. Behavioural law-making must be designed with humility, recognizing the limits of its predictive power and the need for constant evaluation and reform. As we navigate increasingly complex economic systems and rapidly changing social norms, the integration of behavioural science into law holds the promise of a more human-centered and effective form of governance.

The challenge for the next generation of lawmakers is to deepen this integration while maintaining respect for autonomy, fairness, and democratic accountability. Behavioural economics should not replace traditional legal principles but should enhance them—providing a fuller picture of how laws work in the real world and how they can be improved to serve society more justly.

IX. BIBLIOGRAPHY

- Cass R Sunstein, *Sludge: What Stops Us from Getting Things Done and What to Do about It* (MIT Press 2021)
- Cass R Sunstein and Richard H Thaler, *Nudge: Improving Decisions About Health, Wealth and Happiness* (Penguin 2009)
- Eyal Zamir and Doron Teichman, *Behavioural Law and Economics* (Oxford University Press 2018)
- Daniel Kahneman, *Thinking, Fast and Slow* (Farrar, Straus and Giroux 2011)
- Oren Bar-Gill, *Seduction by Contract: Law, Economics, and Psychology in Consumer Markets* (Oxford University Press 2012)
- CFPB, 'Medical Debt Reporting Rule' (2025) <https://www.consumerfinance.gov/>
- FTC, 'Notice of Penalty Offenses on Dark Patterns' (2025) <https://www.ftc.gov/>
- Greenberg Traurig LLP, 'Privacy and Cybersecurity Developments 2025' (March 2025)
- UK Cabinet Office Behavioural Insights Team, 'Annual Report 2025'
- OECD, *Regulatory Policy and Behavioural Insights* (2023)
- Implementation Science Journal, 'Behavioural Health Interventions in Legal Systems' (2024)
- University of Chicago Law Review, 'Behavioural Foundations of Legal Design' (2023)
