

CONSUMER REPRESENTATION IN GOVERNMENT

Orville L. Freeman, Governor of Minnesota

I am happy to welcome to Minnesota for its Sixth Annual Conference the Council on Consumer Information which had its beginnings here some seven years ago. Since that time we in Minnesota have become increasingly aware of our interests as consumers, and I believe that is true throughout the nation. I know that the efforts in consumer education that are made by members of your organization play an important part in this awakened interest.

You have given me the topic of "Consumer Representation in Government". I have just returned from a trip to Washington made for the express purpose of consumer representation by testifying before a subcommittee of the United States Senate Committee on Banking and Currency in favor of the Douglas Bill to require the disclosure of the true cost of consumer credit. Minnesota took the lead in efforts to require such disclosure when we sought to have enacted by our state legislature a bill which would require that in all agreements for consumer credit the amounts charged, either as interest or finance charges, must be stated in terms of simple annual interest. Although we did not succeed in our first attempt last year we have since received encouraging support for further action. Now that interest is increasing, not only in Minnesota but throughout the United States, I am confident we can hope for success.

I note that your program for the next two days includes specific consideration of consumer representation in government on both state and federal levels, and through cooperatives and other organizations. It would seem appropriate, then, that I present that topic in more general terms.

I should like to have you consider with me three questions with regard to consumer representation in government: why, how, and to what end. In other words:

- (1) Why should democratic government be particularly concerned with consumer representation?
- (2) How can such representation be effectively achieved?
- (3) What should be the goals of such representation?

1.

In approaching the first question it is logical to ask why democratic government, concerned with the interests of all of the people, should be concerned especially with consumers? After all aren't all of the people consumers? Isn't it true that our interests as consumers represent one interest we all have in common? Why, then, should we so frequently hear that the consumer is the forgotten man, and that his interests are the one most frequently neglected?

The answers, I think, are to be found (1) partly in the nature of our government, (2) partly in the nature of our economic system, and (3) partly in the state of our technological and scientific progress.

Government, today, must be concerned with the economic welfare of the people. Sound and adequate economic arrangements in society involve more today than they did when people preached - even though they never fully

practiced - the doctrine of laissez-faire. Today they involve not only the protection against exploitation, but also the creation of a climate that makes possible the distribution of plenty and its availability to all. Today our problem is not so much how to produce more as it is what to produce, and how to use what we do produce sensibly and equitably.

Government, of course, is not alone responsible for economic welfare. Under our philosophy of free enterprise the production and distribution of goods is almost wholly in private hands. Often it rests in only a few such hands. Policies affecting the cost of living of scores of millions, - are often made by the few who determine the policies of giant corporation. Such decisions are thus made by a few who, as a rule, cannot be held responsible by the public for the consequences of their acts.

Powerful groups compete with or combine with each other. In spite of the traditional glorification of competition, its real goal as practiced is often to put an end to competition - by the creation of a merger or combination of one kind or another. The kind of competition that gets widespread public notice today is often the competition between groups - such as labor and management - each seeking a larger share of the economic pie.

In this competitive area, government is charged with specific responsibilities affecting economics. Most particularly, in carrying out its function of fixing and enforcing the rules of the game, government is expected to represent the public interest. In other words, in the conflicts and competition between various producing groups, government should represent our interest as consumers, the one interest we all have in common.

Yet experience has repeatedly shown that grave difficulties beset this representation of the consumer or the public interest. Agencies and commissions set up to regulate various communication, transportation, and other economic activities, frequently come under the influence or domination of those very groups they are supposed to regulate. Government in a democracy is inevitably subject to pressure, and lobbying is an accepted feature of our political system.

This fact of lobbying, the pressure on government, is not necessarily an evil in itself. All life in our modern interdependent society must involve a compromise of conflicting interests. If the conflicting pressures would only counterbalance each other a balance could be achieved. But such a compromise or balance can be acceptable and equitable only if the strengths of the various pressures are at least approximately in proportion to the numbers of people whose interests are represented in each pressure group.

There is one economic interest almost always under-represented whenever these conflicting pressures meet, and that is the consumer interest. Thus the voice that really expresses the interest of the greatest number has the weakest voice in our councils.

Permit me to give just a few illustrations. In government, the amount of money appropriated for any particular function may be the most determining factor in how effective a job is done. Hearing rooms are frequently crowded with representatives of producing groups urging adequate appropriations for those government functions that serve such groups; but all too

often no one is around to encourage more adequate appropriation for inspection to insure the purity of foods and drugs or the accuracy of scales.

When pressure is applied for laws authorizing grossly excessive rates for consumer credit, lonesome legislators who try to hold out against such pressure often look in vain for help - for someone to represent the thousands of consumer-borrowers who stand to lose millions of dollars if such rates should prevail. Those legislators who yield to the pressure of the interested groups gain friends - and possibly even campaign contributions. Those who try to hold out for the consumer interest may not even gain thanks - or endorsement for re-election.

In local matters, such as zoning, in technical matters, such as the question of who should be permitted to install electrical appliances, in matters of fair trade and pricing, in such questions as whether supermarkets should be permitted to sell aspirin tablets - real and effective pressures are applied, but too often the consumer interest is given little weight.

If the voice of the consumer is too weak in our councils, then government should make a special effort to strengthen that voice.

I believe, then, that government should be particularly concerned to achieve adequate consumer representation in its councils because a fair representation of all interests demands such concern.

There is an additional factor of great importance today that calls for emphasis on consumer representation. This factor is the great acceleration of the rate of change in our society - an acceleration brought about by scientific and technological progress.

New drugs, new insecticides, new medical discoveries, new sources of Strontium 90, new airplanes, new methods of communication, new products of all kinds, with new advantages and new dangers, all these crowd into our lives with a rapidity greater than ever before. Profits are involved, losses are involved, and hazards are involved.

Government must be able to protect the public against the hazards, and it should be able to do that without causing undue losses.

Government must demand and provide adequate testing of new kinds of airplanes, lest their wings fall off in mid-air.

Government is the only agency we can look to with both the financial resources and the authority to check on such serious matters as the Strontium 90 content in the food we eat.

Government is the only authority that can parcel out the air wave lengths over which an increasing amount of our information as well as our entertainment are transmitted today.

Thus there is need for more effective and widespread attention to regulation and protection in the interest of the consumer.

But I believe there is a positive as well as a negative side to the responsibility of government in an era of unprecedented scientific growth. Might it not be just as important for us, through our government, to help hasten the discovery of a cure for cancer as it is to prevent any harmful effects from a new drug? In times like these when medical research offers so much hope for new discoveries and developments, isn't it possible that a failure to give every positive encouragement to such gains might be just as negligent as a failure to control known hazards?

I should like to emphasize this point further, when I come to a discussion of our goals. I have included it here because I believe that, in a time of rapid change, government's responsibility is greatly increased both as to the promotion of positive gains as well as protection against new dangers.

II.

If we agree that democratic government must be particularly concerned with consumer representation, our next question may well be how such representation can be effectively achieved. As I look over your program for this conference I am confident that you know that education and organization are of utmost importance in working toward that goal.

I believe that in recent years we have seen great progress in consumer education. Your own organization is evidence of that progress. An increased number of informative articles in newspapers and magazines provide more evidence. The interest expressed at the hearings I just attended in Washington are further evidence.

There is growing recognition, too, of a need for separate and special agencies or officials in government specifically charged with the duty of protecting consumer interests. It is true that at all levels of government there are agencies that include consumer protection as a part of their responsibilities. But other responsibilities often overshadow their consumer function.

It is for this reason that I have recommended the creation of an office of Consumer Counsel in Minnesota, to follow closely on the lead of those states that have already established such an agency.

Thus we can add special agencies of government to expanded and improved education as ways to achieve effective consumer representation.

There is a third approach that I think is important in working for more consumer representation in government - the approach that takes into consideration a prevalent public attitude toward government.

It seems to me that here in the United States we hold strangely contradictory attitudes toward government.

For anything we don't like, we say there ought to be a law, yet we don't want government to interfere with our lives.

Businesses repeatedly object to government interference in our "free economy", except when they ask for regulation for their competitors, or laws to prevent price-cutting, or laws to enable curtailing of petroleum production to conform with demand, or laws to lessen competition from abroad, or help of many other kinds.

We tend to look at taxes as if they were something taken from us by some outside power, instead of something whereby we buy for ourselves, through our government, services that we need. The prize illustration of this tendency of citizens to look at their government as something apart from themselves was found in a letter written to the governor of a neighboring state. The writer asked: "Why doesn't the government pay for education instead of asking the taxpayers to do it?"

One of the strangest attitudes today is the one that is often expressed about government planning. An individual is regarded as improvident if he doesn't plan, for himself and his family. A business enterprise that failed to plan would soon go under. And huge corporations and combinations carry planning and programming out to a highly developed degree.

Yet there is a widely prevalent attempt to create the attitude that there is something wrong about government planning. Bugaboos like "a planned economy" seem to arouse chills of fear in the hearts of many who plan their own enterprises as effectively as they can.

In a society like that of today, in which government must be held responsible for some of our most basic consumer needs that range from the education of our children to the purity of our water, it seems to me almost criminal negligence for government to fail to plan.

How can we hope to provide a good education for our children if we fail to consider the birth rate, to look at the census figures, and to plan in advance for how many classrooms we are going to need?

How can we insure the purity of our water if we fail to study the supply, to study the demand and the potential increase in the demand, and take steps to maintain the quantity and quality of our supply.

Depletion of resources, urban slums, smog choked cities, crowded schools, shortages of teachers and doctors and engineers, wasted potential, all these are products of lack of planning. All these are depriving us of goods and services that we need. All these could threaten to deprive future generations much more seriously.

I am not advocating that other bogeyman "big Government"; - I am merely urging that we do not permit an unreasonable fear of that "bogeyman" to deprive us of our birthright of abundance. And for some reason, in certain circles, this fear is threatening to do just that. A lead article in the current Fortune magazine even condemns efforts to bring about a greater, and more nearly adequate, rate of economic growth as "a mask for big government."

And so I say that if we are to achieve effective results from consumer representation we must be concerned with the general attitude toward government that prevails in the public mind.

III.

And now I should like to turn to the third and last question I presented at the beginning - what ought to be our goals.

I am sure that all of you here would be pretty much agreed on the nature of the immediate goals. We need from government the protection and promotion of consumer interests that are common to all. We need representation before the councils of government, and agencies within government, to further those interests.

As consumers I believe we have another broader goal - a goal that is available to us here in the United States today as it has been available to no other people in history.

We have available to us today a potential for abundance that could hardly be imagined a generation ago. The tools are at hand for us to grasp the greatest opportunity in the history of mankind to build a world of peace and plenty.

What do we mean by this age of plenty? Does it mean that we, here in the world's richest land, have all we need or want?

Not quite. But it means that we have the potential to get it.

Does it mean that no one needs to be hungry or undernourished? Well, ask the Secretary of Agriculture with his nine billion dollars invested in surplus. Or ask a typical Minnesota farmer who now produces enough for himself and twenty others, double the amount he produced as recently as 1940.

The age of plenty means that we have more than enough to live on. We have potential productive capacity so much greater than we are using that we are allowing at least one fifth of that capacity to go to waste.

Science and technology have progressed so far that, for the first time in the history of man we can see the possibility of conquest of hunger and cold and the other physical and natural hazards of life for all men everywhere.

And within the United States of America this possibility has become a reality. We no longer simply produce as a means to the end of supplying needs. Rather we have a billion dollar advertising and public relations industry to persuade us to want more - and more billions of consumer credit to enable us to buy it on easy terms.

I would like to refer briefly to a few of the principal factors that highlight this potential for plenty.

We have experienced a real breakthrough in the production of power. With the utilization of nuclear energy we are harnessing the power of the universe - in fact, our greatest fear today is that we have at hand power greater than we can trust man to control.

Scientists tell us that we will soon utilize solar energy to great economic advantage.

Human muscles need no longer submit to backbreaking drudgery. Men, women and children need no longer do the physically hard and difficult jobs. "Megaton" is replacing "horsepower" as a measure of energy.

The development of automation is another breakthrough. Our use of machines to run machines - our perfection of mechanical brains - promises a revolution of much greater consequences than those which followed the industrial revolution of the 18th century. And the economic, social, and political changes that will accompany automation will be equally as great.

These sensational developments have been accompanied by tremendous scientific and technological advance in the use of the more familiar sources of power and productive techniques. And economic and political changes in the United States within the past generation have so substantially increased the real income of most Americans that we are enjoying a standard of living and a supply of material goods undreamed of by our grandparents. Our standard of living has increased four-fold in the last seventy-five years, even though our hours of labor have been shortened.

Thus abundance has come upon us with astounding rapidity. Developments in technology and progress toward plenty are, of course, as old as the human race. But their rate of acceleration has increased phenomenally during the present generation.

Let us, for a moment, consider that rate of acceleration by compressing the 50,000 years of man's recorded history into a time span of fifty years. We know very little about the first forty years, although perhaps during the last of that period the most advanced men learned to use skins for clothing. About ten years ago, man emerged from his caves and constructed some other kind of shelter. Five years ago he learned to write. Christianity began less than two years ago.

Less than two months ago, during this whole fifty-year span of human history, the steam engine provided a great new source of power. Automobiles and electric power became significant only during this past month. And last week we developed nuclear power!

This rapidity of recent progress is thrilling - but like many thrills - it is dangerous. Its danger lies in our failure to adapt our social, economic and political thinking to the new situation.

Where are we Failing?

At the present time, we in the United States are failing to take advantage of this potential of plenty.

In the first place, we are not achieving full production, and we are therefore failing to achieve the economic growth we should have. During the period of 1953 through 1958 as a whole the average annual growth rate in national production was only 2.3 percent. This was only about 40 percent of the long-term historical average during the past four decades. It was less than a third of the annual growth rate of $4\frac{1}{2}$ per cent by which we did increase our production during the years just preceding 1947-53. It therefore fell frighteningly short of the increase of between 4 and 5 percent that

economists believe we should have if we are to maintain full employment and sustain a rising standard of living for our rapidly increasing population.

This appallingly deficient rate of growth has meant a loss of more than 200 billion dollars in total national production when compared with what an adequately high rate would have produced. It has meant an extra 15 million man-years of unemployment. It has meant almost \$3,000 less income for the average American family. It has meant a loss of 65 billion dollars of revenue for federal, state, and local governments that would have been forthcoming at existing tax rates. And this loss of revenue has led to questions as to whether we could "afford" programs that are absolutely essential to national security, and domestic programs that are of crucial importance to our future.

This leads to the second, and perhaps more serious, evidence of our failure to meet the challenge of plenty. We are cursed, not with plenty, but with poverty - in our public services.

Even with our failure to achieve full production, many people would look about them, view the two cars in many garages, note the many gadgets in most households, and say that it seems that we do have a great abundance, it seems we have more than we need, so much more that advertisers must spend billions to get us to use what we do have.

There is much truth in the suggestions that many have more than they need - in the field of private goods. But none of us has all he needs in the field of public services.

It is in this social imbalance that there lies the most serious danger to our society. Evidence of this social imbalance is all around us. In the years just past, hundreds of millions of dollars have been spent on designing bigger and more conspicuous automobiles, although the ones we had were already too big for our parking spaces and our garages. Yet during those same years, our children suffered from the lack of thousands of new classrooms; and the years of better educational opportunity that they lost during those years can never be recovered.

It is considered a mark of prestige to build a beautiful home, but it is often considered a mark of reckless spending to keep the street on which the home is built well lighted and well policed.

We willingly pay to private enterprise the price of a good vacation, but we begrudge what we must pay to keep our highways, parks, and lakes up to standard, because these are things we pay for through taxes.

Public services are suffering today in several areas of utmost importance.

I have already referred to education. We have more children to educate, proportionately, than ever before. Our children need more and better education than ever before. Yet we are frighteningly behind in both facilities and personnel with which to provide that education.

We have more aging citizens than ever before, and we are beginning to learn what their needs and wants are, and how they can live longer, happier and more productive lives. We must learn more, and put that knowledge into practice.

We are rapidly learning more about health, both mental and physical, yet we desperately need more research that would lead to great strides in prevention and cure, and more services that would make the knowledge now at hand available to all.

Our rapidly growing cities and suburbs need public services of all kinds, from sanitation in the newly developing areas to slum clearance and redevelopment in the old sections.

We need more and better trained officials to enforce the law, to work on prevention as well as detection of crime, to provide better probation and parole services.

And from our own security, perhaps our own survival, we need to finance more adequately our preparations for defense and for waging the economic war abroad.

These services are important. They are vital. They can be provided only by government. Yet we in the United States are not supporting them adequately.

Why are we Failing?

If these public services are so critically essential to our progress, to our security, and even to the survival of our democratic way of life, why are we failing to provide them? Unless we know the reasons we cannot intelligently present our case for improvement.

One reason for our failure is that too many of those in positions of leadership are prisoners of the past. They have not yet awakened to the great changes that are taking place. They fear the challenge that these changes present, and in their fear they seek to retreat to the good old days when the old rules and the old techniques prevailed. They try to apply these old rules that developed during centuries of scarcity to the new age of plenty. They lack the courage and the vision to seek new rules and new techniques to meet the challenge of today.

A part of this retreat to the past is evidenced by the current utilization of the fear of inflation to oppose increased public services.

I want to make it perfectly clear that I oppose inflation. I know how regressive it is, that its consequences are most serious for the weaker elements in our economy. But I refuse to fall for the myth that we must choose between inflation on the one hand and adequate expenditures for education and health on the other.

I refuse to accept the fallacy that we must restrict production and accept unemployment in order to avoid inflation. I insist that we must be ready to spend all we need to spend for defense and for foreign aid in order to win the cold war. And if it does come down to a choice, - I would rather have a 40-cent dollar than communist victory.

But I do not think we need make that choice. We have, in the year 1958 experienced the amazing spectacle of an increase in the cost of living during a recession. The old tight money techniques have not stopped price increases. Nor did the slump in demand prevent those increases, because they occurred mainly in fields where prices are administered,-- where prices are privately fixed by means of monopoly control.

We should therefore be prepared to fight any threat of a new kind of inflation in a new age of abundance by methods that will work to stabilize prices but will not impose on us the frightful cost of unemployment, deficient growth, and inadequate public services. Leading statesmen and economists are working out such methods. (Their consideration here would require a second speech.) Certainly if inflated prices occur primarily in areas of administered prices, as is the case at present, then the logical approach would be some kind of control, some way to bring the public interest to bear on those private interests that exercise their monopolistic power to fix prices.

Another major reason for our failure in the field of public services is the current attitude toward government spending and the effect of that attitude on political leaders and elected officials.

A few months ago, there appeared on my desk an appeal by the Chamber of Commerce of one of our large cities to its members,-- an appeal to exert pressure on Congress to prevent spending. It happened that the expenditures Congress was then considering related to (1) housing,--which that city needs; (2) highways, which it also needs; and (3) foreign aid, which is critically needed for security. Housing, transportation, and the defense of our freedom! Our homes, our business and pleasure, our survival! These are all things of great value, essential to our way of life. Why do we subordinate them to private spending for new clothes, new cars, and new gadgets, just because we must buy them through government?

During our last legislative session I tried to secure passage of the withholding method of collecting income tax. This was defeated, and the opposition said it would make it "too easy" to collect the tax. Now in Minnesota our income tax goes for education. Why should we glorify easy payments and the installment plan for the purchase of gadgets and luxuries, and deny easy payments for the education of our children?

Why should we spend billions to persuade people to buy TV sets and vacations to bring more happiness and pleasure into their lives,--and at the same time deny and decry spending that would enable us to prevent and cure the mental illness that causes so much pain and unhappiness?

Why should we spend millions for cars for our teen-agers, and deny the spending for education, for rehabilitation, for slum clearance, and for better correction programs to prevent juvenile delinquency?

Why should I, or any other elected public official, who makes a speech like this urging the importance of public service for health, education, urban development, and all the other things most people really want, have to run the risk of political opposition and political defeat on the charge of "tax and spend"?

The answer is both simple and complex. People do not realize what their government services provide or what their tax dollars buy. There are, in my opinion, very few parents who would consciously choose a new appliance instead of a good education for their children. There are, in my opinion, very few Americans who would choose lower taxes instead of security against communist victory.

Under our free American system the people, as citizens and as consumers must choose. Their choice is being influenced,--daily and hours,--by the expenditure of uncounted billions to pay brilliant people to think up new ways to advertise new things and to persuade them to buy more goods. The people pay for this huge expenditure, and pay willingly, for it is not called taxes.

But the American consumer can also choose public services. In the long run, he will make his selection and his choice by what he regards as his real values in life. In spite of all our concern about the "Hidden Persuaders" there are many students of our social and economic system who have confidence in the choice the American people will make. A. A. Berle, in his most recent book, "Power Without Property" states that "leadership toward and development of a consensus of opinion on life values are not the product of the centers of power and responsibility directing the economic machinery. They come out of the universities and institutions of learning, the daily and periodical press, the authors who write more formally in books. Occasionally, the men who lead may take office in public life, or even directorships in corporations; but their dedication is to humanity and truth. They are our spiritual elite. Over the years an Albert Schweitzer or a William James, a Eugene O'Neill or a John Dewey has more causative power than all the Lords Temporal of economic institutions."

And again: "Though all the armies of Madison Avenue were arrayed against Columbia or Princeton or Leland Stanford, the future would lie with the campus spires."

The consumer has always had a latent power. That power is greater than ever now, because, in an age of abundance the range of choice is greater.

George Katona, director of the Survey Research Center at the University of Michigan, has just written a book entitled "The Powerful Consumer," in which he upholds the common sense of the average consumer and credits him with real influence on the ups and downs of our economy.

The individual is important in the United States, and powerful, both as a consumer and as a citizen. As a consumer he is powerful because he can make choices from an abundant supply, and by those choices he can express his own values and influence the economy. As a citizen he is powerful because his government is a democracy that in the long run responds to the public will, and because through his government he can choose the public services essential to his security and well being.

If this latent power is exercised intelligently, effectively, and in the public interest, we can indeed look forward to a great future.