

REPORT FROM CALIFORNIA

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One of the advantages of the position of Consumer Counsel is the uncertainty in the business community as to what problem will be investigated next. This very uncertainty forces some businessmen to be aware of consumer interests.

The position of Consumer Counsel as a staff or advisory position in the Office of the Governor of California was established at the request of Governor Brown by act of the legislature in 1959. The Consumer Counsel has these responsibilities: (1) To advise the Governor on the interests of people of the State as consumers, (2) to make recommendations to the Governor and to the legislature on legislation needed to promote and protect our interests as consumers, (3) to investigate problems of consumers in the State, (4) to report to the people on these problems, (5) to appear before Government agencies, commissions and committees as the spokesman for or the representative of or the lobbyist for the consumer point of view.

We have a small staff, including one field man, one editorial aide, a secretary, and two typists. We are a part of the Governor's office. We have no law enforcement authority, no administrative responsibility. I am describing our organization and operation to give you better understanding of the possibilities and opportunities for a spokesman for consumer interests at the state level. We are as effective as persuasion and logic and facts and our energy can make us. Lacking separate authority, we must work through others.

Because we realized that we were going to have a large flood of problems and many pressures brought to bear on us, we decided at an early stage to save a certain amount of our time, no matter how great the pressures to do otherwise, to undertake special projects we considered important. I wanted a certain part of our program to be initiated and carried through as a positive effort to help consumers rather than to be completely involved in just reacting to problems as they arose. To carry through on this program has been difficult but possible.

The subject we chose to investigate on our own initiative, to delve into in some depth, and to work with as much as we possibly could was credit. It seemed to us to be our number one problem. We have held a series of six credit conferences throughout California. These were public conferences in which businessmen, referees in bankruptcy, financial counsellors and consumers participated and gave us the benefit of their experience. These aroused much concern among some businessmen and financing industries. One said, "Helen, you've opened Pandora's box." We brought out into the open a great deal of the distress, of the shocking

circumstances surrounding the use of credit which families were suffering with little public awareness of their existence.

Last year at Minneapolis I reported on the beginnings of our investigation of referral sales. We found that families often entertained, as guests for dinner, individuals who proceeded to sell them a product that they may or may not have wanted and to tie them up in debts of several hundred dollars with monthly payments over three years. We brought together all of the resources in the State Government that might bear on this problem, and I think we have done a great deal toward stamping out this practice in California. We have done it by the use of the regulatory agency, which is in California the Corporation Commissioner, using fully the extent of its regulatory power over financing institutions which extend the credit. We have also quietly badgered the Personal Property Brokers Association in California to adopt a code of ethics, in which their members agree that they will not buy this kind of paper. We are going to strengthen the law so that it will give the District Attorneys and the Corporation Commissioner greater leverage on this problem in this session of the legislature. We are proud of what we have accomplished. But we will never lick this problem in the state alone because we now are having financing coming in from outside the state. We have people now in California who are sending their monthly payments to Phoenix and Salt Lake, so we're anxious for the rest of you states to join us in this enterprise.

Our experience with this led us to be the source that many people turned to, wrote to, when they got into problems similar to referral selling. And the next thing that we got involved in was TV repair rackets. We cooperated with the Los Angeles "Bunko Squad" of the police department in an investigation of a suspected TV repair racket. We put marked sets in a home. My field man played the role of consumer. We have worked with the Columbia Broadcasting Company, which filmed much of this, hoping to make a documentary out of it. Such a film would be, I think, highly educational. The case led to a trial. The defendant asked for a jury. The court case resulted in a hung jury, so we've got to go through it all again.

We had a music man scandal in Southern California, but it didn't have the happy ending of the musical comedy. Instead, it ended up with about \$600,000 dollars of debt which the parents still owe and are still paying on though the promise of the music school has long since been broken. The would be director fled to Louisiana. That trial started yesterday, and we have three of the people in California to try; three are in Louisiana and the Governor has signed extradition papers for them but they haven't let them leave Louisiana yet.

We are currently participating in a major investigation of the problems of aluminum siding sales. Many of them are fraudulent sales. We have companies in Los Angeles that are getting liens on people's houses for about \$5000 each by selling them an aluminum siding recover job on their house. The family ends up having mortgaged their home, with seven year debts requiring payments of \$50 to \$90 a month. These sellers use a very interesting recession gimmick because they offer the

family enough cash to clear up their immediate debts, which are, of course, only added on to the new one. There are 17 different agencies under the leadership of our attorney general's office cooperating in the investigation of this aluminum siding fraud in Los Angeles. Millions and millions of dollars are involved in this.

One of the things that we have learned from this, it seems to me, is that we've got an awful lot of good laws. We need to think them through and apply them to some of our present problems. We need to stimulate and reward and encourage and support the law enforcement people using the laws we've got to protect the consumers. It has taken us a long time in California to get across the point that if a TV repair man takes a nearly new and still good tube out of your TV set and puts it up on the shelf in his shop, he has committed a theft. He has done it just as surely as if he came into your house and took \$5 out of the teapot. We are now getting this idea across, not only to our major police departments but even in some of our smaller cities. Police departments are eager to undertake some work in consumer frauds because they realize how widespread these petty problems are, petty perhaps to each person, maybe \$40 on a TV repair. But the millions of TV sets repaired in California amount to a million dollar business.

As I see it, the role of our office is to receive information about these problems encountered by consumers, to reconnoiter them, then to interest the established law enforcement agencies, and the regulatory agencies in them, and to act as coordinator of state and local and sometimes federal agencies or groups as they begin to cope with each problem. We cannot enter into continuing regulation or enforcement. It seems to me that an important aspect of our office is to act as an opening wedge, like a Marine Corps operation. In our efforts to protect the consumer it is vital that we keep our flexibility, our maneuverability, our freedom from fixed commitments. As soon as we get an operation started, we must make great effort to turn it over to an established regulatory or law enforcement agency to carry it through.

Now I want to say a couple things about representing consumers before bodies, and then I will have used up my time. We have done this on a variety of subjects. We have had to choose these subjects. There's hardly a week goes by that we couldn't perform this function somewhere. And I think that we have to resist the temptation to have an opinion on everything that comes up, to know everything about everything. One spreads oneself very thin even though trying to resist. We have taken on certain few things, we have tried to stick with them. The first one that we took on, the one that I intend to stick with for a long time, and I want to urge this upon everybody here, is the problem of weights and measures. I don't think there is any problem before us today as consumers that is any more fundamental and more important and needs our attention more than the problem of weights and measures.

These are some of the problems that we've gotten into. I've mentioned the ones that I think are most common to us all across the country and in which I would urge interest from everybody here. I would like to just add one thing more. It is that people who are in Government, if they're anything like the ones in California, have very little time for research. So I would like to make a really urgent appeal to the people of the universities who have research facilities, who have students who want to write master's theses, to become concerned with some of these problems and develop some factual information that we who have to make decisions in government quickly can rely on in making these decisions. One morning as I was flying up on the plane from Los Angeles I was writing out what I was going to say at the Department of Agriculture hearing on pesticidal residue. I got up from my seat for a moment and noted that a man who was sitting in front of me was holding one of these scholarly looking journals. I couldn't help but see what he was reading, the article was the "Origin of Middle Class Attitudes among American Jews." There I was so desperate for somebody who could teach me something about some of the things that I needed to know about weights and measures and pesticides and some of these other problems that I wished terribly that this man were reading or that the people in the universities were researching and writing more in this field. Now I suppose that this is too much to hope, but it's my dire need. There are a lot of university people here and I can't resist making my needs known.