

NEW YORK

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At the outset, I wish to state that it is a pleasure to be here to participate in the Eighth Annual Conference on consumer information. Meetings such as these serve a very useful purpose in understanding the complex problems of consumer protection and in exploring ways of dealing with them through law enforcement, consumer education, and self-compliance.

As you may know, five years ago Attorney General Louis J. Lefkowitz established in the Department of Law, The Bureau of Consumer Frauds and Protection. This was the first such bureau established in any state. This bureau has been, to say the least, a most active bureau in the Attorney General's office. As a result of its activities 38 states have adopted some form of consumer protective government assistance, principally through their Attorney General; and at least 18 of them have sent representatives to my bureau to study our methods and adopt them. Thus, our program is important not only in terms of New York State Law and the Protection of our own consumers but also other states look to New York for leadership.

Our experience has shown that the overwhelming majority of business people carry on with integrity and due regard for those with whom they deal. However, a fringe element using every means of trickery and deceit continues to drain millions of dollars each year from the consumer public.

Furthermore, this relatively small but active minority of unscrupulous operators does incalculable economic harm to the honest business and service man. They drive upwards the cost of living, add to inflationary pressures, and undermine the public faith and confidence which is essential to the well being of the American economy.

I think it is fair to say that it is entirely clear that our economy has swung over completely and irreversibly from the predominant cash and carry economy existing throughout the U.S. a quarter of a century ago, to a consumer credit economy. Today there can be no quarrel with the statement that, with very minor exceptions, our industry has totally licked the problems of mass production. Our society has changed from a production achievement type of society to a society geared to consumption. Our whole political economy is based upon the consumer.

With the development of the great tool of consumer credit, the production end of our economy has resorted to deceptive packaging, planned obsolescence, false advertising, misleading advertising, bait advertising, fictitious pricing, meaningless and last, but not least exorbitant financing charges and tricky installment payment plans.

I believe that the consumer is fast becoming aware of all of these things. I say this because of the tremendous acceptance which the idea of consumer protection pioneered by Attorney General Lefkowitz of New York State has gained throughout the nation; because of the tremendous number of books and magazine articles and financial column writings dealing with the subject; and because of the nature of the complaints that we receive daily at the Consumer Frauds and Protection Bureau.

Changes in the law of the last several years indicate gradual but piecemeal trend away from the old notion of "caveat emptor" to "caveat vendor". As chief of the Consumer Frauds and Protection Bureau I consider that the rapid and complete changeover of our political economy to which I have adverted demands a more complete overhaul of the legislation enacted for consumer's protection.

The Attorney General of this State recommended and became the first Chairman of a Consumer Protection Committee formed by the National Association of Attorneys General. Through this committee a joint conference was held with the Department of Justice last year in Washington to explore steps useful in the whole area of consumer protection.

Today even doubting Thomases are now fairly well convinced that there is a need for consumer protection and that this can best be met through the State's Attorney General rather than much expanded direct control of business activities by the creation of additional administrative hierarchies.

The office of the Attorney General being in a position to attack from both the administrative and legal position affords the flexible approach for proper consumer help.

To this end Attorney General Lefkowitz has proposed a number of bills to the New York State Legislature designed to afford increased protection to the New York consumer. Among the bills proposed is one outlawing lifetime contracts at dance studios, health clubs and other social and physical training facilities. The Attorney General has proposed a bill imposing criminal sanctions upon the perpetration of various fraudulent schemes in the sale and construction of fall-out shelters. Another bill would permit the recovery of a fine for untrue and misleading advertising. A bill has also been proposed to declare referral selling of all kind illegal.

You may be interested in some of the activities of the Consumer Frauds and Protection Bureau in the past year, which was a decisive one in our fight for business decency.

While, as I have already noted our authority is not as comprehensive as it should be, we have managed to cover a large amount of ground nevertheless.

A few examples will illustrate the scope of our activity. We have obtained dissolution of a corporation which duped home owners into buying aluminum siding on the representation that there would be no charge if pictures of their homes might be used for advertising purposes. Of course, no pictures were taken and the home owners who signed did not know that in reality they had entered into retail installment contracts obliging them to pay up to \$3,600.

Another suit instituted by my bureau dissolved a self-styled Puerto Rican Christian Assn. which promoted bus trips through Mexico and bilked the public out of about \$25,000 by taking them to Mexico City and stranding them there without completing the journey.

Still another case enjoined the false advertising and business practices of an airline training correspondence school. This school misrepresented that it was backed by various airlines, that a job would be waiting upon graduation and that no minimum age, education and experience was required to obtain airline employment.

One firm doing business as "director of income tax assistance service" sent out forms for the purpose of deceiving consumers into believing that a government agency was furnishing free income tax assistance. The real purpose was to induce individuals to come forward with certain personal information to be used for bill collection. In other words, this was a skip-tracing plan. We promptly obtained an injunction prohibiting a continuation of these practices.

An injunction was obtained against a Long Island fall-out shelter company known as U. S. Fall-Out Shelters, Inc., which accepted payments for the construction of fall-out shelters that were never completed. Many home owners permitted this company to dig holes in their back yard and that was the extent of construction work performed. In addition, the corporation falsely advertised that it had the approval of the FHA and the Federal Government Civil Defense Authorities.

We dissolved a disc jockey school which gave 16 weeks course for \$417 on the representation that upon completion of studies, students would be provided with a job in the radio industry when such was not the case. In another action an injunction was obtained against a firm which placed ads that a consumer could earn as much as \$300 a week with lawn spraying equipment when such was not the case.

In 1961 the New York City bureau handled over 6,000 consumer complaints and we were successful in effecting restitution of almost \$6000,000 to the consumer public.

Another very important and relatively new activity entered into by the Bureau has been the drafting of codes of ethics for certain industries. This has been done in the food freezer industry, in the dance instruction business and in the health and exercising studio chains. The codes so established have proved to be of great benefit to the consumer public. For example, the health club code served as a basis of negotiation with the company whereby the consumers were saved over \$25,000 in 1961.

Under my direction the bureau has created a "cease and desist agreement". This is a new and different approach to consumer protection and has proved to be most effective. The cease and desist agreement provides, that upon breach, a court action can be instituted

with the documents serving as prima facie evidence of the violation stated therein. A total of 30 such agreements have been signed by offending business people during the past year. I believe that it is a tribute of the work of the bureau that so far as I have been able to determine none of the agreements signed have been breached.

Also, of special significance during the past year were three major investigations carried out by my bureau at the direction of the Attorney General.

The first of these investigations concerned itself with the sale and distribution of sour milk with emphasis on the manner in which milk is handled from the time it leaves the farm until it gets into the hands of the consumer.

The second investigation related to the advertising and selling practices employed in the sale of hearing aids in New York State. Although there are strict regulations governing optometrists, podiatrists, beauticians and barbers, there are not, at the present time any regulations governing dealers and hearing aid salesmen, who prescribe correction for deficiencies of the human ear.

With public attention geared toward civil defense and because of a substantial volume of consumer complaints concerning the advertising and selling of fall-out shelters and other civil defense products, the third major investigation by the bureau was focused in this vital area. On December 11, 1961, Attorney General Louis J. Lefkowitz presided at a conference of contractors, trade associations and civil defense leaders to discuss the problems existing in regard to the advertising and selling of fall-out shelters and related problems.

The purposes of these investigations are to determine whether the Attorney General should take action under the laws presently available to him, and to explore the possibilities of proposing new legislation to protect the consumer where present laws are found to be inadequate.

It can be seen that we have waged a struggle for business decency on many fronts. At the same time we are fully aware that broad consumer educational programs must be carried out on the community level to make the consumer vigilant and able to recognize and thus avoid alluring but misleading sales and business practices. To this end Attorney General Louis J. Lefkowitz sponsored the first annual New York State consumer protection conference. This conference was held in December, 1961. Invitations were sent to representatives of consumer groups, law enforcement agencies, welfare organizations, educators, members of the clergy and representatives of the communications media. The response was tremendous and the conference was a complete success.

The experience of the Consumer Frauds and Protection Bureau makes one fact very plain the degree of success which the unscrupulous operator achieves stands in direct ratio to the gullibility of the

consumer and in too many cases it is the consumer's language difficulties which makes him an alluring victim for the cheat and the gyp. This is reflected in the great number of Spanish speaking men and women who filed complaints with the bureau. In order to reach these individuals with a broad educational program which will put them on guard against the business racketeer whose only code is one of get-rich-quick, a conference was held on February 16, 1962 under the direction of the Attorney General which was attended by the leaders of the Spanish speaking community, for the purpose of implementing a consumer education program.

In addition, to these conferences held with an aim to educate the consumer, members of my staff and myself have given numerous talks on the problem of consumer frauds and protection throughout the metropolitan area.

The job of protecting the consumer and the legitimate businessman is in the first rank of tasks in the office of Attorney General Louis J. Lefkowitz. I hope that I have conveyed enough of what we are doing in this most important field. At stake here is more than the matter of whether some shady operators can continue to poach on the public, often that disadvantaged portion of the public that can least afford such depredation.

The weapons available to law enforcement agencies must be strengthened constantly to counteract new devices used by the business charlatan. At the same time, broad educational programs must be carried out to make the consumer vigilant and able to recognize and thus avoid alluring but misleading sales methods.

Though our task is an extremely difficult one, I am convinced that through constant vigilance, increased cooperation and a common dedication to the objectives which we all seek, we can make even further progress in this most important area of our economic and social structure.