

*Protection
Regulation*

*agencies
government*

WHAT CONSUMERS NEED IN GOVERNMENT PROTECTION

by
Sidney Margolius

It is extremely fortunate that the Council on Consumer Information is holding its annual conference in Washington this year. Government agencies more usually hear only from businessmen and see only businessmen, and thus often primarily reflect businessmen's views.

And that brings us right to the heart of our problem. The damaging fact -- damaging to consumers and to the economic welfare of our nation -- is that in this past decade consumer interests have been noticeably neglected in Government, and much of the consumer representation America's families enjoyed ten to fifteen years ago, has been eroded.

First, the Agriculture Department discontinued its Consumers Guide magazine and office of Consumer Counsel. Then in 1955 it "redirected" the work of its home economics section, to use its phrase. What it actually did was liquidate some of the important consumer research the department has done. At the same time the Bureau of Standards discontinued much of its consumer research and publication, while the Food & Drug Administration and Federal Trade Commission, often concentrated on battling fringe rackets while overlooking some of the really important consumer problems. The Food & Drug Administration conducted wars against bottled sea water but not against the excessive prices of the new "miracle" drugs, so-called, or the inadequate and even misleading labeling and packaging of many food and drug products. The Federal Trade Commission devoted much energy to halting misrepresentation of fur coats but, in the opinion of some observers, neglected its much more important responsibilities to act against price fixing of many important consumer and industrial products.

It remained for a group of consumer-minded Senators to take the recent actions that have improved drug safety and spotlighted deceptive packaging and credit fees. Significantly, we might have had an even stronger drug law if the Administration had not failed to support Kefauver's proposal that manufacturers be required to license others to manufacture their patented drugs.

An example of not merely neglect but potential injury to consumers is some of the material encouraging consumers to buy expensive processed foods. The Agriculture Department's new pamphlet, "Convenience Foods," compares home and factory-prepared foods to show that often the factory version costs less. For example, it compares canned beef stew with home-prepared stew to show that the canned costs less, and also claims that a serving of canned chicken chow mein costs 66 cents, frozen 85, and home-made \$1.02. But on questioning officials of the Agriculture Department admitted that the home recipes did contain more meat. You bet they do. One widely-sold brand of canned chicken chow mein lists as the leading ingredient "chicken broth," and the accompanying can of vegetables lists the leading ingredient as "water." The U.S.D.A. Economic Research Service reports that the products studied "were selected

after consulting with many home economists, food specialists, etc., in several Government and industry groups." It was unfortunate that the department did not also consult with consumer groups. Another U.S.D.A. booklet, "Food For The Young Couple," tells how Helen and John Young buy and cook their meals. On page 4, Helen says, quote: "Many of the ready-mixed, precooked and frozen foods are just made for an after 5 o'clock cook like me!" I feel sorry for young husband John. He is about to join the horde of desperate husbands who must pay the bills.

Consumers were promised more representation but got only an advisory committee to an advisory committee. Nor, although the consumer advisory committee includes several outstanding consumer representatives, has it moved very rapidly to provide leadership in securing consumer protection.

These examples of the work, or lack of it, of various Government agencies charged with consumer protection, are cited to demonstrate these frank facts:

1--Much of the consumer protection currently provided by Government is only lip service because it attacks only the fringe problems and not the main needs of consumers today; and,

2--Some of it is actually injurious to consumers, and so harms the public welfare and helps waste our country's resources in a period when we cannot afford waste.

Thus, it is perfectly plain that the overriding objective of any genuine program of consumer protection must be a focus on the really important problems, that the Government agencies concerned need to realize that they are the consumer representatives in Government, and that the American public has had its fill of deception and exaggerated prices for ordinary commodities, and will support the Government in a genuine consumer effort.

Why is a genuine consumer protection so urgent; can't American families protect themselves? Does Uncle Sam have to become a nursemaid? Many of the reasons are plain and well understood by all of you in the consumer field. Our young women today are trained to be secretaries, airline hostesses, even atomic physicists, but not in how to calculate installment fees or even, sometimes, in how to buy a chicken if it has not been cut up into parts first. Our young men are trained in the arts of earning but not in the arts of consuming. They can build bridges and fly planes but can't figure out how to buy insurance. We live in a very complicated money world today, with many pressures on us.

The result is, there is a great deal of waste in many American families, and the tragedy is that in a period of relative prosperity, the typical American family finds many of its resources dribbling away. It is surfeited with frozen TV dinners, roll-on deodorants, and automatic frying pans but increasingly is frustrated in achieving its main aspirations of better education for its children, more-adequate housing, security from unemployment, and often, even adequate medical care.

Because we lack adequate consumer protection, many of our families are wasting their substance or having it wasted for them. Even families earning \$10,000 a year and more, have become exceedingly worried about how they will pay for college for their children, and how they will provide security for their own old age.

To help stop this constant waste of family resources through excessive finance charges, overpriced commodities, and services, the wrong kind of insurance sold at exaggerated prices, and many other diversions, is the real goal of consumer protection. This kind of waste not only is frustrating the aspirations of many American families, but actually is limiting the progress and growth of our nation itself. The consumer situation will become increasingly explosive in a political sense, as many families living only a week's installment payments away from bankruptcy are shaken by our recurring recessions or are frustrated in such universal ambitions as sending their children to college.

The truth of the matter is, that today consumer exploitation to a large extent has replaced labor exploitation as the real shame of our times, and the potential political fuse. Our Government would not permit the things to be done to people as workers that we allow to be done to them as consumers. Consider this incident that happened to a New York City wage-earner. A salesman knocked on her door and showed her a set of stainless steel tableware at a price of \$65. He said she didn't have to decide immediately, but after delivery could take a few days and decide whether or not to keep it. When the tableware arrived, the woman signed what was described as a "receipt." Later the woman decided not to keep the set and wrote the seller to take it back. But the only answer was a demand for payment. The woman refused to pay and the seller got a garnishee. The "receipt" she had signed turned out to be an installment contract. The woman went to the Legal Aid Society, which was willing to fight the garnishee. But her employer's personnel office called her in and told her that a garnishee had been filed for \$120., including finance charges and legal costs, and that the employer would not tolerate garnishees. To keep her job she had to settle with the seller. She settled for \$75 for a set of stainless steelware which another retailer subsequently estimated was worth \$15. What struck me was that this woman earns just \$60 a week. She really had worked one week without pay because of the \$60 she had overpaid for the tableware.

Now if an employer had forced this woman to work a week without pay the whole country would be up in arms. We would all cry: "This is peonage! A civilized country does not tolerate peonage."

However, in many, many cases today we have substituted consumer peonage for labor peonage.

What should a genuine consumer protection program include? Simply from my own view, which necessarily is limited to my own experience, I feel these phases are most immediately urgent:

1--The "truth in lending" legislation proposed by Senator Douglas, because it would at least provide a start towards stemming one of the most prevalent wastes of American family resources, which is, the unnecessarily high credit fees often unknowingly paid by many consumers.

We all applaud when the various states establish maximum interest rates on installment sales, as in New York, California, and so on. But the maximums permitted by the state laws are really very high rates, in fact, usually as high as the finance companies and department stores wanted, else they would not have gone along with this legislation. The much-applauded state laws, for example, usually permit a rate of \$7 per \$100 for financing new cars. This is approximately a true 14 per cent per annum.

Again, only the fringe abuses committed by the small fry have been outlawed by the new state credit laws. The large operators got what they wanted. But if we are going to permit rates of 14 to 30 per cent per annum for financing cars, and 18 per cent on revolving credit accounts, the least protection the public needs is a Federal law requiring the sellers to tell consumers the true per-annum rates.

2--More attention to price fixing. We can feel encouraged that recently there has been more antitrust enforcement, and that the number of such cases filed by the Justice Department reached a record high in 1962. But we also are aware that some of the price-fixing activities involved had continued for a long time, such as the electrical-equipment parts price-fixing conspiracy, until the details were brought to light not by the Federal Government as much as by newspapers and Senate investigators.

The Federal Trade Commission especially needs to pay more attention to its job of enforcing the law against price-fixing conspiracy. The FTC has at its command a series of Supreme Court decisions secured shortly after World War II, in which the court indicated that the effect of price-fixing itself is evidence of price-fixing. Certainly the identical, parallel or uniform prices at which many consumer and industrial products are sold today needs serious investigation.

One of the problems of adequate anti-trust enforcement appears to be that we have relatively few economists working in government today. Dr. John Blair, Chief Economist for the Senate Antitrust Subcommittee, recently pointed out before the American Bar Association Antitrust Section, that there are only five economists among the professional staff members of Congress, excluding the few necessarily employed by the Joint Economic Committee. Thus, although most of the Government's problems today are economic, the work of the Government has become increasingly dominated by lawyers, not economists.

One example of how price-fixing action can reduce prices is the new lower price announced by one large chemical company for trisodium phosphate, a compound widely used in cleaning preparations. This followed directly from a consent order recently secured by the Federal Trade Commission against eight chemical companies who had been charged with conspiring to fix the price.

3--We still need a consumer counsel in the Federal Government, preferably at the cabinet level, but at least on the White House staff. For one reason, consumer representation in Government is dreadfully fragmented. Senator Neuberger points out that some 14 agencies of the Federal Government are responsible for administering various consumer-protection laws. We need a consumer counsel both to coordinate the work of these agencies, and to present the consumer view to them. Consumers cannot afford to maintain a lobby, for example, that will represent them before the complicated procedures of the Federal Power Commission.

Nor can we depend on specialized agencies, especially those dominated by lawyers, to understand the real needs of consumers. Take the case of what happened in New York State. We had the first state consumer counsel in New York, and she (Dr. Persia Campbell) did an excellent job of securing consumer legislation and publicizing consumer information. Among several helpful results, New York no longer allows wage assignments to be part of an installment contract.

But when Governor Rockefeller assumed office, he discontinued the State Consumer Counsel Department and announced its work would be handled by the State Commerce Department. The Commerce official given charge of the program proved to know little about it. In fact, I learned that she asked her staff what should be done about this program, as she had had a letter from "some consumer club in Mount Vernon" asking about the consumer work. The "consumer club" of course was Consumers Union.

The State Attorney General then became active in the consumer field and has pursued such ancillary frauds as balloon notes used in financing shell houses. Certainly such activity is necessary. But when it came down to the overriding issue of the truth in lending bill, the Attorney General sent a representative to Washington who opposed this most-needed of all consumer legislation.

In contrast, California, which now has an active consumer counsel, has begun to come to the fore in developing useful consumer information and legislation for its citizens.

These happenings on the state levels underscore the necessity for a Federal consumer counsel of independent status and adequate staff.

4--We need much more informative labeling of foods and household products to stem the frequent dissipation of family resources in this area. In an era of processed foods, the present requirement that ingredients be listed in order of importance does not adequately tell consumers what they need to know to compare values. If two different brands of macaroni and cheese both vaguely list "cheese" as the second ingredient, can we assume they have similar amounts, or that one has significantly more or less, and how much cheese do they provide in any case? If a can of prepared vegetables merely lists "water" as the first ingredient, does this mean the product is 20 per cent water, 40 per cent of what amount? If a package of frankfurters or other

processed meat lists water as the second or third leading ingredient, as most now do, does this mean ten per cent water, 20, 30 or what? So many processed meats and other "convenience" foods now include a large but unspecified percentage of water, that I'm beginning to understand why there is a developing water shortage in many parts of the country.

Even cats get more facts than humans. The prepared cat foods are required to show the exact percentage of water, in addition to other more detailed information. Not that the cats are living so well either. Some of the leading cat foods on the market are 74 per cent water.

Some of the present labeling is fantastic. This toothpaste box says Gleem contains GL-70, a "miracle cleaner and bacteria fighter." This sounds like one of the new miracle drugs. Then the other side of the package explains that GL-70 is "Proctor & Gamble's trademark for the active ingredient, a blend of anionic sulfonates." Well, not that the public in general would know this, but anionic sulfonates, chemists tell me, are a detergent, and all toothpastes contain detergents of one type or another. So Gleem has no "miracle" ingredient at all, and certainly no medical ingredient.

Too, the need for clearer statement of the contents of packaged products, and more uniform sizes has been shown by Senator Hart's investigations, and by such groups as Consumers Union and the National Consumer League. As far back as 1957 the Council on Consumer Information pointed out this problem in its revealing pamphlet "Watch Your Weights And Measures."

5--In addition to clearer labeling, we do need an extension of standards for consumer products. The Government is constantly developing standards which businessmen use when they buy and sell. It is incredible that standards should be considered the fair way for businessmen, but un-American for consumers to have when they buy.

Businessmen insist that consumers should be satisfied to buy by brand name. But they don't. For example, Chicago wholesalers have found that meat dealers often refuse to buy pork products under a brand name alone if not also certified by Agriculture Department graders as meeting Mercantile Exchange standards. Currently the Agriculture Department is developing official grades for dry milk for large buyers and sellers. But consumers will have to continue to buy by meaningless brand names. As the use of frozen and other processed foods increases, grade labeling becomes increasingly urgent. Such designations as "Fancy" or "Premium" quality, or whatever the packer chooses to call his product, have been shown to often have little relation to the actual quality.

6--We also seriously need assistance to economic education in our schools and colleges. A recent study by the Committee for Economic Development found that students get very little economic education before high school, and even in high school most of the social studies teachers were found to be inexperienced in this area. We are willing to spend many millions to encourage the teaching of science and languages.

But these programs will not remove the blocks to family advancement and national growth resulting from the present widespread state of consumer economic ignorance.

As another evidence of the lack of real understanding of the consumer problem by our Government and Congress, while we have a strong agricultural extension program, and now the Commerce Department is planning extension programs for industry in various colleges, there is no similar program for urban consumers. If the Agriculture Department really wants to cut down the present farm-to-retail spread, with only 38 cents of the consumer dollar now going to the farmer, it would use its excellent extension service to educate wage-earner families in consumer skills. The average housewife today spends money in a supermarket at the rate of \$19 an hour, while her husband earns just \$2.50 an hour.

At the same time, we need expansion of consumer research by the home economics experts of the Agriculture Department, and more and franker published materials. As just one example, widespread distribution of Dr. McCracken's pamphlet on food freezers might have saved thousands of families from buying seriously-overpriced and deceptively-sold food freezer plans. An investment in \$100,000 worth of consumer pamphlets literally could save American families millions of dollars. It is ironic that instead of the flow of information promised by the President, some of the Government's most useful pamphlets, such as the one on "Guiding Family Spending," actually have been allowed to go out of print.

7--Finally, to touch on a broad problem only briefly, we need improvement of insurance regulation, possibly through an entry into this area by the Federal Government. Some years ago the McCarran-Walter Act handed over insurance regulation to the states. The results have been a noticeable lack of uniformity, a sharp difference in quality of supervision, sometimes a flourishing of near rackets and often a very high price tag on many types of insurance families must buy these days, such as auto, property and health.

I hope I have not sounded unduly querulous. A report of this type tends to emphasize the omissions, not the accomplishments, such as the F.D.A.'s courageous insistence on barring the contaminated cranberries, the F.T.C.'s currently intensified efforts, and the exceptional work in many areas by Agriculture Department specialists. But after 25 years of counseling families in every corner of the country, I am convinced that this nation could make more immediate progress by raising consumer skills than possibly through any other path. This is the real New Frontier our Government itself needs to see more clearly.