

Privacy Threatened in Information Age

How the "Information Age" can be made to work for consumers, rather than against them, was the subject of five sessions at Consumer Assembly in which concerns about privacy and choice were aired.

The fast moving technological advances that have made the Information Age a reality also threaten to "strip consumers of virtually all their privacy," said Bonnie Guiton, Special Advisor to the President for Consumer Affairs.

"The balance between the consumer right to privacy and business's need for information has gotten seriously out of balance," said Guiton, who has made re-asserting that balance a priority of her office.

That concern was echoed by Rep. Charles E. Schumer (D-NY), who said that modern technology, by making it easy "to store, define, and transmit detailed information about each one of us, has thrown off the balance" between the individual's "right to be left alone" and business's dependence on "the free flow of information."

While privacy issues pervade much of society, abuses in the credit area are particularly serious, both Guiton and Schumer asserted.

Principles of Privacy

Guiton outlined "five basic principles for privacy" that her office has developed:

- the consumer should be told in language he can understand whether and why information is being collected, what will be done with it, and who is going to use it;
- businesses should collect only information that pertains to the transaction at hand and should not sell that information for other purposes without first informing the consumer;
- industry should provide a complete copy of files upon request, make it easy to correct errors, and provide explanation when needed;
- consumers should have the right to opt out of direct marketing or other uses of their information that they feel are inappropriate; and
- consumers should be educated on how information is gathered, analyzed, used, and sold.

Rep. Schumer, who has introduced legislation to address privacy concerns, went farther, stating that consumers have a right to obtain a copy of their credit file for free at least once a year and whenever they are denied credit; that credit bureaus have a responsibility to inform consumers of their rights, including their right to contest information in their file; and that guidelines must be established to settle such disputes.



Rep. Charles E. Schumer (left) and Bonnie Guiton, Special Advisor to the President for Consumer Affairs, warned that the Information Age threatens consumer privacy.



NARUC President Sharon L. Nelson said the debate should focus on cost to consumers.

Privacy issues were also discussed in a panel session on "Consumer Research: Implications for Information Disclosures and Dissemination."

How Should Information Age Develop?

A hotly debated issue was how the Information Age should develop to best serve consumers, specifically whether the telephone companies should be restricted to providing access for a decentralized system or allowed into the businesses of providing content as well as transmission.

Sharon L. Nelson, President of the National Association of Regulatory Utility Commissioners, said that the debate should focus on the issue of cost to consumers.

The goal should be creation of a network capable of basic and sophisticated

applications with affordable rates for services that consumers will find useful and will actually use, she said. But that may not be easy to accomplish, she warned.

"There are millions of dollars to be lost in information services before anyone figures out how to make money," Nelson said. "It is no easy task to develop information services that meet consumers' needs and are easy to access, nor are there any quick profits to be had in information services."

Telephone ratepayers should not be forced to put up the stakes for this gamble, she said. Instead, she said, market forces should be allowed to determine the pace of change.

Three members of a panel on "Consumer Choices in the Information Age" agreed that market forces were driving information services in a way that was generally beneficial to consumers.

"For the three-quarters of the American people who are not poor, disabled, or living in low density areas, the decentralized approach to the Information Age is developing just fine," said CFA Research Director Mark Cooper. "There is no technological or economic barrier to the mass market. All vendors have to do is figure out what people are willing to pay for."

For the significant majority who won't be well served by either a centralized or decentralized approach—the elderly, poor, rural, and disabled—action should be taken directly to benefit these groups, he said.

Lifting MFJ Debated

Larry Fenster, Senior Policy Analyst for utility issues at the American Association of Retired Persons, concurred, warning that "if we integrate the information net-

work into the telephone network, we could get locked into a high cost, inefficient technology whose cost won't be insulated from basic rate-payers."

Sandra G. Weis, Director of Government Affairs for Prodigy Services Company, said that information services are already beginning to emerge using today's technology. While new technology offers the potential of expanding those services, an over-investment in infrastructure could make services too expensive to be affordable for consumers.

We must make sure that the system evolves "in a way that encourages and drives development of entrepreneurial services," she said.

Link Hoewing, Director of External Affairs for Bell Atlantic, offered a very different view, calling the approach described by Cooper and Fenster "a short-sighted vision of how the mass market can develop." Only the wealthiest consumers are being served by the current market structure, he said.

Rather than forcing a choice between a decentralized system based on personal computers and a centralized system based on an intelligent network and dumb terminals, "we need a network that is flexible, that can provide whatever the consumer wants."

In order to provide that network and serve the mass market, not just wealthy consumers, telephone companies must be freed from the restrictions in the Modified Final Judgments (MFJ), which prohibit the telephone companies from providing information services, he said.

"The MFJ is sound economic policy," Cooper countered. "It has nothing to do with social policy. Lifting the MFJ has no logical connection to the social goal of realizing universal information service."

In fact, he said, lifting the MFJ will increase costs, rather than decreasing them. "Social policy is a political act, so let's take the action directly," he said.

Consumer Assembly 1990

In March, more than 500 consumer advocates, government officials, industry representatives, and members of the media gathered in Washington, D.C. for the Consumer Federation of America's 23rd annual Consumer Assembly. The theme of the conference was "Consumerism in a World of Change." This issue of *CFAnews* reports on the key issues and ideas raised during the two days of speeches and panel discussions.

Curry Announces Auto Safety Initiatives

For the first time in many years, when federal regulators and consumer advocates at Consumer Assembly outlined their product safety agendas, they found much to agree on.

Jerry R. Curry, Administrator of the National Highway Traffic Safety Administration, for example, listed his top four priorities for 1990 as: getting light trucks and vans to acquire the safety attributes of passenger vehicles; adopting a final rule on side-impact safety; improving the safety of school buses through six different rule-making proposals, all of which are to be decided by the end of the year; and conducting research to determine whether a roll-over rule is necessary. (All of these have long been supported by advocates.)

Curry has also already accomplished something advocates have been urging for a long time: he has cut the time the rule-making process takes at NHTSA. In the next six months, he promised, "we will have more rule-making activity than NHTSA has ever had in any six-month period."

While she outlined a broader agenda than Curry's for NHTSA consideration, Joan Claybrook, President of Public Citizen, said that, "contrary to the Reagan Administration," NHTSA under Curry, is really making "a big effort to try and enforce the law."

A New Attitude

"We have a new attitude in this administration," she said. That doesn't mean that there are no areas of difference remaining, she said, but "it does mean we have some hope."

Among the items on Claybrook's agenda were: pedestrian protection through redesign of vehicle front ends to make them more forgiving; reissuing the five mile per hour bumper standard; designing cars with booster seats for children built in; a new brake standard for heavy trucks; as well as side-impact protection and roll-over crash protection.

Claybrook also urged NHTSA to improve the new car assessment program, by increasing the frontal crash test from 30 to 40 miles per hour, by adding side-impact, roll-over, and rear-end crash tests, by including light trucks in the testing program, and by having child restraints in the vehicles when tested.

Crash-worthiness information should be included on window stickers, she added, since "the free marketplace really only works when people are informed."

Currently, 40,000 people a year are killed, 5.4 million are injured, 500,000 are hospitalized, and 10,000 are permanently disabled in automobile accidents, she said. "We have a tremendous opportunity to reduce this."

Inadequate Funding Plagues Safety Agencies

If it is to accomplish all that it could, she said, NHTSA—which has seen a 59 percent real dollar decrease in its budgets since 1980—will need increased funding, she said. "Very few programs have had the pay-off this agency has had. We're going to be pressing for more money here. We think the agency has well earned it."

Funding is also a consideration at the Consumer Product Safety Commission.



Public Citizen President Joan Claybrook (left) and NHTSA Administrator Jerry R. Curry announced similar auto safety agendas. CPSC Commissioner Jacqueline Jones-Smith (right) said she will work to increase agency funding.

and the new CPSC Chairman Jacqueline Jones-Smith said she will work toward increasing the agency's funding, "because additional resources will give the agency more flexibility."

While she assured the audience that the CPSC could fulfill its mission within its budget restraints, she said that doing so would require the commission to be "highly selective in choosing which items to support," choosing "those activities which provide the greatest margin of pro-

tection for the American consumer." It will also require the agency, "in order to leverage resources," to "obtain maximum levels of cooperation from outside organizations."

"Let me assure you that, during these times of tight budgets, the Commission has and will continue to aggressively enforce the product safety laws," she said.

In a workshop on product safety initiatives, CFA Product Safety Director Mary Ellen Fise said that, contrary to the new

Chairman's contention that the agency can fulfill its mission within its budget restraints and despite a slight budget increase in 1990, the number of full-time CPSC employees this year will be cut; the budget allows for no hazard analysis; the fire project has been gutted; and the agency has no money for laboratory equipment or computers. Increasing the agency's budget, therefore, should be a top priority for safety advocates, she said.

Steiger Promises Change at FTC

The Federal Trade Commission is entering the 1990s with a renewed vigor and a full agenda of consumer protection programs, said FTC Chairman Janet D. Steiger.

"When I came to the commission, I found that far too many people had come to doubt the agency's vigor and commitment. I intend to change that," Steiger said.

The commission has made "modest, but important progress increasing the overall resources for the agency, after several years of decline," she said, progress she hopes will continue, so that the commission can pursue its consumer protection agenda.

At the top of the commission's agenda is national advertising, she said. "During the 80s the FTC was widely perceived to have abandoned false, deceptive advertising. Whether that perception is right or wrong, it must be changed."

In particular, Steiger singled out promotional practices of alcohol and tobacco products aimed at minors, false or unsubstantiated health or safety claims, children's advertising, advertising designed to play on the fears of elderly about health, safety, and financial security, and environmentally friendly or "green" claims.

Other concerns of the agency will include telemarketing fraud, FTC enforcement related to privacy and consumer credit, and mortgage disclosure.

"I'm not going to promise you a rose garden," Steiger said. "I'm not going to promise you that I will always share your views. The commission has limited resources and therefore must establish priorities. But I can assure you that even when we don't agree, your views are welcome. They will be heard."



FTC Chairman Janet D. Steiger said regulating false and deceptive advertising will be at the top of the commission's agenda.

Multi-Nationals Need Regulation

The growth of the world economy, and the accompanying abusive behavior by multi-national firms, have made it necessary to devise guidelines to govern the behavior of these firms, said Esther Peterson, Representative to the United Nations.

There are no minimum standards for multi-nationals covering the dumping of hazardous wastes, destruction of natural resources, and interference in national sovereignty and cultural patterns, she said.

Abuses abound, she said, such as "pushing cigarettes at kids," selling drugs that have been banned in this country for use in clinics of Third World countries, and selling dangerous pesticides with ads that show the highly toxic substances being applied by "girls in bikinis."

"We really need universal rules of the road," Peterson said.



Esther Peterson, Representative to the United Nations, warned that abusive practices by multi-national firms must be reigned in.

A set of voluntary guidelines is currently being developed involving respect for national sovereignty and domestic laws, setting norms for compensation, environmental protection, respect for human rights and freedoms, and disclosure requirements.

The guidelines started "as defensive," but have changed over the years into "instruments host countries can use in asking for international investment."

Unfortunately, the United States was not supportive during the Reagan administration, Peterson said. Where the Bush administration will stand on this issue is still unknown, she said.

"CFA has got to become globalized," she said. "We have to take responsibility ourselves for these things. We have to lead. The people are asking for it."

U.S. Called Underdeveloped Country

The least affluent members of our society are facing an array of pressing problems—including unaffordable housing, health care, and auto insurance—that are greater today than they have been for many years. Finding solutions to those problems was a central focus of five sessions at Consumer Assembly, including a keynote speech by Children's Defense Fund President Marian Wright Edelman.

"We've got to do nothing less than change the cultural signals about what is important and reverse the growing disparities between the rich and poor and the poor and the middle class," Edelman said. "We've got to build a new concept of enough that includes enough for everybody."

This will require creating "a new balance between external and internal security needs," she said. But the budget proposed by President Bush, with its overfunding for defense and underfunding for social programs and education, "continues to keep this nation marching to the drums of the past and, I think, toward the cliffs of national decline," Edelman said.

"The U.S. is really an underdeveloped nation in its protection of families and children," she said, noting that 13 million American children live in poverty. This situation poses "more of a threat to American security, competitiveness, and moral leadership than any external threat."

"I believe that we can transform America and that we can begin to redirect the resources that have been so misdirected and misused. If we do anything less than to go after the elimination of child poverty in the 1990s, we will be asking too little of ourselves," she said.

Solution Near for Health Care Crisis?

For the 37 million Americans who are uninsured and the tens of millions more



Children's Defense Fund President Marian Wright Edelman called for a new balance between internal and external security needs.

whose underinsurance leaves them one sickness or accident away from poverty, the lack of access to affordable health care is among their most pressing problems.

But a solution to the health care crisis is in sight, said Ronald Pollack, Executive

Director of Families USA Foundation, because the health care crisis has reached the middle class as well as the poor.

"There is no real political problem until the middle class experiences the problem as well. We are close to seeing a transformation from what is a genuine crisis to something that is perceived as a political crisis," he said.

The proposals in the Pepper Commission report, despite some flaws and a lack of funding, are "an extraordinary package" providing "a point of departure" and "a blueprint for action," Pollack said.

Cathy Hurwit, Director of Federal Health Policy for the National Health Care Campaign, concurred saying that "the goals set are admirable goals." Those goals include universality and uniformity of coverage and no financial obstacles to care.

"It's up to us now to work with those goals, perhaps to add goals," she said. "The growing strain in the system is what is convincing us that we are going to get a health care system in the 1990s. The question is, how quickly and what will it look like?"

David Nexon, Senior Health Advisor to Sen. Edward Kennedy (D-MA), said "the polls show that American people want action, but the forces against it are very

powerful, very well-funded. We will need grassroots pressure."

Housing Crisis

The inability of low income individuals to afford decent housing is leading to the decay of our communities, said panelists in a workshop on finding solutions to the low income housing crisis.

"If communities are not made safe, and if good, affordable housing is not made available, we will lose these communities," said Benson Roberts, Special Assistant for Policy and Program Development of the Local Initiatives Support Corporation.

Although adequate funding for housing is essential, other human factors must also be taken into account to make programs successful, the panelists agreed.

Community Development Corporations are effective because they allow members of the community to "define what the needs and priorities are," Benson said.

"By working together, the community can make decisions that have an effect," said Gloria J. Cousar, Executive Director of the Greater Washington Mutual Housing Association.

"We need strategies to help families recover from negative dependency," she said.

Financial System Needs Restructuring



The nation's financial system, which is largely run and regulated by insiders for the benefit of insiders, needs to be restructured and reregulated to benefit average citizens and the overall national economy.

So said William Greider, author of *Secrets of the Temple*, and Tom Schlesinger, Director of the Southern Finance Project and a leader of the Financial Democracy Campaign, in a keynote session at Consumer Assembly.

"The financial system and how it works is at the core of our society," Greider said. "It is the network that keeps other enterprises going and sets social policy."

During the decade of financial deregulation, social policy goals were stripped out of the system, he said, leaving us with inadequate financing to build needed housing, the savings and loan crisis, a farm credit crisis, the collapse of major banks, speeded up concentration in the financial system, the highest real interest rates ever, and a host of other existing and looming problems.

Reregulation is needed, he said, both "to establish some stability and soundness in the system and to impose some broad social values on the financial system."

If this is to occur, consumers "need to weigh into this question," he said. "You need to move beyond what are clearly identifiable consumer issues and get your hits in on these deeper, broader questions. Until you do, we will continue to see 'solutions' that continue to cost us money and don't really solve anything."



William Greider, author of *Secrets of the Temple*, called on consumers to get more involved in financial structure issues.

The debate in Congress over financial restructuring "is already well on its way to being defined by the insiders as expanded powers for commercial banks in securities and insurance, shuffling of the bureaucratic furniture, and altering the deposit insurance system," Schlesinger said.

If that view is allowed to determine the debate, "it will narrow this big, complex issue to a tiny argument over details of how."

"Average citizens have a massive stake in financial restructuring," he said. "We need to have a much bolder, more substantive approach to protect our interests in that debate."

"We need to recognize that we are propping up and protecting a system that

makes losers of all of us," Schlesinger said. "We can't just tack our agenda on whatever legislative freight train is getting ready to leave the station. We need a debate about public values and national priorities and how they can be instilled in the financial system."

Only by getting involved will average citizens be able to wrest control of the system from insiders and make it accountable to society as a whole, Greider and Schlesinger said.

CFA Pays Tribute to the Late Rep. Leland



Rep. Craig A. Washington (D-TX) delivered a tribute to the late Rep. Mickey Leland, whose seat in Congress Washington was elected to fill last fall. Calling Leland "a drum major for righteousness, a drum major for justice, a drum major for a better world," Rep. Washington said "the best tribute this coalition can pay to Mickey Leland is to create a new vision for a better world."

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Oakar Proposes Energy Program

Concern about the state of the environment was a focus of Consumer Assembly sessions on energy, agriculture, and consumer and workplace health issues.

In a keynote speech outlining her proposals for a national energy policy, Rep. Mary Rose Oakar (D-OH) said that threats to the environment as well as to our economic and military security make such a policy essential.

Not only is the nation imperiled by its increasing reliance on energy imports and the near-term danger of running short of electric power, but the entire world environment is endangered by our over-use of energy, she said.

"The inefficient use of energy imperils our health and our planet by depleting the ozone layer, building up greenhouse and toxic gases, and threatening climatic change," she said. "Although these are world-wide problems, the U.S. is the biggest energy user and the biggest producer of carbon dioxide. So, we are in a position to either exert leadership or default in leadership in addressing these problems."

Conservation Key to Energy Policy

Rep. Oakar's 12-part energy agenda focused on conservation as the key to solving the nation's energy problems.

It included a number of proposals to encourage the purchase and construc-



Rep. Mary Rose Oakar said conservation must be at the core of the nation's energy policy.

tion of energy-efficient homes, as well as proposals to reform the utility regulatory system to promote conservation, to support state low income energy assistance and energy efficiency programs, to improve energy efficiency in public and federally assisted housing, to adequately fund research on energy technology, and to develop methods of measuring the nation's progress in the area of energy efficiency and development of alternative energy sources.

"Nationally, experts say we could save 25 percent of the more than \$110 billion that is currently being spent for residential energy," Oakar said. Her agenda would not only help accomplish that goal, but it could also help make housing affordable for an additional two million American families, she said.

"These are not only worthwhile goals. They are imperative for the nation's energy, environmental and consumer security."

The technologies that will help make those energy savings possible were described in a workshop on "Twenty-first Century Energy Technologies."

Environmental Concerns Drive Farm Policy

Not only are environmental concerns driving the nation's energy agenda, but they are also beginning to drive the agricultural agenda in Congress, according to William Stiles, Staff Director of the House Agriculture Committee's Subcommittee on Department Operations, Research, and Foreign Agriculture.

Stiles was a panelist in a workshop on "Sustainable Agriculture: Potential Benefits for Consumers."

Not only does sustainable agriculture hold out the promise of a safer food supply because of its reduced reliance on pesticides and other chemicals, but it also promises to improve the environment, particularly surface and groundwater, which have become increasingly contam-

inated with pesticide residues, the panelists agreed.

"The transition to sustainable agriculture is likely to result in a healthier environment, farm prosperity, and an abundant and affordable food supply," said Allen Rosenfeld, Director of Agricultural Policy for Public Voice for Food and Health Policy.

"Surveys demonstrate consumers are concerned about pesticides in their food," he said. "The future of sustainable agriculture hinges in large part on whether or not consumer concerns about health and the environment get translated into market demand for food products produced in a safer and more environmentally safe manner."

Indoor Environment Threatened

Finally, in a session on consumer and workplace health issues, David Schlein, National Vice President of the American Federation of Government Employees District 14, discussed indoor air quality and the importance of protecting our indoor environment.

"No employee should have to place his or her health at risk each time they enter the workplace," he said. "Unfortunately, many do. Poor indoor air quality and 'sick building syndrome' have created a modern occupational hazard for today's office worker."

"While the research continues, the clean up should begin," he said.

"Peace Dividend" Jeopardized

Americans cannot afford to let the "Peace Dividend" made possible by events of the last year in Eastern Europe and the Soviet Union disappear in a debate over how much (or how little) can be cut and how quickly from the nation's defense budgets, warned economist Jeff Faux in a luncheon address at Consumer Assembly.

"Military spending has been a major contributor to the trade deficit, to the fiscal deficit, and to the slow erosion of income that has been taking place in the last 10 to 15 years," said Faux, who is President of the Economic Policy Institute. "Finally we have a chance to spend that money on things that make America more competitive and our lives a little better."

Instead of looking at the defense budget in terms of how much we can cut, we must look at it in terms of "how much do we need," in light of the fact that "the Soviet Union is an economic and political basket case, and even the CIA director has said shrinkage of Soviet military power is irreversible."

"No matter how you calculate it, current proposals call for spending twice what we need," he said, and it is an expenditure that America can simply no longer afford. Anything less than an immediate \$20 billion in real defense cuts and cutting the budget in half over the next five years "is theft from the next generation," he said.

"What's at stake is your future and the future of your children," Faux warned. "America is in trouble." It buys more from the world than it sells; the fiscal deficit won't go away; family income is stagnant; and the whole society—government, consumers, corporations—"are floating on a sea of red ink... living on the assets we built up in the past."

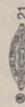
The education level in this country is far below that of our competition, "but your government is paralyzed," he said. The President is unwilling to raise taxes, and Congress is afraid the President will use it against them in elections if they do it themselves. "More wasted young lives, more drugs and crime, more pollution—that is the real message of 'read my lips,'" Faux said.

Unless we begin to devote our resources to education and other areas that contribute to a competitive economy, "we will be condemning our children to a fiercely competitive world without the tools or the skills they need to survive."

"Given the political stalemate over taxes, the only serious hope for doing what we've got to do is to cut the military budget sharply and to cut it now, and to use those resources to take care of our future."

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