

Strong Consumer Voice Needed In Government

With consumer protections under assault, there has never been a more important time for consumer advocates to provide a strong voice for their constituents, according to three government officials who delivered keynote addresses at CFA's 1996 Consumer Assembly.

"If you look at this Congress, it is not a pretty picture," said Sen. Paul Wellstone (D-MN), who spoke on the topic "Congressional Consumer Priorities and Where We Ought To Be Heading."



Sen. Paul Wellstone (D-MN) called on the consumer movement to make campaign finance reform a central issue.

"A good deal of anti-consumer legislation has passed or is pending," he added, citing as examples bills on product liability, telecommunications overhaul, electric industry restructuring, and proposed budget cuts for programs that benefit the poor.

The good news, he added, is that "the Republican agenda over-reaches." While acknowledging that Americans voted for change in 1994, Sen. Wellstone argued that they did not necessarily support the type of change advocated by the Republicans.

"People did not vote for a dirty water bill. People did not vote to cut Head Start or nutrition programs. People . . . didn't vote to slash the budgets of consumer protection agencies . . . or to tie the agencies that protect consumers into knots. And people certainly didn't say, 'What I'm voting for is to make sure I don't get to go into court if I'm injured by a dangerous product,'" Sen. Wellstone said.

Campaign Finance Reform Key To Consumer Issues

The common key to resolving all these issues is government reform, and specifically campaign finance reform, he said. "This is a core issue. It really does go together," he said.

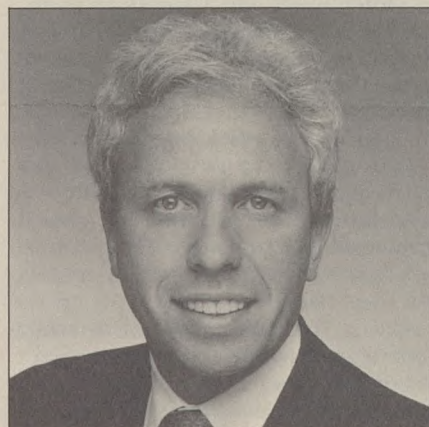
In the legislative process, "too few people have too much wealth, power, and say, and too many have too little. That

has a lot to do with how we fund campaigns," he said. "It is time to make this a real democracy and restore this government to the people."

"What has been happening in the 104th Congress has been no less than an effort to overturn 60 years of people's history. It is so counter-revolutionary, so extreme," Sen. Wellstone said.

"If this doesn't provoke us to assert our values and to have a very bold voice and to do our grassroots organizing and to have a very strong presence here in our nation's capital, then I don't know what will," he concluded.

"I cannot remember a moment when there has been a more intense, hysterical attack on affirmative government," concurred New York City Public Advocate Mark Green. The rhetoric of the Republicans in Congress is "almost indistinguishable" from that of the Michigan militia, he said.



New York City Public Advocate Mark Green said there is still a role for affirmative government.

Market Needs A Referee

The problem with their anti-government agenda, he said, is that "laissez is not always fair. The marketplace needs a referee." Government has an affirmative role to play in policing the marketplace and helping those who are "economic losers," he said.

Green added that his experience in municipal government had reaffirmed his belief both in the need for a government referee in the marketplace and in the ability of government to make a positive difference in people's lives.

One lesson he learned was that corporate crime was "worse than we had ever thought," he said, citing as examples the fact that two thirds of home improvement contractors in New York City never got the license they were required to have, 90 percent of coin operated telephones failed to provide required disclosure of rates, and, in one study, car mechanics

Consumer Assembly 1996

performed unnecessary or fraudulent work 58 percent of the time.

Good regulation, he said, is "not anti-business, it's anti-illegal-business. Honest businesses would want us to enforce consumer laws, because they otherwise would be . . . forced to choose between putting food on the table and obeying the law. That is not a choice that we who believe in affirmative government ought to be forcing them to make."

Just as consumer laws are under attack in Congress, consumer protection agencies are threatened at the state and local level because of budget cuts, he said.

The attacks on consumer protections are occurring at the same time that most working families have seen a decline in real income, Green added. "They've run out of options, except to make everything possible out of what resources they have."

Green concluded on a note of optimism, however, saying he believes "the reason these regulatory agencies and laws have endured so long is that the public wants them. If you can get a consumer law passed, with all the business opposition and influence, the public must want it."

Consumer Voice Essential To Good Government

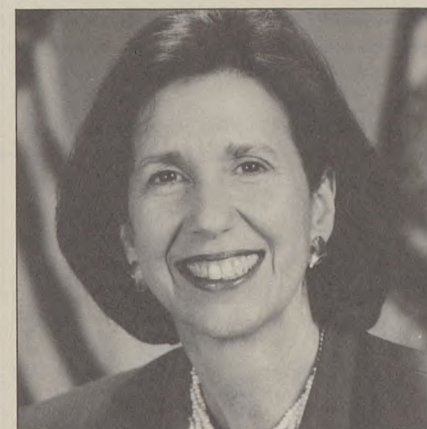
It is the accepted principle of the Clinton Administration that "the consumer voice is essential to good government, and that government has a responsibility to consumers," said Ellen Haas, Under Secretary of Agriculture for Food, Nutrition, and Consumer Services.

"Government did not always share this relation to consumers," she added. "Consumer issues and representatives have not always been part of the process." Just a few decades ago, "we were really regarded as the hostile intruder," she said.

Haas noted that it was only through years of hard work that consumer advocates were able to change that perception. Despite those successes, "we have to recognize that there are threats out there. There is a need to be even more vigilant and driven to protect the future," she said.

Haas cited the new federal program to increase the nutritional value of school meals as a model of how consumers and government can work together to improve the health of America's children. In addition to creating a new mandate that school meals meet appropriate nutritional guidelines, the administration has worked to provide support for changes in the school communities, she said.

"For us to do our full job, we had to involve the community, involve the par-



Under Secretary of Agriculture Ellen Haas said consumers must have a voice in government.

ents, and involve the children," Haas said. "Government listened to consumers, worked with consumers, and now together we are bringing about real change."

Campaign Finance Impedes Accountable Government

Echoing the message of Sen. Wellstone, a group of panelists speaking on "The Consumer Need for Political Reform at the State Level" said one factor standing in the way of effective, progressive reform is the way in which we finance our elections.

"One of the major obstacles, and maybe the biggest obstacle, to truly accountable and representative democracy is the role that money plays in the democratic process," said Jennifer Lamson, Vice President of Grassroots Lobbying for Common Cause.

Speaking from his experience as Texas Insurance Commissioner, CFA Director of Insurance J. Robert Hunter concurred. "When you're trying to do something positive, it is really difficult at the state level when there is so much money being poured into the campaign. You really had to go carefully," or face retribution from your appropriations committee or oversight committee, he said.

In California, more than 90 percent of the money in politics comes in the form of contributions of more than \$100, and approximately 90 percent of the money comes from outside of a legislator's district, said Mary Raftery, Legislative Director of California Public Interest Research Group.

As a result, legislators have two separate sets of constituents, "the voters in the district and the funders of their campaigns," she said. "When forced to choose between those two constituencies, they're going with the big money contributors."

"It's not surprising that lobbyists who are right there in the State Capitol, looking for access, looking for influence, are

(Continued on page 3)

Public Interest Movement On The Defensive

Conservative members of Congress have launched an all-out attack on the public interest community in an effort to silence the non-profit sector, said Gary Bass, Executive Director of OMB Watch, in a keynote address.

That attack has had the opposite effect of galvanizing and unifying the public interest sector as never before, he said.

The primary weapon last year was the Istook amendment, which narrowly passed the House but was killed in the Senate.



Congress has launched an all-out attack on the public interest sector, said Gary D. Bass, Executive Director of OMB Watch.

The reason for the attack, he said, is that the non-profit community has been very effective, despite limited resources, in fighting some of the more extreme proposals put forward in this Congress. Although the Istook amendment was defeated in 1995, the effort did not die there, Bass warned.

One strategy will be to introduce the various components of the amendment on a piecemeal basis, which will make it harder to organize as a community in opposition, he said.

Some members of Congress have already begun launching attacks in the form of "oversight hearings" on specific organizations, while others have focused on limiting the ability of federal agencies to provide information to non-profit groups if the use is for supporting or opposing Congressional action, he added.

Finally, bills similar to the Istook amendment and these other proposals have been introduced at the state level, he said.

Despite the need to fight on a number of fronts, Bass offered an optimistic assessment of the current situation. The lesson from the Istook amendment fight is that "we as community groups and consumer groups can make an enormous difference, especially when we band together in solidarity," he said.

A variety of Consumer Assembly panels also discussed consumer issues and strategies. The highlights of those panel discussions follows.

Congress Neglects Key Health Issues

The fundamental problems with the nation's health care system are being ignored in the current Congress, said Cathy L. Hurwit, Legislative Director of Citizen Action, during a panel on "The Ongoing Transformation of Health Care."

The issues Congress should be looking at include the fact that 40 million Americans are uninsured, more and more em-

ployers are dropping coverage, and health care costs continue to rise, Hurwit said. In addition, Congress has given little attention to managed care, except to try to move people into it, and little attention to increased concentration in the health care industry, except to attempt to weaken antitrust protections, she said.

Despite all the talk of reducing costs by moving more people into managed care, managed care has yet to be proven either to save money or to deliver higher quality care, said Charles B. Inlander, President of People's Medical Society. Inlander advised activists to concentrate their reform efforts at the state level, where health care is primarily regulated.

Consumers also have a role to play when non-profit health care providers convert to for-profit providers, said Harry Snyder, Co-Director of Consumers Union's West Coast Regional Office.

The conversion of a non-profit to a for-profit can only take place legally if the original assets are spun off into non-profit services, he said. In negotiating such deals, consumer advocates must determine how to value the non-profit health care provider and ensure accountability to the community, he said.

Poor Still Suffer Nutritional Deprivation

Although government programs have improved the nutritional status of the poor, problems persist, said Eileen Kennedy, Executive Director of the Center for Nutrition Policy and Promotion in the U.S. Department of Agriculture, during a panel on "The Nutritional Status of the Poor."

The government is now struggling to measure problems of a more subtle nature related to food insecurity, she said. "The measures of food insecurity and hunger must be captured so we can begin to look for underlying causes," she said.

Zy Weinberg, Director of the Inner-City Food Access Program at Public Voice for Food and Health Policy, called on the private sector to do more to provide poor communities with access to nutritional foods at competitive prices through construction of more supermarkets in poor areas and through expansion of farmers markets.

Although federal programs have been successful in improving the nutritional status of the poor, they are now threatened by proposed legislation that would fund many such programs through block grants, said Edward M. Cooney, Vice President and Deputy Director of Food Research and Action Center. The problem with block grant proposals is that they make no allowances for recessions or other emergencies, such as earthquakes, which increase demand for benefits, he said.

Financial Consumer Protections Threatened

Consumer advocates spent most of 1995 "defending laws that we spent decades putting on the books," said Michelle Meier, Counsel for Government Affairs in the Consumers Union-Washington Office, speaking as part of a panel on "Consumer Policy Priorities in Financial Services."

Despite the need to defend important protections, advocates must also put forward an affirmative agenda, she said, addressing such issues as bank sales of uninsured products and reform of the mortgage closure process.

Jason Adkins, Executive Director of the Center for Insurance Research, said a major effort is underway "to role back what minimalist protections we now have" under state insurance regulation. He said his organization would help interested groups conduct state-by-state surveys of how well the insurance department is performing.

Gerri Detweiler, Policy Director of the National Council of Individual Investors, discussed House legislation to roll back state securities regulation. In addition to opposing anti-investor legislation, Detweiler said NCII would be focusing on proactive issues, such as strengthening disclosure in securities transactions.

CFA Director of Investor Protection Barbara Roper called on the consumer movement to help fill a needed gap by providing investor education materials to the many individuals who are not able to afford the services of an objective financial adviser but must rely on investments to fund major financial goals.

Auto-Related Consumer Protection Problems

Automobile dealers and manufacturers are reselling vehicles they've been forced to buy back as lemons without providing adequate disclosure, said Rosemary Shahan, President of Consumers for Automobile Reliability and Safety, in a session on "Automobiles and Their Discontents: Consumer Protection Issues."

CARS has joined with CFA and other consumer groups to petition the Federal Trade Commission to end such sales without appropriate disclosures, she said.

Auto manufacturers and dealers also use deceptive auto leasing advertisements and sales contracts to confuse and mislead consumers, said D. Douglas Blanke, Director of Consumer Policy for the Minnesota Attorney General's Office.

William D. Gruhn, Assistant Attorney General in charge of the Consumer Protection Division of the Maryland Attorney General's Office, described a two-year effort by the National Association of Attorneys General and the FTC to identify auto repair consumer problems and propose solutions. The results of that effort have now been released in a report, he said.

The automobile industry is undergoing a dramatic transformation from dealers representing a single manufacturer to "mega-dealers," sales on the Internet, software packages to help consumers buy cars, and atypical sales operations such as those at Saturn dealerships, said Warren Brown, Automotive Editor of *The Washington Post*.

New Grassroots Initiatives

Errol T. Louis, Manager of the Central Brooklyn Federal Credit Union, described an effort by the credit union movement to bring more credit unions into low income neighborhoods, in a session on "New Grassroots Consumer Initiatives."

Although the credit unions are difficult to organize in low income communities, the concept is growing, Louis said, in part because traditional banks are fleeing these neighborhoods and in part because the credit unions bring lower costs for products and services. They also offer community services, such as financial literacy campaigns, he said.

Robert Ceisler, Executive Director of

the New York Citizens Utility Board, described that organization's strategies for organizing community opposition to rate hikes. In addition to more traditional methods, such as press conferences and public hearings, the CUB established a 900-number individuals could call to protest a proposed rate hike, he said.

Dierdre Cummings of Massachusetts Public Interest Research Group said her organization is attempting to establish a CUB for banking. Another priority is privacy issues, including reform of the Fair Credit Reporting Act, she said.

Melissa Burkholder, Executive Director of the Consumer Law Center of the South, said her organization focuses primarily on financial scams in Georgia, including fringe banking, car title pawns, and re-packaging of meat with new freshness dates.

Alternatives To Court For Resolving Complaints

Alternative dispute resolution systems may offer some benefits over the court system, particularly for resolving small claims, said Craig McEwen, Professor in the Department of Sociology and Anthropology at Bowdoin College.

Speaking in a session on "Complaint Resolution Through Mediation and Arbitration: An Assessment," McEwen said alternative dispute resolution systems can save money and court time. In addition, there is a higher compliance rate for payment of damages in mediation than in small claims court, he said.

Properly funded arbitration and mediation offer a low cost, easy access way for people to resolve disputes who are unfamiliar with or ill-equipped to handle the court system, concurred Walter T. Dartland, Executive Director of Consumer Fraud Watch.

Charles I. Underhill, Senior Vice President of the Alternate Dispute Resolution Division of the Council of Better Business Bureaus, added that arbitrators must receive adequate training.

Securities arbitration lacks many of the benefits of other alternative dispute resolution systems, since customers are routinely forced to accept binding arbitration in an industry-run system, said Laura Polachek, a Senior Analyst in the American Association of Retired Persons' Public Policy Institute.

Corporate-Consumer Partnerships

Partnerships between consumer groups and corporations can get valuable consumer information in the hands of those who would otherwise not receive it, said Ken McEldowney, Executive Director of Consumer Action-San Francisco, discussing "The Promise and Pitfalls of Corporate-Consumer Partnerships."

Such partnerships are particularly important today, since government and foundation money is drying up, added Mary Ann Pires, President of the Pires Group.

It is essential, however, that consumer groups have equal expertise with their partners, warned Jane King, Manager of Consumer Affairs of MCI Telecommunications Corporation.

Rich McClintock, Executive Director of the Colorado Public Interest Research Group, also warned that it is easy for consumer groups to be co-opted.

Antitrust Enforcement Benefits Economy

Antitrust laws "were the first and, in some ways, are the greatest of consumer protection statutes," said Assistant Attorney General Anne Bingaman in a keynote address on "Antitrust as a Consumer Protection Mission."

Bingaman, who heads the Antitrust Division of the U.S. Department of Justice, said that, because "this country, in varying degrees but by in large, has mustered the political will to enforce our antitrust laws . . . we have the most open, competitive, and free economy in the world today."

"Antitrust enforcement has been a bipartisan tradition for more than 100 years," she said, citing the AT&T break-up as an example of a bipartisan antitrust success.

The AT&T break-up began with an investigation in the Johnson administration in 1965, which was followed by the case's being filed in 1974 in the Ford administration, litigated through Republican and Democratic administrations, and finally settled in 1982 with a consent decree, she noted.

The result is that long-distance prices are 60 percent below what they were in 1985, usage has shot up, and fiber optic cable has been laid coast-to-coast, she said.

Those changes, in turn, have caused information services to flourish in the United States when they haven't elsewhere. That result "couldn't have been predicted in 1982," she said.

Since Congress passed and the president signed the new telecommunications law, "we're now in the next stage, trying to open up local competition," she said.

Calling it a "very complicated problem," Bingaman said "it is in the best interests of the country for the Justice Department to have a very substantial role" in that process. She said the new law's provisions defining the Justice Department's role are "workable."

Grassroots Impact of Telecom Bill Debated

Whether the telecommunications bill actually promotes competition and bene-

fits consumers will depend on how it is implemented, agreed members of a panel on "Grassroots Impact of Telecommunications Legislation."

Contrary to popular belief, the primary purpose of the telecommunications act was not "to open up all segments of the telecommunications industry to competition" but to "preserve and enhance the goal of universal telecommunications service for all Americans," said Irwin A. Popowsky, Consumer Advocate for the Commonwealth of Pennsylvania.

"Increased competition is not an end in itself, but just one of the means Congress used to preserve and enhance universal service at just, reasonable, and affordable rates," he added.

"My hope is that the winners of the high flying competition battles will be those companies that provide the best service at the lowest prices to the most people," he said. But he added, "That's a hope, not a certainty."

In requiring that universal basic service bear no more than its fair share of common costs, "Congress did recognize that market forces alone might jeopardize the advances we've already made," Popowsky said.

"It would be a travesty if the Telecommunications Act of 1995 was used to drive another wedge between rich and poor in our society and between urban and rural communities," he said.

Thomas J. Tauke, Executive Vice President for Government Affairs at NYNEX, predicted that competition in the telecommunications market would arrive very quickly and would bring substantial benefits to consumers.

"By the end of the year . . . this is going to be a whole lot different business than it was at the start of this year," he said. "I think that competition in the local exchange market will develop and be healthy," driving prices down and quality up, he added.

Local telephone companies will have to compete for customers, which will force a more customer-driven approach to service, Tauke predicted. Instead of having phone companies say "this is what we offer, and this is the price" . . . customers can say, "this is what we want, and this is how we want it," he said.

Universal Service Key To Consumer Benefits

The key to whether customers receive the potential benefits of competition will depend on "what the FCC and the joint federal-state board does on universal service. If they mess it up, consumers will pay. If they do it right, consumers will benefit," Tauke said.

C. K. Casteel, Jr., Regional Executive-Public Policy for MCI Telecommunications Corporation, agreed that universal services "is the litmus test," but he added that "what Congress said was that the best way to ensure universal service is full and open competition in the marketplace."

State regulators have a central role in bringing that about by ensuring that agreements between local telephone companies and competitors seeking access to the network are open to the public, Casteel said.

The Bell companies want to keep the process closed, because, that way, they are "the only ones who know everything about all of the negotiations," he added.



Strong enforcement of antitrust laws is essential to a healthy economy, said Assistant Attorney General Anne K. Bingaman.

"The risk to consumers from allowing privately negotiated side deals that become public policy is enormous," he said. "Secrecy has no place here. This is about public policy, not private policy."

Casteel said he is skeptical that the local telephone companies will cooperate in that process of opening the local network to competition. "We've been battling these guys for 30 years. They aren't going to surrender. They aren't even going to cooperate," he said.

Casteel's skepticism was echoed by CFA Telecommunications Policy Director Bradley Stillman, who said that consumers need to be concerned about how the legislation, and the local competition provisions in particular, are implemented. If the law is not implemented properly, "we will fail on our issues" of price and service, he said.

"The legislation passed because deals were cut. The hard issues weren't really dealt with. The FCC has all the real work ahead of it," Stillman said.

While the goals of the bill to promote competition are admirable, "goals are not the same as promises. There is a fundamental difference between theoretical competition and real competition. This bill does not guarantee real competition first, before deregulation," he said.

Complicating implementation is the fact that the various industry players are unlikely to cooperate, he said. "They are going to act like monopolists. They are going to try to hold onto any benefit they have in their respective markets."

Does Media Concentration Harm Consumers?

Members of a panel on "Media Concentration and Consumer Journalism" debated the effects that the telecommunications bill's provisions on broadcast ownership would have on consumers.

"The legislation will make it easier for concentration to grow," but it was not as bad as it could have been, said CFA Research Director Mark Cooper. In deciding how far to relax ownership limits, the FCC should go only as far as the minimum the new law allows, he added.

The danger, he said, is that "the industry structure is already highly concentrated. It is at best a tight oligopoly."

Furthermore, the industry has demonstrated its willingness "to refuse to show advertisements or programs" that are controversial or with which owners disagree, he said. This, in turn, has led to a "reduction in diversity in programming and points of view."

That problem will only worsen with increased concentration, Cooper warned.

David Bartlett, President of the Radio-Television News Directors Association, challenged that view, saying that there is more diversity among information sources today than ever before.

"It is important to distinguish between media concentration at the ownership level and media concentration at the level of separate voices," he said. Because of the rise of cable and other electronic media, "the markets have never been more fragmented, more competitive, despite corporate concentration."

"There is a fundamental difference between fragmentation and diversity," Cooper countered. "If you have more people doing the same thing, you have not increased diversity."

Benjamin Wittes, a reporter for *Legal Times*, cited a number of examples in which major media outlets have refused to run stories about the tobacco industry, apparently because of the threat of lawsuits.

"The unifying theme and the larger pattern that I've been able to discern . . . is that organizations that attempt to do journalism that do not have journalists leading them fail when the pressure comes," he said.

Consumer Assembly

(Continued from Page 1)

very often the ones most ready and most willing to make those contributions," added Lamson.

Confirming that contention, Ken Gordon, a member of the Colorado House of Representatives, described closed meetings in which legislators openly acknowledged their unwillingness to vote against the interests of a big contributor, despite their public statements that campaign contributions have no effect on their votes.

Advocates Must Organize To Reform Campaigns

The panelists all agreed that consumer advocates should make this issue central to their efforts.

"I think we all need to be ready and in fact eager to get into that fight, because

it undermines all of our issues," Hunter said. "We're all losing on the issues we're working on because of the money in politics," Raftery agreed.

"People are ready for this fight. They need to have a little more concrete evidence. What they need is ammunition," Lamson said.

"Everyone here has to go out and get in this fight," Rep. Gordon added. "If you think that you care about consumer issues, it doesn't matter; you have to get into this fight. If you think that you care about environmental issues, it doesn't matter; you have to get in to this fight."

"It's a simple question," he said. "Who do you want your elected officials to work for? Do you want them to work for you, or do you want them to work for . . . special interests?"



CONSUMER FEDERATION OF AMERICA
1424 16th Street, N.W., Washington, D.C. 20036
(202) 387-6121

President: Kenneth McEldowney
Chairman: Sen. Howard M. Metzenbaum
Executive Director: Stephen Brobeck
Associate Director: Ann Lower
General Counsel: Mary Ellen Fise
Research Director: Mark Cooper
Public Affairs Director: Jack Gillis
Health and Safety Coordinator: Diana Neidle
Telecommunications Director: Bradley Stillman
Senior Projects Director: Mary Ponder
Conference Manager: Adele Ellis
Director of Development: Jodi Shulimson
Administrator: Miguel Carpio
Executive Assistant: Lydia Grogan
Administrative Assistant: Matthew Gordon
Assistant to the Chairman: Diane Blake
Office Assistant: Milena Carpio

CFA's Insurance Group
Director of Insurance: J. Robert Hunter
Life Insurance Actuary: James H. Hunt
Insurance Counsel: Kathleen O'Reilly

CFAnews Editor: Barbara Roper
CFAnews is published eight times a year. Annual subscription rate is \$25 per year.

© Copyright 1996 by Consumer Federation of America. CFA should be credited for all material. All Rights Reserved.

Design & Typeset by: Dahlman/Middour Design

Consumer Leaders Define Priorities For Future

Three leaders of the consumer movement — Consumers Union President Rhoda Karpatkin, CFA Chairman Howard Metzenbaum, and CFA Executive Director Stephen Brobeck — all laid out priorities for the future in talks at Consumer Assembly.

Speaking in a keynote address, Karpatkin said American consumers should be "discontent," when: "so many consumers are struggling to keep up financially or are confined to poverty;" "our products are produced under abusive labor conditions;" and our "style of consumption causes environmental damage."

"About one-fourth of our work force now earn below the poverty line, and the safety net is shrinking," Karpatkin noted. "The people who have responsibility and accountability for making decisions in our country aren't paying attention." Instead, they occupy themselves with "debates about how to render less public assistance to those who need it," she said.

To combat this trend, "consumer organizations should be calling for programs to help those who can't find jobs and those who can't make it on their own," she said.

Karpatkin also decried the existence of sweatshop conditions all over the world, including in the United States. "Sweatshops continue to exist in America because of corporate greed and because the Department of Labor has too few employees" to monitor working conditions, she said.

The environmental damage from global warming and the greenhouse effect "comes from the way we consume the everyday

products of our lives," Karpatkin added.

"The consumer movement needs a philosophy of consumption that goes beyond the concerns of safety, quality and choice" and includes "concern about the sustainability of consumption" and provides for an equitable distribution of the world's resources among the peoples of the world, she said.

"We need consumer organizations that are more than organizations about goods and services" that also serve as "the conscience of the economy and the conscience of our society."

Consumer Movement Must Become More Politically Savvy

In a talk to a meeting of the Society of Consumer Affairs Professionals held in association with Consumer Assembly, former senator Metzenbaum emphasized the need for the consumer movement to become more politically savvy.

"Somehow we haven't been able to convey to the American people the need for a more effective consumer impact at the voting booth," he said.

While in some instances consumer advocates have been successful in winning improvements in legislation, overall "consumers have had the stuffing kicked out of them in this last session, and there's been no public uprising," he said.

"On the Hill, regrettably, what they hear too often are the political PACs. They have a much louder voice than the consumers



Consumers Union President Rhoda H. Karpatkin said the consumer movement must be concerned about poverty, poor working conditions, and the environmental impact of consumption.

back home," he added. "The consumer movement and consumer advocates have not indicated their political strength."

Movement Must Respond To Changing World

Giving the introduction to the conference, Brobeck outlined four key trends which are setting the agenda for the consumer movement, including: the continuing information revolution; accelerated industry restructuring; the acceleration of inequality in our society; and growing citizen dissatisfaction with government. All of these trends hold enormous potential conse-

quences for consumers, Brobeck noted.

For example, the information revolution "offers many benefits to consumers, not the least of which is improved access to independent information about products," but it also poses "new threats to consumer privacy and threats from new deceptive sales practices," he said.

Similarly, "more competitive and efficient industries have the potential to serve consumers more effectively," but only if large institutional customers don't get a disproportionate share of any efficiency gains, he said.

Also, there is no guarantee that deregulated companies will become more competitive, he added. "There is the risk of the emergence of un- or lightly regulated monopolies and oligopolies in these areas."

Another problem is that, in this age of increasing economic inequality, those consumers who have suffered income losses are, to a great extent, also those who are least sophisticated in dealing with dynamic, competitive markets.

And finally, growing voter dissatisfaction with government has indirectly threatened the integrity of federal consumer agencies and protections, Brobeck said.

"At the local, state, and federal levels, we must improve problem resolution, strengthen coop alternatives, provide more timely and useful information to buyers, mobilize citizens at the grassroots more effectively, establish stronger state and federal consumer protections — and defend those already in place — and work to restore citizen confidence in government," he said.

Future Holds Promise, Risks For Consumers

Panelists discussing "The Consumer Marketplace in the Year 2010" described a brave new world in which consumer purchases will routinely be made over a computer network, creating new opportunities and posing new risks to consumers.

By 2010, access to the Internet will be "almost universal," technology for secure transactions will have been developed, most products will be sold on the Internet, and the experience of using the World Wide Web will have improved dramatically, predicted Consumers Union Editorial Director Joel Gurin. "The Internet will not necessarily be the dominant mode of commerce, but it will be a strong choice among other consumer choices," Gurin said.

On the positive side, the Internet has the potential to offer substantial benefits of choice, convenience, price, and service, Gurin said. "It's going to be both a very promising and confusing marketplace."

The ability to conduct "virtually instantaneous" transactions without the buyer and seller ever seeing each other will create the need for "new intermediaries" to authenticate information, said Charles M. Firestone, Director of the Aspen Institute's Communications and Society Program. Buyers will want to check that the vendor is legitimate, and sellers also will want to check buyers' credit-worthiness, he said.

While the Internet can provide a free flow of consumer and product information, that information must be accurate to be useful, Firestone said. "There's so much out there, and so much of it is false, junk. What do you rely on?" Information authenticators can "help out on the trust factor," he said.

Gurin, Firestone, and Teresa M. Schwartz, Deputy Director of the Federal Trade Commission's Bureau of Consumer Protection, all agreed that the Internet also poses new fraud risks. The fraud that has typically been conducted over the telephone will likely gravitate to the Internet, which has both low start-up costs and a huge potential market, Schwartz said.

The ease of avoiding detection on the Internet poses "very difficult problems for enforcers," she added. Monitoring television "is a challenge. Monitoring the Internet is an even tougher job, if it can be done at all," she said. The global nature of the market, which raises questions of jurisdiction, also increases the difficulties of enforcement at a time when resources for enforcement are shrinking, Schwartz said. The key will be to find "solutions to the dark side that don't interfere with technology and the benefits it brings," she said.

BULK RATE
U.S. POSTAGE
PAID
WASHINGTON, DC
PERMIT NO. 8772

CFAnews

Consumer Federation of America
1424 16th Street, N.W. • Washington, D.C. 20036 • (202) 387-6121

