

Experience Belies Rosy Economic Picture

There is an enormous gap between the rosy economic outlook presented by policymakers and in the media and the day-to-day experience of most consumers, Consumer Advocate Ralph Nader said in a keynote address at Consumer Assembly '98.

"It really is incredible to hear Alan Greenspan, Bill Clinton, and the *Wall Street Journal* tell us every day how great the economy is when one out of every four of our children grows up in dire poverty – the worst in the western world, by far," he said.

"Many things have to be purchased today that didn't have to be purchased 20 years ago," Nader explained. "That's the reason for the disconnect between the

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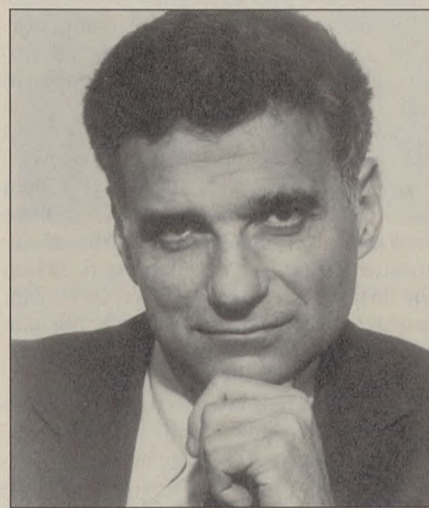
rosy economic picture and the reality of people struggling to make ends meet."

Another problem is that most of the yardsticks used to measure economic performance are defined by the seller side, he said. But "the consumer evaluation of an economy is really the most fundamental," he said. "What the consumer movement tries to do is inject new yardsticks ... for evaluating economic justice."

After some initial successes during the rise of the labor movement and during the 60s and 70s, when new consumer laws were enacted, the consumer movement has been "hurled" on the defensive, beginning in 1979, by a huge corporate lobbying and media counter-attack, Nader said.

"That's where we are today, very much on the defensive, with a few exceptions," he said.

Nader provided a wide-ranging discussion of consumer concerns across dozens of industries – including "usurious" credit card rates, rationed health care, non-enforcement of state insurance laws,



Consumer Advocate Ralph Nader

declining fuel efficiency in automobiles, restrictions on medical malpractice, burgeoning corporate welfare, the commercial exploitation of children, and a "massive corporate attack on the tort sys-

tem and ... the law of contracts."

In dealing with these issues, consumers have few allies to turn to, he noted.

"What you've seen in Congress is almost a counterpoise to what you need in Congress," he said. "In the midst of a corporate crime wave, what are they doing in Congress?" Weakening corporate crime laws, weakening securities fraud remedies, repealing bank protections, and piling procedural burdens on the regulatory process, he said.

"Most of the regulatory agencies have been anesthetized starting with the Reagan administration, and they have not been woken up and re-energized by the Clinton administration," he added.

Furthermore, globalization of the economy "subordinates consumer, environmental, and worker priorities to the imperatives of international trade," he said.

In order to justify consumer and environmental protections, we are forced to

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Chance Exists For Health Care Progress

This Congress has major opportunities to make real progress on key health issues, Sen. Edward M. Kennedy (D-MA) said in a Consumer Assembly keynote address.

With 75 percent of insured Americans covered by some form of managed care, the top priority is passage of the Patients' Bill of Rights "to put a stop to the flagrant abuses of managed care," he said.

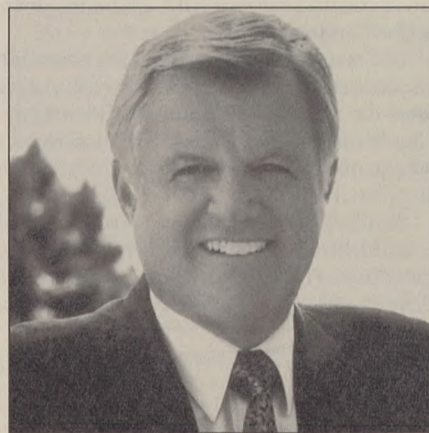
"We face a crisis of confidence in the American health care system," he said. Despite having the best health care professionals and the most advanced technology, "the public is overwhelmingly and justifiably concerned that too often medical decisions are being second-guessed by insurance industry accountants," he said.

Too often, in both managed care and traditional insurance, profits are placed ahead of patient care, he said. "That is wrong, my friends. That cries out for action."

Sen. Kennedy said he would soon be introducing legislation to protect patients' access to needed care, to provide them with better information about their health plans, and to allow them to appeal health plan decisions that they believe violate their rights.

The legislation will address these issues "sensibly and effectively," he said. "It will not eliminate managed care," but will "lay ground rules that are urgently needed."

He noted, however, that the legislation faces stiff opposition from the Republican



Sen. Edward M. Kennedy (D-MA)

leadership, insurers, and big business, and he called on consumer advocates to "demonstrate the power of the grassroots. Tell Congress you will not stand for delay or defeat on this critical issue."

Legislation Needed To Ensure Access

Sen. Kennedy said other health care priorities include "renewing the battle for accessible and affordable health insurance for all Americans. The growing number of uninsured in our society is unacceptable," he said.

One approach being pushed by the president and Democrats in Congress is to allow those who are too young for Medicare, but too old to purchase affordable private coverage, to buy into the

Medicare program.

He said he also plans to introduce a bill that "goes much farther," by requiring that all large companies and corporations provide health insurance to their workers and pay at least three quarters of the cost of that insurance.

"We're not going to give up on universal health insurance. It's too important for people all over this country," he said.

Sen. Kennedy also emphasized the importance of passing tough tobacco legislation to "stop the epidemic of childhood tobacco addiction." That is "the most important step we can take to improve the long-term overall health of our society ... and we must not stop with half-way measures," he said.

Families U.S.A. Executive Director Ron Pollack and Kaiser/Group Health Chairman and President Phil Nudelman also called for improvements in our health care system in a session on "Needed Consumer Protections in a Managed Health Care Environment."

Federal Regulation Advocated

"There's great potential help to consumers with managed care, but I do think we really do need significant regulation," Pollack said. "The American public very much wants such protection and needs that protection to restore the public's confidence in our changing health care system."

At a minimum, he said, regulation is

needed to ensure consumers the right to appeal decisions to deny care in a forum independent of their health plan, to ensure that they do not have to get prior authorization for payment for emergency care, to ensure that women do not have to get a referral in order to see an obstetrician or gynecologist, and to ensure that good information is available to people both to enable them to make informed choices and to educate them about their rights and responsibilities.

Pollack argued that there is not a meaningful alternative to regulation, since most people get their insurance through their employer and thus do not have a direct choice of health care plans.

"Theoretically, if we did have choices about plans, we probably could do something to drive quality, but the reality is, for about half of us, we don't have any choices," he said.

The "patchwork quilt" of regulations that currently governs health care "is totally undecipherable to the American consumer," Pollack added. To provide some coherence to that system, "we need at least a floor set of standards established by federal law," he said.

The reforms proposed in the Patients Bill of Rights make "a great deal of sense, both substantively and from a cost-benefit analysis," he said.

Finally, Pollack argued that consumers need some kind of help navigating the health care system.

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Abusive Financial Practices Target Poor

Neglected by mainstream financial services firms, low income consumers too often fall victim to abusive financial practices, several of which were described by members of a Consumer Assembly panel on "Financial Services Abuses Against the Poor."

As CFA Insurance Director J. Robert Hunter explained it, "The competitive market works in places where it wants to work. Where the predators don't prey, the scavengers come in."

Hunter described abuses in the area of forced place insurance, which is the insurance that lenders buy for borrowers when those borrowers fail to maintain the required insurance on their home and auto loans.

While it is perfectly reasonable for lenders to protect their collateral, forced place insurance "has become a major consumer abuse," he said. "Of course, people in some kind of economic stress are the people who get hurt by these practices."

This is an area that "suffers from reverse competition," he explained. "The lender is really the buyer of the insurance," but, because the cost will be billed through to the borrower, "the lender is not too careful about getting the lowest possible price."

"In fact, because of kickbacks to lenders, the lender often pays the highest possible price," he said.

Kickbacks can take the form of commissions and of "free" services to track whether borrowers have allowed their insurance to lapse. Between them, they can result in nearly half of premiums being returned to the lender, Hunter said.

Because "these costs are behind the scenes," however, lenders are able to bill

the borrower for 100 percent of the premiums as if it paid out 100 percent to the insurance company, he said.

As a result, borrowers can be forced to pay double, or even five times as much, for forced place insurance as they were paying for their original policy, he said.

Payday Loans, Rent-To-Own Charge Usurious Fees

Consumers in desperate financial circumstances can also find themselves taken advantage of when they go to borrow money, particularly if they fall into the hands of a payday loan operation, said Addison Parker, an attorney with the Appalachian Research and Defense Fund of Kentucky.

In a payday loan, the customer writes a post-dated check for the amount of the loan plus a fee, generally one-fifth of the amount being borrowed, he said. When the date on the check arrives, the check can be presented for payment by the loan operation, the customer can pick up the check and pay the face amount, or customers who are unable to pay off the loan can pay the fee and extend the loan.

The annual percentage rate on a two-week payday loan in Kentucky is typically 520 percent, and can go as high as 1,000 percent, Parker said.

Although the industry argues that it markets primarily to middle income consumers who want a quick, no hassle loan, in fact, "anyone going in to borrow at this high rate has to be desperate... living from paycheck to paycheck," he said.

Once they are "hooked," they go back again and again, because they fear crimi-

nal prosecution under the bad check law if they do not continue to make payments, Parker said.

He described one example in which an individual ended up paying more than \$3,000 in deferral fees without ever paying off the original \$350 loan.

Lisa J. Rodriguez, a private attorney with the firm of Trujillo, Rodriguez & Richards, described a similar case in the rent-to-own industry in which a consumer ended up paying \$2,200 on a sofa and love seat that had cost the company just \$230.

By claiming to be renting, rather than selling its goods, the industry has been able to charge interest rates of as much as 250 percent, Rodriguez said.

"It's the same tune, different words," she said. "It is an industry that preys on the economically disadvantaged."

When her firm brought a class action lawsuit challenging such practices, they won on summary judgment. The court not only agreed that such practices violate the New Jersey retail sales laws and the usury statute, it awarded damages of \$120 million against a single firm, she said.

Policy Makers Protect Abusers

In all too many cases, however, policy-makers – whether in Congress, state legislators, or regulatory agencies – support initiatives that protect the industries guilty of the abusive practices, rather than protecting their low income victims, the panelists agreed.

For example, in the area of forced place insurance, the National Association of Insurance Commissioners has proposed a model law that not only doesn't prohibit the worst abuses, it actually eliminates the private right of action, leaving insurance commissioners with exclusive oversight, Hunter said.

In Kentucky, where Legal Services had succeeded in winning a major case ruling that the state law does not authorize payday loans, the state legislature was on the verge of passing legislation that would legalize the practices, Parker said.

Similarly, in New Jersey, legislation that would have legalized the rent-to-own practices ruled fraudulent by the state court was only defeated by the narrowest

of margins, Rodriguez said.

Meanwhile, the Treasury Department was squandering its opportunity, through the EFT '99, to bring millions of these low income households into the financial mainstream, said Bernard B. Fulton III, Legislative Director of the Association of Community Organizations for Reform Now (ACORN).

"A lot of people are pushed into these services unnecessarily," he said, because mainstream financial services firms don't market their services to the poor.

He noted, for example, that there are three times as many bank branches in white neighborhoods as in black neighborhoods and that even banks located in poorer neighborhoods often don't advertise or make loans in those neighborhoods.

By requiring that all federal payments except income tax refunds be paid electronically by 1999, "EFT '99 offers a mechanism for bringing banks back into our neighborhoods," he said. "Unfortunately, the Treasury Department is squandering this opportunity."

For example, Treasury's rules do not prohibit having accounts set up through check cashing outlets, which, unlike banks, do operate in poor neighborhoods. And they do not apply adequate consumer protections to the accounts, he said.

The special accounts created for those who do not have a regular account are likely to be fully electronic accounts, where no interest is earned, and no other funds can be added to the account, he said.

The Treasury justifies its approach by arguing that they will "let market players compete for this business" and that this will lead to better accounts at a cheaper price, he said. But the mainstream financial services firms "have not marketed to these people before."

"The free market is simply not the way to go. You can't rely on it," he said.

Furthermore, there is nothing in the law that limits Treasury to this approach, he said. It could require providers of these accounts to meet whatever conditions it deems appropriate, Fulton said.

The Treasury Department "understands the problems out there. What they need is the political will to get the programs implemented," he said.

Public Health (Continued from Page 4)

both long-standing and new hazards, evaluating actions from a public health perspective, and forging ties with public health groups, he said.

Bob Hahn, Director of Legal Affairs and Research for Public Voice for Food and Health, discussed steps needed to prevent the spread of "mad cow disease" to the United States.

These include: making sure that consumers are not exposed to brain or spinal cord parts in beef products, expanding the ban on protein supplements in cattle feed, and conducting more research into detection and cure of the disease, he said.

Caroline Smith DeWaal, Food Safety Director at the Center for Science in the Public Interest, noted that food poisons are on the rise and that government agencies need new techniques and expanded authority to deal with these threats.

One important step would be enactment of legislation combining all food safety and labeling oversight and enforcement in a single agency, she said.

Regulatory Reform Threatens Public Health Protections

Public health protections in all these areas – the environment, tobacco, food, and others – would be threatened if Congress enacted regulatory reform legislation now under consideration in the Senate, Public Citizen President Joan Claybrook said in a panel on "Regulatory Reform: Is It Needed?"

The legislation, S. 981, is aimed, not at reforming the regulatory process, but at rolling back important consumer protections, she said.

If the bill were enacted, agencies would have to spend all their time assessing risks, rather than acting. Furthermore, any rules they did adopt could be overturned in the courts if a lower cost method of regulation is found, she said.

With all of the burdens it would place on health and safety agencies, "this actually is regulation of government by business," she said.

Carolyn Hartmann, Environmental Program Director for U.S. Public Interest Research Group, agreed with Claybrook that the legislation would impose new burdens on an already overburdened regulatory process.

Even without the provisions of the legislation, it already takes too long to adopt needed regulations, she said.

Hartmann also argued that it is impossible to put a price on certain environmental effects, such as a drop in a child's IQ because of lead exposure. Yet, the legislation would require that sort of cost-benefit analysis, placing more importance on costs to industry than on children's health, she said.

Karen Kerrigan, President of the Small Business Survival Committee, countered that the legislation is needed to provide regulatory accountability.

We now have "regulatory excess" in this country, which imposes high costs, particularly on small businesses, she said. Those high costs of regulation are passed on in the form of higher prices and lower wages, she said.

She argued that the legislation would "shed more sunshine on the entire regulatory process."

Health Care (Continued from Page 1)

"People are really bewildered about the health care system," he said. "They don't understand what their rights are. They don't understand what their responsibilities are. And, if they have choices, they don't know how to make them."

Providing them with some form of independent assistance "is a very important right that must be established," he said.

Nudelman said that, while we have the most sophisticated health care system in the world, we also spend more on health care than any other country as a percentage of gross domestic product and "have some real problems of quality through all facets of health care."

"We have a tremendous gap in what we should be doing quality-wise and what we are doing quality-wise," he said.

Problems with quality take three forms, he said, too much care, or overuse, too little care, or under-use, and the wrong care, or misuse.

At least 20 percent of health care consists of overuse, which exposes patients to unnecessary risks, he said. He cited as an example that statistic that at least 20 to 40

percent of the health care service that we use in this country (e.g., prescriptions, tests, procedures) "have little if any effect on the outcome."

On the other hand, certain treatments that have proven results for patients are under-used, he said. Nudelman cited as an example the fact that only 21 percent of elderly who have had a heart attack are on beta blockers, despite the fact that these drugs are proven to reduce the likelihood of a second heart attack.

Finally, he said, there are approximately 180,000 physician or treatment caused deaths each year, "yet we are doing very little to reduce errors in health care."

One source of problems is that "we have no common goal for health care in our country," Nudelman said. He proposed the following goal, "... to continuously reduce the impact and burden of illness, injury, and disability, and to improve the health of every American."

"Everything we do in health care should be measured against this common goal," he said.

Do Consumers Benefit From Competition?

Consumer advocates ought to be as "protective" as they can be of competition, Assistant Attorney General Joel I. Klein said in a Consumer Assembly keynote address.

"It's a very simple message that we have, and that is that competition is good for consumers," said Klein, who heads the Antitrust Division of the U.S. Department of Justice.

At the most basic level, this is because prices go down when there is competition and go up when there is no competition, he said.

"Our job is to make sure that there is as much competition as there can possibly be in our economy," he said. Klein warned, however, that, "as we deregulate, the need for effective antitrust regulation is not less, it is more ... Left to their own devices, markets won't settle at an equilibrium point of competition."

Antitrust enforcement represents "a modest intervention in the markets" to prevent the abuse of market power, he said. "It's not the heavy hand of government regulation."

Klein outlined three main challenges facing antitrust enforcers at the end of the 20th century.

First, he said, "the economy and competitive models are changing, and we have to be cognizant of that ... The traditional concerns are there, but they have to be modified to deal with the new economy. The biggest challenge is the rapidity with which things move."

Global Economy Presents Enforcement Challenge

Second, he asked, "how do we take a domestic law enforcement system and move it into a global economy?"

Five or six years ago, less than five percent of the department's cases had an international impact. Now, about a third do, and that percentage is growing rapidly, he said.

Just the logistics of gathering evidence and witnesses across national borders poses a tremendous challenge, he said.

There are additional problems when multiple jurisdictions review the same mergers and produce inconsistent results or when certain companies are protected in one market and competing in another, he said.

"American consumers are inter-linked with consumers throughout the world in this global economy," Klein said. "When markets are global, the difficulties in antitrust enforcement in different markets can be considerable."

Finally, he said, "in our increasing commitment to deregulation, we are getting to the harder and harder markets to deregulate," such as local telephone service and electricity. These are "areas that are resistant to change and where there are big dollar players on all sides."

He said he thinks it would be a mistake not to "stay the course" on local telephone competition.

But, on both telephone and electricity deregulation, "we need to have a long-term vision, because it isn't going to come over night," he said. Furthermore, without effective antitrust enforcement, "it's not going to be properly done."

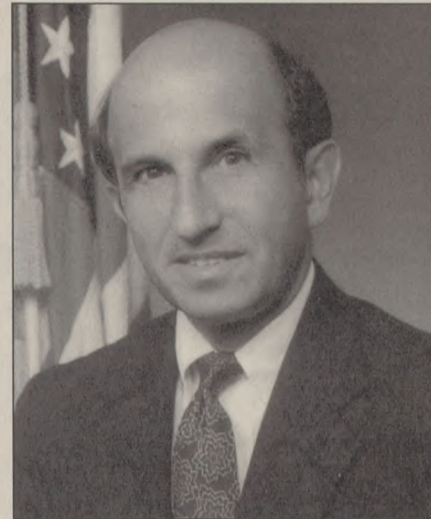
Benefits of Electric Restructuring Debated

Members of a general session panel on electricity restructuring also debated the benefits, and costs, of deregulation.

"Consumers around this country have every reason to be apprehensive with regard to this issue," warned Glenn English, Chief Executive Officer of the National Rural Electric Cooperative Association.

Sixty years of consumer protection laws, which have led to declining electric rates, are about to be wiped out, he said.

"Any time you go through these kinds of changes, there are always winners and losers, and the big corporations have



Assistant Attorney General Joel I. Klein

already figured out who the winners are going to be," he said.

Average consumers, and particularly low income consumers, are the ones who stand to lose the most, English said.

To protect these consumers, it is essential that utilities not be allowed to profit from their past uneconomic investments, and that the poor are ensured of the right to purchase affordable power, he said. Furthermore, he argued, Congress should not pass any legislation that forces states to act before they are ready.

David Owens, Edison Electric Institute Senior Vice President for Finance, Regulation, and Power Supply Policy, was more optimistic about the potential benefits for consumers from restructuring.

Competition will serve as "an intense discipline, so that consumers will be winners," he said.

As a further guarantee that consumers benefit from restructuring, EEI supports provisions on education, consumer protection, privacy, disclosure, and reliability of service, he said.

"The rules should ensure that all consumers have the widest possible choice and that providers compete on a level playing field," he said.

CFA Research Director Mark Cooper shared English's skepticism. Unless restructuring is approached properly, consumers could see rate increases on the order of \$75 billion a year, he said.

In addition to the increased transaction costs that come in a deregulated system, consumers face the threat of price discrimination, he said. In a deregulated market, "the big guys make deals, and, for the people without bargaining power, the price goes up," he said.

Consumers also could be forced to foot the bill for "potentially hundreds of billions of dollars of uneconomic costs that the utilities want to recover," he said.

"There is no restructuring proposal that I have seen that effectively deals with this," he said. "No place have we gotten a fair deal to date."

Consumers could also lose if universal service and consumer protections are undermined in a deregulated market, Cooper said. "We have to have policies that preserve the affordability of what is a basic necessity," he said. "Universal service is the centerpiece of a decent standard of living in our society."

Furthermore, because they have never before shopped for electric service, consumers will need help learning to do so, not only in the form of consumer protection laws, but also in the form of proactive policies, he said.

It is not enough simply to mandate competition without dealing with all these issues, Cooper said.

"The policy maker who says we must change has the full responsibility of dealing with all these issues," he said. "You cannot mandate change in Washington and let states deal with the details. That's not right," he said.



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prove that they are not trade restrictions, and the decisions are made by closed tribunals, he said. "The harmonization of standards is a harmonization downward."

Nader did offer a few hopeful notes. "The Internet is a great opportunity still to be explored," he said. "Think of what it can do for group buying, group complaint handling, and group organization."

"I still entertain the possibility that we might become a consumer cooperative society," he added.

The consumer impacts of the global economy were also discussed in a general session panel on "The Global Marketplace: Pressing Consumer Issues."

Global Economy Creates Race To The Bottom

The global economy has resulted in more choice and lower costs, but it has also resulted in a "race to the bottom" in areas such as working conditions, said Consumers Union President Rhoda H. Karpatkin.

"We see that, in the institutions of the global marketplace, corporations have now cornered the market when it comes

to decision-making power. We cannot allow that to continue," Karpatkin said.

She said we need a consumer voice in international decision-making, global procedures for dealing with issues like working conditions, and international protections to provide for safety, redress, and "absolutely necessary consumer rights."

Accomplishing those goals will be "one of the hardest tasks the consumer movement faces, but we can do it," she said.

The basis of much of the argument in favor of trade liberalization is that "the benefits of choice and competition can be extended and should be extended by agreements to open up trade and investment," said Consumers International Director General Julian Edwards.

The problem is that, for many of the participants in the global economy, the "consumer issue is not about choice at all, it's about access," he said. For those who are just barely getting by, the global economy offers "little if any benefit."

"Free markets simply don't operate in everyone's interests," he added. "The liberalization of trade has not solved that problem."

"Unless we find ways to regulate the

global economy, we won't see worldwide benefits for consumers," Edwards said. At best, the elites will see benefits, while those on the lowest rungs economically will be further disadvantaged, he said.

International Regulatory Mechanisms Needed

Jose Vargas Niello, Director of the Consumers International Regional Office for Latin America and the Caribbean, described the progress that has been made in that region of the world in getting "consumer protection in the official and public agenda in the region."

Ten years ago, only three Latin American countries had consumer protections laws. Today, 17 do, including seven that have incorporated consumer rights in their constitutions, he said.

"That's very remarkable progress," he said. However, many difficulties remain in getting those laws implemented.

The consumer movement needs to work to introduce consumer protections into all trade agreements, to work together to establish market regulation mechanisms, and to develop more international cooperation within the consumer movement, he said.

Public Health Issues Need New Approaches

New approaches are needed to address the environmental protection challenges that now face the nation, Environmental Protection Agency Administrator Carol M. Browner said in a Consumer Assembly keynote address.

Browner noted that considerable progress has been made in environmental protection over the last 25 years. Nearly two-thirds of our waters are safe for swimming and fishing, the most dangerous pesticides have been banned and replaced by safer substitutes, and our air is cleaner and healthier, she said.

"All this environmental progress – and more – at the same time our nation's gross domestic product has grown almost 100 percent," she added. "A healthier environment has not come at the cost of economic growth."

However, she warned, the environmental protection tasks that remain are "considerably more difficult than what has already been done ... I'm talking about water pollution that comes, not from the end of a pipe, but from runoff from farms and cities ... air and water pollution that knows no state, or even national boundaries ... outbreaks of dangerous microorganisms in our food and water supplies," she explained.

"We must ask, how do we make progress in a world where just the letter of our laws might not be enough to finish the job of cleaning up the air we breathe, the water we drink, the land we all live upon together?" she said.



EPA Administrator Carol M. Browner

Principles For New Protections Outlined

Browner outlined three "guiding principles" on which future environmental protections must rely.

- Partnerships between businesses, citizens, communities, and all levels of government will be needed to "seek common ground in solving the nation's most urgent environmental and public health challenges."

- Economic and environmental progress must go hand in hand. "We can find ways to save jobs, create jobs, and still take bold steps to safeguard communities," she said.

- We must give consumers more and better information, so they can "work together more effectively and make better, more informed decisions about their

health and safety."

These are the principles behind all of the administration's initiatives to improve the environment, including new standards for soot and smog, the public-private partnership to make cars cleaner, and the recently enacted legislation addressing pesticides in food and drinking water safety, she said.

And, they are the principles that will guide further initiatives to address other environmental hazards, she said.

"Working together, we can protect our health, our communities, and our economy – and pass along a safe, healthy world to our children and all the generations to come," Browner concluded.

Public health issues were also central to the discussion of panels on the tobacco debate, food safety hazards, and regulatory reform proposals.

Merits of Tobacco Settlement Debated

On tobacco, panelists debated whether advocates should support or oppose the pending tobacco settlement and legislation.

Michele Bloch, Chair of the Tobacco Control and Prevention Subcommittee of the American Women's Association, argued that any legislation containing a limitation on liability for tobacco companies should be rejected.

"What's good for tobacco is bad for public health," she said. And a settlement that limits liability would be good for tobacco,

because it would provide the industry with predictability and stability, she said.

Charyn Sutton, President of The Onyx Group, made the case that fight between right and wrong on this issue is not so clear.

Juries are not siding with tobacco plaintiffs, and they will not, because they hold consumers accountable for smoking willingly, she said.

Meanwhile, there are lives in the balance that could benefit from cessation programs and medical coverage, she said. Rather than waiting for some unlikely court victory, we should put public health money to work now to save lives, she said.

Food Safety Threats, Protections Discussed

Food safety panelists discussed what they see as the most pressing threats to food safety and the steps that are being and should be taken to address them.

Thomas J. Billy, Administrator of the U.S. Department of Agriculture's Food Safety and Inspection Service, discussed progress that is being made in implementing the Hazard Analysis Critical Control Point program, highlighted the administration's Food Safety Initiative, stressed the importance of consumer education, and noted recent Food and Drug Administration approval of a spray that, when used on chicks, helps prevent the development of salmonella in the intestines of adult poultry.

The FSIS is committed to dealing with

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Internet Offers Benefits, Poses Risks To Consumers

The Internet offers tremendous benefits to consumers in the form of greater access to information, products, and services, but it also poses threats in the form of fraud, loss of privacy, and insecure transactions, agreed members of a panel on "The Internet: Boon or Bane to Consumers."

"The Internet gives you access to information on products and services on your terms, not when a company wants to sell to you," said Marc Rotenberg, Director of the Electronic Privacy Information Center. "That's a tremendous service to consumers."

Robert Ellis, Director of Operations for the Center for the Study of Services/Consumer Checkbook, agreed that the ability to "shop hundreds or thousands of stores without ever getting in a car is probably the most powerful competition inducing system the consumer has ever had." Furthermore, these on-line "showrooms" can offer a limitless range of products, he said.

The main concerns inhibiting consumers from taking advantage of these benefits are concerns about security of transactions and privacy, the panelists agreed. Also, "there is a widespread amount of fraud being perpetrated on the Internet," which "acts as a damper" on consumer acceptance, said Jodie Bernstein, Director of the Federal Trade Commission's Bureau of Consumer Protection.

Ellis predicted that many of the issues affecting commerce, particularly concerns about the security of on-line transactions, will be solved, because they are under "tremendous commercial pressure to be solved."

Privacy concerns are somewhat tougher, the panelists agreed. The administration "has generally favored giving self-regulation an opportunity to work," Bernstein said. "The jury is still out on that. I don't think anyone is at a point of saying that self-regulation either is working or can work."

Rotenberg was more caustic in his assessment of self-regulatory efforts. "It's the consumer that's being left with the burden of protecting his or her own data, because the government has failed to act. We end up with a definition of privacy that favors the people who collect and sell the data," he said. "We really have to change this."

Ultimately, all three panelists agreed that consumers need to be more informed in how they use the Internet and need to take standard precautions to avoid fraud. "It is a tremendous opportunity ... and it is a tremendous risk that we need to understand," Rotenberg said.

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