

# Supermarkets Renew Attack On Item Pricing

The reappearance of supermarket "experiments" in removing prices from individual packages is bringing back bad memories for consumers—memories of a battle they thought they'd won.

Giant Food, a metropolitan Washington, D.C. food retailer, recently joined a growing number of supermarket chains across the country which are experimenting with the elimination of item pricing. Prices have disappeared from stores in Seattle, Los Angeles, Richmond, St. Louis and southern Florida as well, but consumer leaders here feel there is special significance in the Giant experiment.

"Industry members are watching each other to see how removing the item prices works," said Charlotte Newton, President of the CFA-affiliated Virginia Concerned Consumers Coalition. "But the Giant case is the most important. Everyone in the supermarket field looks to Giant as the innovative leader. What they do has a lot of impact."

### Reviving the Issue

Consumers believed that the issue was resolved in the mid-1970s, following a long battle with the supermarket industry. At that time the industry was bright with the vision of computerized checkout systems which were faster and more accurate than the existing system, and which could save untold dollars by replacing the item prices with readout tapes at the checkout counter listing item names and prices. The industry's attempts to remove item pricing was met with massive resistance, as consumers organized one of their most effective

campaigns of the decade, asserting their right to know.

"We are very disappointed that Giant has chosen to revive an issue that everyone thought was laid to rest several years ago," said CFA Executive Director Stephen J. Brobeck. "Back in 1976 the food industry itself sponsored a study demonstrating a 'measurable reduction in shopper price awareness and consciousness' in stores without item prices. Moreover, in survey after survey consumers have continued to indicate their opposition to price removal."

### Lower Food Prices?

Nevertheless, Giant, which now has computerized scanning machinery in place in all of its 123 stores, has decided to "experiment" again with the idea of price removal. Giant Builds its case on savings which will accrue by dropping the labor-intensive task of pricing each item. (Labor unions have expressed concern that this may translate into job layoffs.) But though the management puts a \$5 million price tag on potential savings, they decline to speculate on how much will be passed onto consumers.

Local consumer leaders are particularly skeptical of vague promises of lowered prices. Giant "refuses to be definite when we ask how much lower food prices are going to be," said Charlotte Newton, after the VCCC Board of Directors met with a Giant official.

Lee Richardson, who is heading a task force on item pricing for another CFA affiliate, the Maryland Concerned Consumers Coalition, agrees. "The promised savings just don't exist" on an across-the-board selection of items, said Richardson after visiting the new prices-off Giant store. In addition, he pointed out that while the new Giant store is supposed to be a test of the savings from item price elimination, the store has many new cost-cutting features including reduced product selection and cutaway box shelf storage. "It will be very difficult to isolate the impact of one change from among the many cost-cutting changes," Richardson said.

### Problems Without Prices

Consumers groups have many reasons for wanting to retain item pricing. According to Ellen Haas, Director of Consumer Affairs for the Community Nutrition Institute and past President of CFA, "prices on individual food items are the most fundamental means of affirming the consumer's right to know. It is essen-

tial that this basic informational right be safeguarded, particularly during highly inflationary times."

Removing item prices forces consumers to shop blind. Without prices consumers have little defense against price changes between the aisle and the checkout counter. There is no practical way to determine whether the price that is recorded on the cash register is the

correct price, and the consumer has less chance to correct errors. In addition, consumers find it very hard to make needed price comparisons. Checking the price of corn (fresh, frozen or canned) requires either superb memory or aisle-to-aisle trips comparing prices. The substitution of poorly designed or hard-to-read shelf labels for individual item prices also

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## CFA Targets Second Set Of Congressional Races

The Consumer Federation of America announced its second round of candidate endorsements on October 12. Two incumbents and an open-seat candidate were endorsed in Senate races, and 40 incumbent Congressmen, six challengers and two candidates for open seats were endorsed in House races, bringing the total number of candidates endorsed by CFA this year to 82. The CFA Political Action Committee also voted to oppose two challengers for Senate seats.

CFA's involvement on behalf of the endorsed candidates will focus on informing voters of the candidates' consumer platforms and their voting records. (CFA will publish its annual Congressional Voting Record later this month.) The endorsements are based on candidates' responses to a CFA questionnaire, their voting record if they are incumbents, a candidate evaluation by local CFA-affiliated groups, and the record of their opponent.

Candidates endorsed in October by CFA include:

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#### Senate

Connecticut: Rep. Chris Dodd  
Maryland: Sen. Charles McC. Mathias  
Wisconsin: Sen. Gaylord Nelson

#### House of Representatives

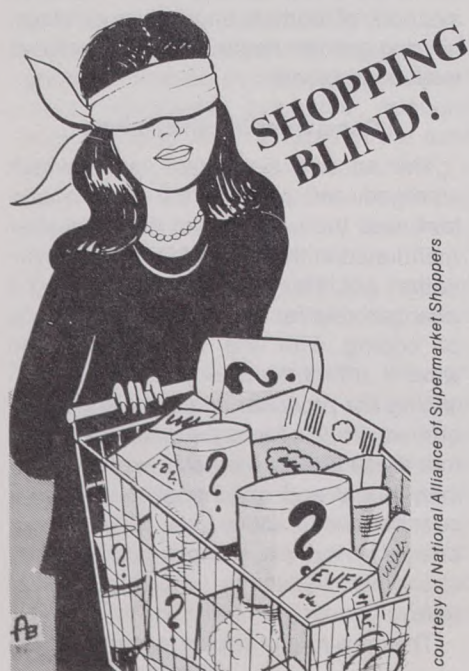
California: Rep. Robert Matsui (3)  
Rep. John Burton (5)  
Rep. Phillip Burton (6)  
Rep. George Miller (7)  
Rep. Ronald Dellums (8)  
Rep. Don Edwards (10)  
Rep. Henry Waxman (24)  
Rep. Edward Roybal (25)  
Connecticut: Rep. William Ratchford (5)  
Rep. Toby Moffett (6)  
Illinois: Rep. Sidney Yates (9)  
Robert Weinberger (10)  
David Robinson (20)  
Indiana: Rep. John Brademas (3)  
Maryland: Roy Dyson (1)  
Rep. Barbara Mikulski (3)  
Rep. Gladys N. Spellman (5)  
Rep. Parren J. Mitchell (7)  
Massachusetts: Barney Frank (4)  
Rep. Gerry Studds (12)  
Michigan: Rep. John Conyers, Jr. (1)  
Dale Sprick (5)  
Rep. David Bonier (12)

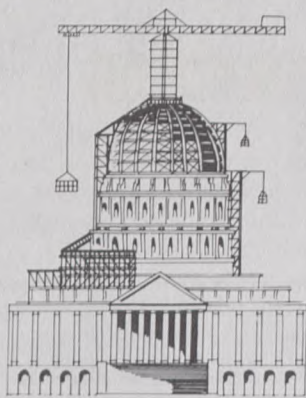
Dennis Hertel (14)  
Rep. William Ford (15)  
Minnesota: Rep. Martin Sabo (8)  
Rep. James Oberstar (8)  
Missouri: Rep. William Clay (1)  
New Jersey: Rep. James Florio (1)  
Rep. Joseph Minish (11)  
New York: Rep. Thomas Downey (2)  
Rep. Lester Wolff (6)  
Rep. Benjamin Rosenthal (8)  
Rep. James Scheuer (11)  
Rep. Shirley Chisholm (12)  
Rep. Theodore Weiss (20)  
Rep. Richard Ottinger (24)  
Rodger Hurley (29)  
Ohio: Rep. John Seiberling (14)  
Rep. Louis Stokes (21)  
Pennsylvania: Thomas Magrann (4)  
Rep. Raphael Musto (11)  
Rep. Doug Walgren (18)  
Rhode Island: Rep. Fernand St Germain  
Tennessee: Rep. Albert Gore, Jr. (4)  
Texas: Rep. Mickey Leland (18)  
Washington: Rep. Mike Lowry (7)  
Wisconsin: Rep. Alvin Baldus (3)

### Candidates opposed by CFA include:

#### Senate

Idaho: Rep. Steven Symms  
Indiana: Rep. Dan Quayle





### Washington Perspective

Behind the day to day politics of the 1980 Presidential election lies one central truth: No matter who wins, consumers face an uphill political battle against a Congress fragmented by special interests and an emboldened group of business lobbyists. A President sensitive to the goals of consumers will, of course, be necessary in this battle—but it will not be sufficient.

Beyond a doubt, the late 1970s taught us that without grassroots organization and a unified strategy of lobbying, public relations, litigation, and agency participation, even a supportive President lacks the wherewithal to realize our consumers agenda. But we must not allow this lesson to obscure the demonstrable differences among the three major presidential contestants.

#### The Carter Years

In 1976, Candidate Jimmy Carter told consumer leaders that, through his own consumer advocacy, he hoped to put them out of business. As President, Carter has demonstrated a substantial sensitivity to consumer issues, appointing consumer advocates to high-level positions and supporting stronger consumer legislation in a variety of areas. Nevertheless, his record does not threaten to consign consumer groups to the endangered species list.

## Washington Perspective: The Presidential Race

by David Greenberg, Director of Public Participation

In fairness, President Carter has been forced to swim upstream in a river of special interest groups. In the face of fierce business lobbying, he was unable to make good on his proposal to establish an agency for consumer protection. The President did, however, sign into law the Consumer Cooperative Bank, increase funding for citizen participation before federal agencies, and order Executive Departments to designate an internal consumer spokesperson. Similarly, though he could not prevent Congress' assault on the Federal Trade Commission, Carter intervened effectively to save the agency from being crippled.

The President's initiatives on energy and the economy have been less helpful to consumers. Although the Windfall

Profits Tax will redirect a portion of increased prices to important energy projects, the decontrol of oil and natural gas will cost consumers billions of dollars. And the Administration's inability to stem the tide of rising interest rates undermines lower and middle income consumers' ability to secure mortgages and purchase homes.

#### The Reagan Record

Governor Reagan's record, public comments and platform echo his 1967 boast: "My Administration makes no bones about being business oriented."

On national consumer issues, Reagan's stance is the polar opposite of President Carter's: the Governor attacks

the FTC, disagrees with the concept of a federal consumer protection agency, and takes exception to all citizen participation funding. On energy policy, Reagan favors total decontrol but opposes a windfall profits tax or any method of cushioning the impact of increased costs to low-income consumers. And at a time when a deft touch is needed to separate productive from wasteful government regulation, Governor Reagan appears to prefer a meat axe: His promise to eliminate "several thousands" of regulations affecting the automobile industry (in reality, thirty or fewer exist) reveals neither sophistication nor sensitivity to consumer and worker health and safety.

Reagan's record as governor, while not as conservative as he sometimes suggests, was distinctly pro-business. His appointments, for example, evidence an industry tilt: Reagan chose a lumberman as resources administrator, a former utility consultant as public service commissioner, and the past president of a real estate trade association as real estate commissioner. At the same time, the Governor attacked Carter's appointment of Carol Tucker Foreman to the USDA because "her whole interest is in the consumers."

#### The Anderson Difference

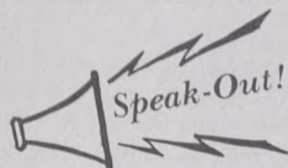
For consumers, John Anderson is an enigma. He touches upon needed themes of sacrifice and energy conservation, speaks to progressive social concerns, and reaches out to the liberal community through his choice of Patrick Lucey as a running mate.

Yet Anderson's record on key consumer issues over the last ten years is, frankly, quite poor. His lifetime CFA rating is only 27%. Time after time he has cast votes contrary to consumers' interests: against the agency for consumer protection and the consumer cooperative bank; against consumer class action



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## Consumer Education Expands Role

by Dustin W. Wilson, Jr., Director, U.S. Office of Consumer Education

When Congress enacted the Consumer Education Act in 1972 and finally appropriated funds in 1976, their intent was two fold: to expand the concept of consumer education and to broaden the types of organizations involved in educating consumers. In regard to an expanded concept of consumer education, the law stated that this program should consider "the role of the consumer in the marketplace." And by making eligible public and private non-profit agencies, the involvement of new and different groups in consumer education was increased dramatically. The results of this Congressional foresight has been startlingly rich and rewarding.

#### Traditional Focus Expanded

Traditionally, consumer education has been focused almost entirely upon the individual, training that person to be a more effective manager of his/her own financial resources. This was accomplished by teaching about planning family budgets, decision making and com-

parison shopping, insurance, banking, credit and other such topics. In recent years it has been expanded to include subjects which were a result of government action such as fair credit reporting, truth in lending, warranties, rights and responsibilities. Proposals and projects from school systems, state education agencies, and other traditional consumer education sources tended to address these subjects and continued to stress the individual's responsibilities of being a wise and frugal consumer. These proposals were sound and often innovative particularly as they involved parents and the communities in their approach.

These traditional areas of study in consumer education were based upon two assumptions. First, that consumer education should be concerned with problems and issues primarily in the goods sector of the economy. And second, that the classical understanding of the economy in which the consumer's "invisible hand" controls the market does indeed prevail.

#### Assumptions Challenged

Both of these assumptions were tacitly challenged by the proposals submitted by the public and private non-profit organizations as being inadequate and incomplete in order for consumer education to meet the problems presented by today's economy and technological marketplace.

Two very clear issues were apparent upon analyzing the 1,500 proposals from public and private non-profit agencies and the 117 funded grants to these organizations in the four years of the program. First, the issues and problems surrounding the use of human and civic services rang out as a major consumer issue, one which traditional consumer education dealt with only minimally, if at all. Health and hospital care, welfare system problems of the poor and elderly, legal services, and even education, were repeatedly highlighted as being critical consumer problems needing the attention of the educator.

It is important to note here, by way of

example, that these proposals were concerned with how an educated consumer could make the health system serve his/her needs more appropriately and effectively, or how to teach people to ask the correct questions related to problems around the system of nursing homes for the elderly. The projects were addressing the issue of how to improve the delivery systems of human and social services, not just specific health needs or personal welfare problems.

#### Consumer/Citizenship Role

The second significant issue which emerged, and perhaps the most important, was the new role for the consumer mentioned in the original Consumer Education Act. This new topic prescribed a changed role for the consumer from one of coping with the marketplace and what it offers, to one of actually influencing the producer and what should be offered. This new consumer/citizenship role arose due to the need expressed by many local and state applicants that a passive and reactive role *alone* is not adequate for the complex and rapidly changing economic marketplace of today.

This new role is supported by research

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# Lien-Sale Fraud Spreads

Since the recent release of its study on home improvement abuses, the Consumer Federation of America has received information substantiating Executive Director Stephen J. Brobeck's earlier prediction that "during the 1980s, lien-sale frauds will spread like a brushfire to all areas of the country."

The CFA study, which examined lien-sale contract frauds in California, called them "perhaps the worst consumer rip-off of the last 30 years." This practice, which has affected thousands of families, involves the foreclosure and sale of homes in which owners have often built up thousands of dollars of equity. The contracts include a provision establishing a lien on the house when the homeowner signs for a home improvement. If a payment is missed, the holder of the lien may foreclose on the property, then sell it in a private process taking as little as three and one-half months. Throughout the entire process, the homeowner is denied due process.

## Victimized With a Different Twist

Although California recently passed legislation to curb these lien-sale contract frauds, CFA has learned that consumers are still being victimized but with a different twist. Fraudulent operators now require full cash payment for home improvement work. Since the homeowner is rarely in a position to comply with this requirement, he is likely to be escorted to a financial institution where he acquires a direct loan. Although the new California legislation protects the consumer from having a lien placed on his house by the contractor, the homeowner does not have this same protection in a contract with a financial institution. The end result is still the loss of his home if a payment is missed.

In one respect, the consumer is now in a worse position than when the lien-sale contracts were handled by the home improvement contractor. The homeowner under those circumstances had legal jus-

tification to withhold payments if the work was incomplete or defective. Since his contract is now negotiated with a third party, the homeowner has no legal recourse, and because the home improvement contractor has been fully compensated there is no incentive to correct shoddy work.

## New Abuses Growing

The California Attorney General's office has also found that although contractors are required by law to have the homeowner sign a three-day right to rescission (or cancellation of the contract), this right is not explained orally to consumers and often the people preyed upon by the fraudulent home improvement contractors do not know they have a right to cancel the agreement.

Because of their very recent appearance, the extent of these new schemes is hard to document. Sources in the Attorney General's office express concern that these abuses are becoming widespread. Although the office is exploring legislative remedies, they feel a massive consumer education campaign is the best deterrent.

CFA has also found that similar lien-sale frauds are occurring in other regions of the country, sometimes protected by state law. A Dallas legal services office investigated lien-sale contract frauds in Texas following publication of the CFA report and found the practice to be widespread. Their research revealed that a single company operating throughout the state may hold as many as 2,700 such contracts.

## Legal Fraud

A variation of the lien-sale contract fraud exists legally in Maryland, when a homeowner, without his knowledge, might sign a contract with a confessed judgment clause. A confession of judgment is tantamount to a prior confession of guilt. When the clause is signed, the consumer waives his right to due process and confesses that all facts alleged in a case that might be brought against him are true. He even loses the right to choose a lawyer to represent him in the proceeding. Thus, if a homeowner signs a home improvement contract with a confessed judgment clause, the contractor can bring the case before the cir-

cuit court when the homeowner misses a payment, and once the case is on the docket, the court automatically places a lien on his property.

Although Maryland law prohibits confessed judgments in retail installment sales contracts, home improvements contracts fall into a gray area. Minority homeowners in the Baltimore area have been a target of this fraud for many years. Attorneys at the Baltimore Legal Aid office report that their office alone handles 40 to 50 such cases a year. They are working to have legislation presented in the state legislature which would bring home improvement contracts under the existing laws that prohibit confessed judgments in retail installment sales contracts.

## The Right to A Day in Court

Home improvement abuses involving lien-sale contracts and related frauds will become even more widespread in the years ahead, Brobeck warns, "because the rapid increase in home equity poses an irresistible temptation to unscrupulous businessmen willing to foreclose on homes as soon as a home improvement debt is in arrears. In the next several years, tens of thousands of low and lower-middle income homeowners will be victimized by these shysters."

In its study of home improvement abuses, CFA said the only effective solution to this problem is to prohibit any liens from being placed on homes without due process. "Consumers should have the right to their day in court before a lien can be placed on their property," Brobeck said. "Such a requirement would greatly dampen the enthusiasm of lien-sale operators."

## Presidential Race

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suits and enforcement of the antitrust laws by private attorneys general; against tax cuts for low and middle income earners; for decontrol of natural gas and home heating oil; for a bailout of Tris manufacturers; for weakening the "Sunshine Act" requiring consumers to pay back federal public participation funds if their position does not prevail.

Congressman Anderson's platform does little to diminish fears raised by these votes, for it speaks only vaguely to consumer concerns. If the Anderson/Lucey ticket does not confront important consumer issues directly in the next weeks, the only inference consumers can draw from the Congressman's voting record is a negative one.

## The Morning After

As we do today, on Wednesday morning, November 5, we will have our work cut out for us. That unchanging fact does not diminish the marked differences among the candidates for President. Neither should it send us into the voting booth with a sense of fear and loathing. Instead, when we pull the curtain closed it should be with a sober sense of the tasks that lie ahead.

## On the Campaign Trail . . .



## Item Pricing

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makes shopping for senior citizens with poor eyesight particularly difficult.

The potential for error or fraud is also greatly increased because supermarkets can't effectively guarantee accurate shelf marking. And because of the ease of changing prices—just by pushing a few buttons on the computer and altering the shelf labels, hundreds of thousands of prices can be raised—there is little to stop supermarkets from making frequent and substantial across-the-board price increases.

Perhaps most importantly, though, visible pricing increases consumers' price consciousness and awareness which in turn has a dampening effect on inflation. Item pricing is easily used by consumers and provides them with readily available information during the shopping trip, at the checkout counter and when they are home budgeting and meal planning.

Consumer leaders believe the industry is doing more than testing the waters on item pricing. They believe this is the beginning of a national campaign to remove prices from supermarkets. Although Giant claims its newly opened store is just an experiment, the chain is planning to open three more "hybrid" stores in the coming months, long before the outcome of the original experiment can be accurately measured.

Legislation requiring individual prices was adopted in a number of states following the initial item pricing battle five years ago. Many of these laws have fallen prey to subsequent sunset provisions, and only six states now require item pricing. Five states have city or county-wide legislation and an additional six states have legislation pending.

A Washington-based coalition of national and local consumer groups, including CFA, was formed at a recent meeting called by the Community Nutrition Insti-

tute to respond to industry initiatives. Interest was expressed among some coalition members to pursue national legislation in the next Congress as an adjunct to state and local efforts to mandate item pricing through law. As part of its involvement on this crucial issue, CFA will serve as a resource center for state and local member groups working on item pricing.

"It's hard to understand why the industry is flying in the face of consumers," said Lee Richardson echoing the feelings of consumers across the country. "Five years ago we let the industry know how vital item prices are to us, and they haven't shown us any new evidence why we should change our minds now."

*An informational booklet and update on item pricing, entitled Packages Without Prices is available without cost from CFA, 1012 14th St. N.W., Washington, D.C. 20005.*

# Greenberg to Direct New CFA Programs

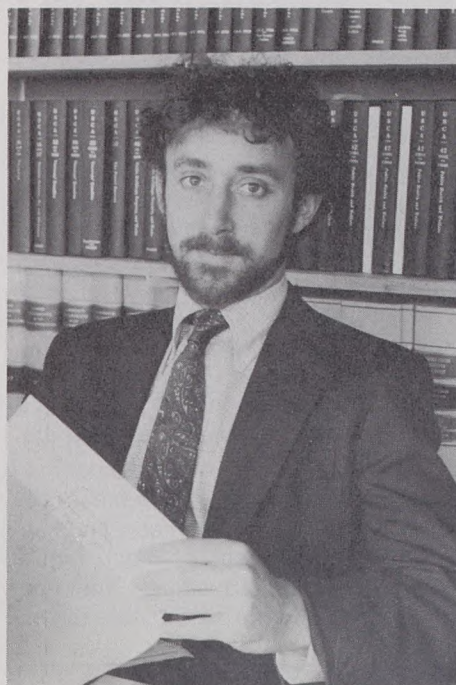
David I. Greenberg has joined the staff of the Consumer Federation of America to direct its new grassroots advocacy and public participation programs, and to help represent the Federation before Congress and the Executive Branch.

A native of St. Louis, Greenberg attended Williams College, where he studied political economy and was elected to Phi Beta Kappa. In 1975, following his junior year, Greenberg worked with Ralph Nader-sponsored organizations for two years. As a staff member at the Center for Study of Responsive Law, he authored two studies of consumer complaint handling that have recently been published in *No Access to Law: Alternatives to the American Judicial System*.

Later, Greenberg was one of two national organizers in a Nader-lead campaign to enact state legislation creating utility action groups funded by a check-off system. As part of this effort, Greenberg lobbied in seven state legislatures and personally supervised the Wisconsin campaign which culminated in the creation of a state Citizen Utility Board (CUB). CUB, the first of its kind, will represent consumers before the state public service commission and will be funded by direct solicitations enclosed in utility bills.

At the national level, Greenberg helped plan and direct Nader's 1977 legislative campaign to influence 80 members of Congress who were undecided on legislation to create a federal consumer protection agency. Greenberg traveled to many of the members' districts to assist local consumer leaders in directing thousands of nickels to the key Congressmen, symbolizing public support for the proposed agency.

In the fall of 1977, Greenberg began work on a combined law and business program at the University of Chicago. Since then he has worked as a summer associate for three law firms and an accounting firm, where he conducted a



study of rural electric and telephone utility cooperatives for this industry. This spring, Greenberg will receive his JD and MBA degrees from Chicago.

At CFA, Greenberg will work in conjunction with Executive Director Stephen J. Brobeck and the incoming Director of Governmental Relations to develop new grassroots advocacy and public participation programs. According to Executive Director Brobeck; "There is no higher CFA priority than the expansion of its grassroots lobbying network. David's

work for the Center for the Study of Responsive Law has equipped him admirably for the direction of this project."

Funds have already been raised to help reimburse the expenses grassroots groups incur in lobbying on national legislative issues. One of Greenberg's major responsibilities will be the development of a plan for effectively disbursing these monies.

In addition, Greenberg will establish a program of CFA intervention in federal agency rule-making proceedings. He will also lobby Congress on a broad range of consumer issues.

state and local governments was produced as a result of this interest. Other projects have identified the need for training for the consumer representatives on state commissions and boards.

The education of the proactive consumer is a new and vital thrust for consumer education. This addition completes a field of study which conceptually locates the education of the consumer realistically in the midst of today's marketplace and economy.

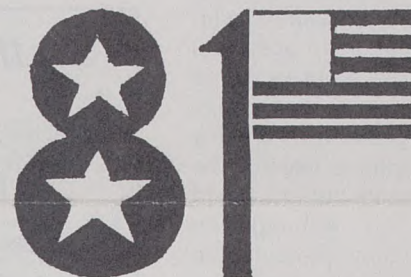
To become an effective force addressing the nation's economic, social, and environmental concerns, over the next several years consumer education must (1) build upon the ongoing effective practices to teach people effective personal financial management, (2) include in the areas of study both the goods and service sectors, and (3) augment the field with training in the practical skills and competencies for an effective consumer citizenship role. These three will provide consumers and consumer organizations with the tools and the knowledge needed for our complex and changing market. Nothing less will be enough.

## Consumer Education

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on the overlap between consumer issues and citizenship participation, and the topics and problems identified by other public and private non-profit agencies. Applications from these groups have requested support for training programs on how to petition state and local governments, health boards, and other regulatory bodies. A manual for petitioning

# Consumer Assembly



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