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Inside This Issue . . .

Building at the Grassroots

by David Greenberg,
Legislative Representative

With the budget battle raging over billion dollar items like food stamps and social security benefits, members of Congress would expect no more than a minor skirmish concerning a small $3.6 million consumer education program. Yet the recent effort to save the Office of Consumers' Education produced more than 1000 pieces of constituent mail, telegrams and phone calls to Congressmen and Senators from all parts of the country.

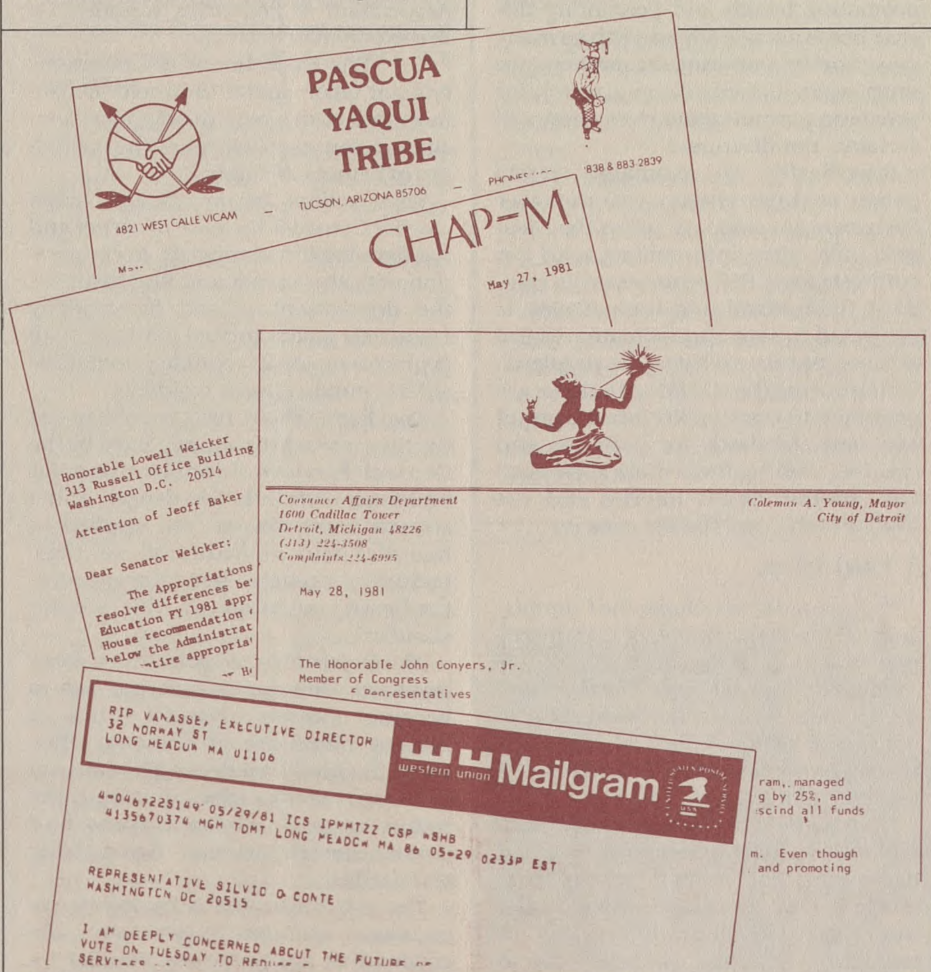
Behind those impressive numbers lies CFA's new grassroots strategy: issue networks. With the goal of creating a national consumer lobby, CFA, led by Director of Governmental Relations Jim Boyle, has embarked on a program of building grassroots networks on a variety of specific issues. Beginning in the areas of consumer education and product safety, the CFA plan contemplates broadening the issue networks to encompass interest rates/monetary policy, and food.

Ultimately, these state by state networks—led by state field coordinators and organized around a central computerized mail bank—will be capable of responding to national, state and local legislation which touches critical consumer concerns.

The Model

The shower of letters and phone calls on consumer education did not reach Congress by magic. Rather, according to Boyle and legislative assistant Ken Barcus, the initial issue network was built in the following practical easily duplicated steps:

- ***Issue Identification.*** CFA lobbying experience over many years suggests that people respond to specific, well defined interests and issues. Unless a legislative area is focused enough to move people to action, the network will never escape the drawing board.
- ***Member Identification.*** The network obviously arises from those individuals and groups with a special interest and commitment to the particular issue. In targeting potential members for the Coalition for Consumer Education, for example, CFA expanded its horizons beyond traditional supporters (college and high school teachers, state/local consumer affairs officials) to seek members in community action groups, legal services offices, and progressive businesses.
- ***Recruitment.*** CFA sought to reach potential network members through mailings to the membership lists of organizations and publications where interest in the issue was likely to be high. The mailing described the importance of the issue and its current legislative posture, and provided a simple response form that potential members were required to fill out, clip, address, stamp and mail in order to join the network.
- ***Action.*** Members receive frequent communication which provides them with essential substantive and political information and recommends appropriate action (e.g., phone calls to Congressional district offices, letters to key committee members, mailgrams to conferees).
- ***Structuring State Networks.*** As individual members participate in the network, those with a high level of commitment and sophistication emerge as state field coordinators. These coordinators become the central link between the network members, help expand its base and begin looking to state and local as well as national consumer issues. Eventually, on a given issue, 50 state networks will be functioning on their own and in concert with the national network.
- ***National Consumer Lobby.*** Ultimately, the individual issue networks will be invited to work together on issues of mutual interest. The combined strength of the networks will then provide the basis for a national grassroots consumer lobby.



Coalition for Consumer Education (CCE)

The initial network, while still in its formative stage, demonstrates the potential of the CFA model. Formed to promote federal, state and local consumer education programs, CCE currently numbers over 1000 members in fifty states and the Virgin Islands.

CCE's first action, as described earlier, came in response to a Senate Subcommittee effort to "zero-out"—eliminate—the $3.6 million federal office of Consumers' Education. Not only did the Coalition mount a massive Congressional contact campaign, it also proved capable of responding flexibly to the rapid-fire changes in the legislative process. When the Senate Subcommittee threatened to rescind the OCE

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Legal Notes

The Texas Supreme Court has upheld a trial court decision which prohibits lenders from including unfair provisions in form contracts.

CFA Director of Governmental Relations Jim Boyle was the lawyer of record in the suit which struck down a provision on the back of a Ford Motor Credit Company form contract waiving a consumer's right to any possessions left in a repossessed car unless the FMCC was notified by the consumer by certified mail in 24 hours.

"This was a one-sided, needlessly harsh provision," said Boyle, "written into a contract that provided little or no bargaining power to the consumer. The Texas court decision is a major victory for consumers across the country. FMCC is the fifth largest lender in the U.S. and it used identical provisions to this one in almost every state. Hopefully now we'll see fairer language in these form contracts."

The ruling also has implications in terms of creditor remedies, Boyle added. "The decision means there has to be some sort of fairness in the remedies exercised by a lender when a creditor believes a consumer to be in default, whether or not he actually is in default." Under the FMCC provision, a consumer would loose his possessions even if his car was repossessed by a mistake that the creditor later admitted.

Budget-cutting Politics:
Consumer Safety Suffers

Reprinted from the *Washington Star*, June 10, 1981.

by Ronald Wainrib, Legislative Assistant

The administration has launched its promised campaign to reduce regulatory burdens on business. The first target is health and safety regulation. The first victim is the Consumer Product Safety Commission (CPSC).

Last month the administration proposed cutting the CPSC budget by 30 per cent. David Stockman, director of the Office of Management and Budget, acknowledged the cut was for "ideological" rather than "economic" purposes. He now proposes to transfer the Commission to the Department of Commerce, a move he concedes is his compromise to abolishing the agency altogether.

Both are political acts, taken at the expense of consumer safety . . . .

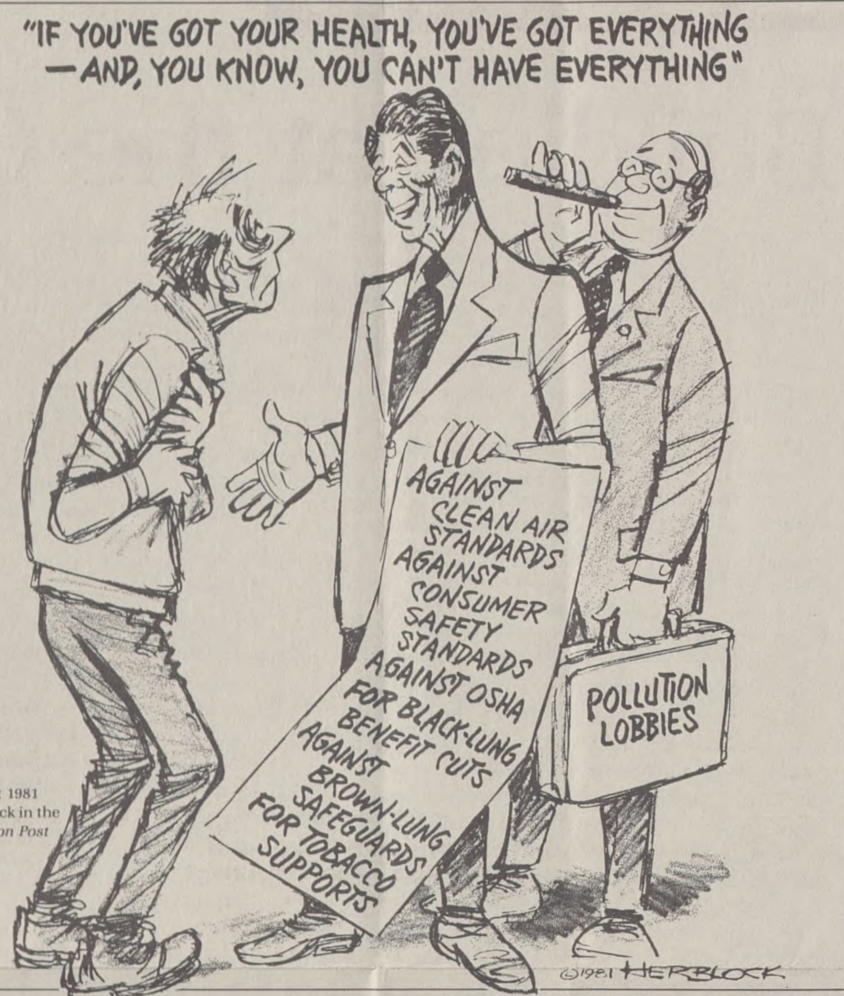
The Commission has a small budget by federal standards, $40 million. Yet, its recalls, product bans, safety standards, and hazard warnings save an estimated 2,135 lives and avoid almost 300,000 injuries every year.

Actions That Pay

The administration charges that the Commission is "no longer cost-beneficial." Its record speaks otherwise. Safety standards on children's cribs have saved an estimated 50 infants' lives each year since they were promulgated in 1973. Another 400 escape injury from faulty crib design annually, all at nominal costs to manufacturers. Similar statistics can be quoted for child-proof packaging on drugs and other toxic-substance containers. And its bans and recalls of products with cancer-causing hazards, including asbestos-blowing hairdryers and Tris-treated pajamas, have avoided thousands of cancer cases.

Mr. Stockman claims that the Commission has "largely accomplished its mission." Yet, the surgeon general of the United States last year ranked accident prevention and injury control among the most important means available for promoting health and preventing disease in the decade ahead. With so many new products entering the marketplace every year, the need for a watchdog agency to promote consumer safety will certainly not disappear.

Specifically, an estimated 77,000 people are injured every year in power lawn mower accidents, when their feet or hands come into contact with the cutting blade. CPSC's mower safety standard, to be effective in June of 1982, is projected to save approximately 60,000 of those injuries each year. Its standards for improving the stability of ladders are projected to avert 45,000 injuries annually, and standards for bathtubs and showers (making them more slip-resistant), another 66,000 injuries and 134 deaths each year. The list goes on . . .



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A Bad Idea

The proposal to transfer the Commission to the Department of Commerce now awaits congressional action. Administration supporters claim there will be no reductions in the protection of consumer safety. A look at the Commerce Department track record paints a less rosy picture.

Commerce's primary experience in administering a product safety program came from 1967 to 1971, when it was charged with standard-setting under the Flammable Fabrics Act of 1967 (as amended). The act's purpose was to protect consumers from the hazards of fabric fires, particularly wearing apparel and household materials. After four years of operation, the department was the subject of considerable criticism. Dr. Allen Campbell of the American Association of Pediatrics summed up the experience this way:

". . . The Department of Commerce has not taken action to protect consumers, but even worse the diabolical position being taken will allow the marketing of flammable fabrics."

What actions prompted such harsh words? Consider the case of carpet and rug flammability standards. In cooperation with the Carpet and Rug Institute, the department passed flammability standards which proved inadequate to protect a most susceptible population: elderly nursing home residents.

Two flammability tests were in use at the time: a weaker test, employed by the General Services Administration for buildings with little fire danger, and a second, more severe test, applied in hospital and institutional settings. Industry pushed hard for across-the-board adoption of the weaker standard . . . .

The Department adopted the weaker standard. One month before it was to become effective, disaster struck. A nursing home fire in Marietta, Ohio, killed 31 elderly residents. The cause of death was smoke inhalation from the nylon carpets. Those carpets had passed the department flammability standards . . . .

The administration is flexing its deregulatory muscles. Unfortunately, decisions that are politically popular today may prove extremely costly to all of us in terms of safety and health impacts in months and years ahead.

CFAnews

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New Piggy Bank For the Wealthy

New legislation approved by the Senate Finance Committee would line the pockets of the rich at the expense of the small saver.

In mid-June, the Committee voted to create a new tax-exempt savings certificate allowing single taxpayers up to $1000 and married taxpayers up to $2000 in tax-free interest. At the same time, it voted to rescind the current $200 tax exemption for interest earned by single taxpayers, and the $400 exemption for married taxpayers.

"On the surface," explained CFA Director of Governmental Relations Jim Boyle, "this measure would seem to merely increase the exemption on interest earned. But in reality it would benefit those wealthy enough to afford savings certificates likely to be offered in minimum denominations of $1000 and penalize small savers who would lose all tax benefits on interest earned on savings accounts."

Boyle also noted that for someone in a 40% tax bracket, a 10% tax-free certificate would be worth a taxable interest rate of 16.7%, while the yield would be much lower for those in lower tax brackets.

In testimony before the Senate Banking Committee earlier this year, Boyle advocated not only more equitable incentives to savers, but also disincentives to speculative borrowing. He urged Congress to explore legislation limiting the interest deduction for homebuyers to the first $10,000 per year and removing the deduction on non-mortgage interest over $1500 a year.

Grassroots, from page 1

budget, network members in Oregon and Wisconsin generated hundreds of phone calls and mailgrams on very short notice. And when the focus shifted to House Conferees, the Coalition demonstrated broad support for OCE in key districts in Kentucky and Massachusetts. These efforts produced tangible results: the Conference Committee restored $1.35 million of the consumer education funds.

Consumer Product Safety Network (CPSN)

With the Coalition for Consumer Education as the prototype, the second stage development of the CFA issue network is underway in the form of CPSN. The first task of this national lobbying effort is a prodigious one—to maintain the independence and vitality of the Consumer Product Safety Commission, currently threatened by efforts to place it in the Commerce Department and slash approximately 1/3 of its budget. Under the guidance of Boyle and legislative assistant Ron Wainrib, the network is seeking membership from toy manufacturers, retailers, insurance companies, and groups like the American Association of Poison Control Centers, as well as from product safety advocates in public interest groups and unions. While the CPSN is still quite new, Boyle and Wainrib have high hopes: based on the 20% response to the first network mailing, they predict 1000 members by the fall.

Commemoration and Revelry

Special Assistant to the President Virginia Knauer, FTC Commissioner Mike Pertschuk, CPSC Commissioners David Pittle and Stuart Statler, National Co-op Bank President Carol Greenwald, National Credit Union Administration Chairman Larry Connell, Cooperative League of the U.S.A. President Morgan Williams, and civil rights leader James Farmer, were among the more than 400 people who honored five award recipients at CFA's 11th Annual Awards Dinner on June 15th.

The award recepients and their presenters were:

- **Philip Hart Public Service Award to Senator Henry Jackson, presented by Alex Radin, Executive Director of the American Public Power Association.**

Radin noted that "Senator Jackson has expressed his commitment to consumers in the way that counts—in votes, in effective committee action, and in doing his homework." Jackson has been a long-time consumer ally on energy and public power issues, and his 87% CFA voting record in the last session of Congress was the third highest in the Senate.

- **Philip Hart Public Service Award to Congressman Toby Moffett, presented by the Honorable Bob Eckhardt.**

Eckhardt praised Congressman Moffett as "one of the leaders who is making a real difference in Congress today. He recalled how Moffett spoke up to the President against oil decontrol in 1979: "Toby Moffett was there when the important issues were decided and he said what ought to be said for consumers."

Moffett, who directed the Connecticut Citizen Action Group before coming to Congress, has a 91% lifetime consumer voting record, one of the highest in Congress.

- **Philip Hart Distinguished Consumer Service Award to Evelyn Dubrow, Vice President of the International Ladies' Garment Workers Union, presented by Esther Peterson.**

"Much of the consumer legislation now on the books is thanks to the good work Evy has given," said Peterson.

As lobbyist for the ILGWU for nearly 25 years, Evy has been one of the most effective advocates for consumers on Capitol Hill. In accepting her award, Evy warned critics of the consumer movement: "There is no way you can destroy this movement or keep it from becoming great. We have to let people in this country know there are champions in Washington ready to serve the consumer."

"If Evy were triplets we might have an independent consumer affairs department now," Esther Peterson said in presenting an award to Evelyn Dubrow for her long dedication to the consumer movement. CFA President Sharon Stark applauds the award. Photo by Bob Gibson, NRECA

- **Outstanding Consumer Media Service Award to Lea Thompson, Consumer Reporter, NBC/WRC TV, presented by Betty Furness, Consumer Reporter, NBC.**

"Lea made history," said Furness, "with her investigation of asbestos-lined hairdryers and her report of the dangerous deficiencies in infant formulas." The first story led to a recall of 12.5 million hazardous hairdryers, and the second to passage of the Infant Formula Act of 1980, signed into law by President Carter.

"It was the first time that I ever heard a President thank a reporter for helping to pass a piece of legislation," said Furness.

- **Special Recognition for Efforts on Behalf of the FTC to Senator Bob Packwood, presented by Rhoda Karpatkin, Executive Director of Consumers' Union.**

The image of the FTC as the 'little old lady of Pennsylvania Avenue' will remain a relic of the past as long as Bob Packwood is in the Senate, Karpatkin told the Awards Dinner audience.

Twice in the past year, Packwood has taken the lead in defending the FTC. His courage in supporting a politically unpopular cause has enabled the FTC to maintain its authority to protect public advertising and to assure a competitive marketplace.

Food Legislation: Sugar and Spice

High Priced Sugar

Consumers can expect to pay $2.2 billion more for food next year if the House, Senate and Administration continue their support of an amendment to the farm bill which dramatically increases sugar price supports.

The proposed 19.6¢ per pound loan rate to sugar farmers, 6.6¢ above the 1979 rate, means that a family of four would pay, on the average, $50 more next year for the same amount of sugar they purchase currently. A large portion of this increase comes not in the direct cost of putting sugar in the sugar bowl, but in the increased costs of processed foods, which contain three-quarters of all sugar and corn sweeteners consumed.

Two years ago, CFA fought and defeated a similar amendment by arguing that an increase in price supports would not only be inflationary, but was also unneeded by the domestic sugar industry. "Since 1977, profits of the sugar industry have increased steadily," noted CFA Food specialist Joanne Weistling.

In addition, Weistling added, "The government would have to borrow one billion dollars at current interest rates to finance the program, partly to cover the costs of defaults on loans. If farmers default next year at last year's rate, taxpayers would have to foot bills of $230 million."

How Much Salt

CFA is also supporting a bill to require the labelling of sodium content in processed foods. The bill, co-sponsored by Rep. Neal Smith (D-IA) and Rep. Albert Gore (D-TN), was introduced in the House shortly before the July 4th recess. Senate support is currently being sought.

High sodium intake has long been known to contribute to hypertension (high blood pressure) and increase the risk of heart attack and stroke. Many processed foods contain high levels of salt, but the amount is not labelled.

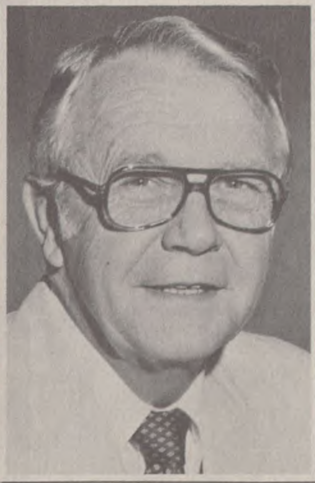
Schweiker and FDA officials have given their support to voluntary labelling, but are strong in opposition to the mandatory labelling bill as is the Agriculture Department. Meat industry representatives, fearing negative consumer reaction if the amount of sodium in processed meats is revealed, have pressured Agriculture Department officials to oppose the legislation.

Friends on the Hill

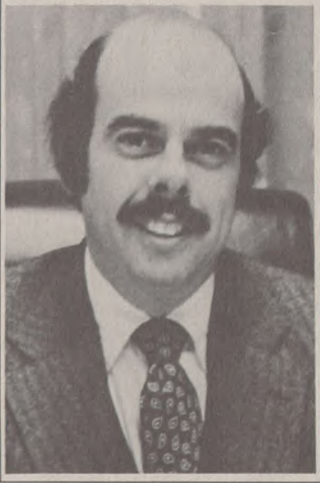
Defending a regulatory agency that the Administration has made #1 on its hit list, or supporting funds for consumer education when the budget-slashing fever is raging on Capitol Hill, can be very risky politically. But three members of Congress, in particular, have refused to take an easy and expedient retreat in the battle over the Consumer Product Safety Commission and the federal Consumers' Education program.

Consumers owe a debt of gratitude to Rep. Henry Waxman (D-CA) and Sen. Wendall Ford (D-KY) for their continuing support of the CPSC and their courage in battling White House pressures to abolish the Commission. The House of Representatives voted in favor of the Waxman bill in late June to reauthorize the agency for three more years and to retain its independent status.

Sen. Arlen Specter (R-PA) led the battle to save consumer education. In an uphill fight, he helped retain funding for the national Office of Consumers' Education for the rest of 1981. The House has voted to include further funding for consumer education in a block grant program. Consumers' Ed would be one of 26 purposes for which states could spend money, so it is imperative that individuals at the state level organize to have a portion of the special project money set aside for this purpose.



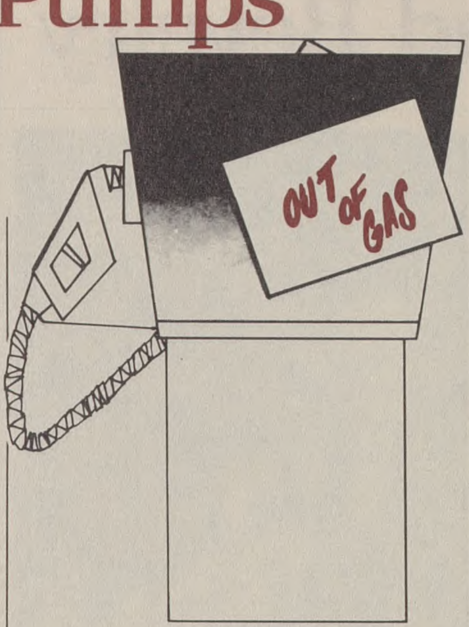
Senator Wendell Ford



Representative Henry Waxman

Senator Arlen Specter

When the Pumps Run Dry



In recent testimony, the Consumer Federation of America strongly recommended to Congress that oil emergency preparedness legislation be enacted when the existing authority expires on September 30 of this year.

Appearing before the Senate Energy and Natural Resources Committee, Ann Lower, CFA Information Director, pointed out that "since international petroleum distribution and pricing patterns are determined more by political factors than economic ones, there is an ever present possibility of a severe supply interruption of the magnitude of a 20% shortfall, or 2.7 million barrels a day (mmb/D)."

But even with less than a 20% shortfall, "the elementary questions of wage earners getting to their workplace and shoppers to supermarkets will arise," Lower warned.

Pitfalls of the Marketplace

There are two alternative sets of responses by government to the hardships imposed on consumers by a shortfall in oil markets. The first is a set of policies which include rationing, price controls and allocation. The second is price rationing by the market, an approach which has the advantage of no advance preparation or costs to government, at least in the shortrun. But before opting for a "without government—without cost" approach to an oil emergency, Lower asked the Committee to look carefully at what price rationing in the market would cost consumers.

"How high would the price of petroleum products go if there were a sudden 20% shortfall in available supplies? In the language of economists, what price would 'clear the market'? In plainer terms," Lower questioned, "what price would it take to price enough people out of the market so that demand no longer exceeded the reduced supply?"

Check the Pricelist

To begin to forecast prices in such circumstances requires the best available estimates of the "elasticity of demand" for given products. This is a measure of the *degree* to which consumers are willing—or, indeed, *able*—to reduce or increase their demand for a product, in response to its price going up or down.

The demand for luxury items is elastic. That is, as the price goes up, consumers cut those items out of their budget first.

"But the demand for gasoline is considered inelastic," Lower informed the Committee. "Consumers and wage earners, as well as industrial users and farmers, are dependent upon a certain amount of gasoline, regardless of price. A certain level of gasoline used to get to work, and to shop, and to produce both farm and industrial products," Lower added, "is a necessity, not a luxury, in any industrial society."

Presenting the Council of Economic Advisor's methodology to the Committee, Lower laid out an alarming array of potential prices and costs. "What this table says," Lower explained, "is that if the quantity of gasoline available falls to 80 billion gallons a year—a 20% shortfall—with an inelasticity of demand of less than 0.1, the price of gasoline would exceed $14 a gallon.

$14 For a Gallon of Gas?

Price Elasticity Projections	Price per Gallon Forecasts	Cost to Consumers (billions)
0.2	$4.58	$366.4
0.15	6.64	531.2
0.14	7.38	590.4
0.13	8.35	668.0
0.12	9.63	770.4
0.11	11.40	912.0
0.10	13.97	1,117.6
0.09	17.90	1,432.0

"In that case," Lower said, "the total consumer cost for the reduced supply would be more than a trillion dollars."

"Is that likely?" Committee Chairman James McClure (R-ID) asked. "Very," Lower testified.

"The Council of Economic Advisors last year cited the inelastic demand for gasoline at .15, which would increase the price of gasoline to $6.64 a gallon. This year, the National Petroleum Council's report indicated that, for an emergency of one year or less, the most common estimates of the inelasticity of demand are below 0.1. That would be our $14 a gallon gasoline," she said.

To assure the fairest and most dependable standby emergency mechanism that would administer the distribution of oil and oil products at affordable prices, CFA is working with the AFL-CIO, farmers, and the Citizens/Labor Energy Coalition to develop a new emergency legislative program.

Keeping the Lights On In Rural America

Rural consumers, often overlooked by Washington, won a hard-fought victory when key Congressional committees voted recently to adopt amendments that will assure them continued access to moderate-priced electricity.

The National Rural Electric Cooperative Association (NRECA) and its 1000 member organizations led the battle against a White House proposal to dismantle programs administered by the Rural Electrification Administration (REA). The REA was created during the Depression to provide low-interest loans and technical assistance to cooperatives working to provide rural Americans with electricity. Many have called these programs the most successful created during the New Deal.

In January, the Reagan Administration proposed to deny rural electrics access to guaranteed loans at preferential interest rates from the Federal Financing Bank (FFB) and to limit their access to an REA loan program by reducing funding and increasing interest rates.

NRECA responded to the White House proposal with a massive educational campaign which targeted thousands of letters and personal visits to members of Congress. The campaign emphasized that, even with Federal assistance, rural electric rates average 12% more than those of other electric utilities, because of the high costs of serving rural consumers. Each mile of rural electric line generates only $2,887 in revenue compared to $36,652 for each mile controlled by investor-owned utilities.

The White House was taken by surprise when the House and Senate Committees, responding to information provided by the NRECA, voted to guarantee rural electrics access to the FFB and to low-interest REA loans. "Opposition by the Office of Management and Budget will continue to threaten rural electric programs," warned Brobeck, "but through the efforts of the NRECA, rural electric consumers have gained considerable support on the Hill."

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