CFAnews

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National Council For Low Interest Rates

Inside This Issue . . .

CFA is working with the Naitonal Council for Low Interest Rates on a nationwide campaign to pass legislation reducing interest rates and restricting credit for non-productive uses .... page 1

The battle lines are being drawn over the 1983 budget ...... page 3

Legislation now before the Senate would fundamentally alter the nation's bankruptcy law ... page 4

A look at what's happening on the regulatory front .... page 2

CFA honors its friends at the Twelfth Annual Awards Dinner .... page 1

TELL WASHINGTON:

Fair Interest Rates Built America

Under the leadership of J. C. Turner, President of the International Union of Operating Engineers, the National Council for Low Interest Rates is gearing up its campaign to bring down high interest rates and expand credit for productive investment.

Unveiling the stepped-up campaign at a May breakfast as the ***Tell Washington***—Fair Interest Rates Built America campaign, Chairman Turner said that the group's effort will be to pass The Low Interest Rate and Economic Recovery Act (H.R. 6124).

The Low Interest Rate Act of 1982

Introduced by House Banking Committee Chairman Fernand St. Germain (D-RI) and endorsed by Senate Democratic Whip Alan Cranston (D-CA), the legislation would force the President to bring down interest rates. "Unless strong corrective action is taken by the Congress, high interest rates and scarce credit will deepen our current recession," Turner told the breakfast group.

Specifically, the Act would extend the Credit Control Act of 1969 and amend it to give the President and the Federal Reserve Board the authority to combat economic recessions generated by excessively high interest rates. Further specific authority would be given to restrict credit for non-productive uses, such as corporate takeovers.

A recent report entitled "The Merger Boom and High Interest Rates" written by CFA Executive Director Stephen Brobeck for the National Council found that the non-productive use of credit represents a central cause of the persistence of high interest rates in a period of declining inflation. Last year alone, the report estimates that commercial and industrial firms borrowed $34 billion for takeovers and tied up at least $70 billion in loan commitments extended by U. S. commercial banks. (See March *CFAnews*.)

The Coalition Players

In gearing up the coalition for a legislative campaign to free-up credit for the productive sectors of the economy, Turner has broadened the Council's steering committee and organized several subcommittees.

Represented on the Council's steering committee are the National Housing Conference, the NAACP, General Contractors of New York, the UAW, the Consumer Federation of America, the Industrial Union Department of the AFL-CIO, the United Brotherhood of Carpenters and Joiners of America, the American Public Power Association, the U. S. Conference of Mayors, the National Rural Electric Cooperative Association and the International Union of Operating Engineers.

Heading up the lobby team on the Hill are Jane O'Grady, Legislative Representative for the AFL-CIO, and Johnny Brown and Jack Flynn, Director and Assistant Director of Legislation for the Operating Engineers, respectively. Ann Lower, CFA's Director of Information, is chairing a ***Tell Washington*** public relations subcommittee to focus press attention on the problem of high interest rates.

Legislative research is being carried out by Henry Schechter, Director, Office of Housing and Monetary Policy, AFL-CIO, and economic research by Stephen Brobeck, Executive Director of CFA. Chris Gersten, Assistant to J. C. Turner, is coalition coordinator, and Brian Turner, Director of Legislation and Economic Policy, IUD, is a key advisor to the subcommittee.

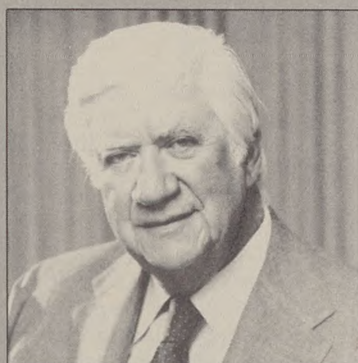
Staggering interest rates and deepening recessions would be bad enough if they were the result of forces beyond our control. But they aren't. If you would like to help in the fair interest rate campaign, write or call: National Council for Low Interest Rates, 1314 14th St. NW, Washington, DC 20005. 202-387-6319.

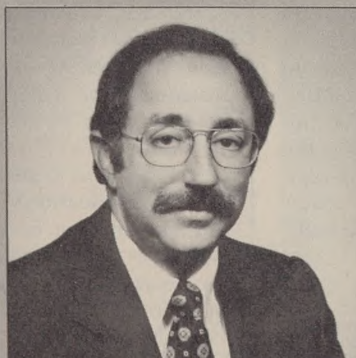
Tell Washington*—Pass the Low Interest Rate Act. Fair interest rates built America.*

Consumer Federation of America's

Twelfth Annual Awards Dinner

CFA will hold its Twelfth Annual Awards Dinner on Tuesday, June 15 at the Capital Hilton Hotel. This year's award recipients include: (clockwise from top) *Philip Hart Public Service Award*—The Honorable Thomas "Tip" O'Neill, Jr., Speaker, U.S. House of Representatives; *Outstanding Consumer Media Service*—The McNeil-Lehrer Report, PBS; *Philip Hart Distinguished Consumer Service Award*—Jim Boyle, Consumer Advocate; and *Philip Hart Public Service Award*—R. David Pittle, Commissioner, Consumer Product Safety Commission. For reservations contact Karen Eppsteiner at CFA.





Now You See It, Now You Don't

INFANT FORMULA: It took two years for the Food and Drug Administration to propose regulations establishing procedures for the recall of infant formula, but it looks like the regulations were hardly worth waiting for.

"From all the departmental records we've looked at, this regulation bears little or no resemblence to the original document," Health Research Group attorney Alan Greenberg told *CFAnews*. "It is filled with holes and does little more than provide light guidance."

In the late 1970s, infant formula deficient in chloride led to medical problems for thousands of children, ranging from cardiac arrest to kidney failure. FDA recalled the formula but with uneven success. Concerned with the less than adequate recall process, Congress passed the Infant Formula Act in 1980, requiring FDA to draft specific regulations governing future recalls.

By the fall of 1980 the FDA staff had prepared proposed regulations, but when the Reagan Administration took office, the agency came under strong industry pressure and held up the regulations for further review.

A nationwide recall of infant formula deficient in vitamin B_6 late this winter, drew national attention to the FDA delay in finalizing recall regulations, and the FDA hastily issued the new weaker regulations.

The Infant Formula Act also called for the development of quality control procedures to prevent deficient formula from reaching the store shelves. Although Congress did not legislatively mandate such quality control measures, they made clear their intent, and the original procedures first published in December, 1980 contained detailed quality control instructions.

Those instructions have also been deleted in the final version of the regulations just published. "What has emerged as the final rule is far less detailed and contains no specific directions for manufacturers," Alan Greenberg said. "It is questionable whether these procedures will be able to prevent further recalls."

ALCOHOL LABELING: A lawsuit filed in March by the Center for Science in the Public Interest (CSPI) charges that the Treasury Department rescinded regulations requiring ingredient labeling of alcoholic beverages because of behind-the-scenes pressure by segments of the alcoholic beverage industry, and not because of an objective cost/benefit analysis as the Treasury Department had officially claimed.

"The Treasury Department secretly agreed to repeal the ingredient labeling requirements several weeks before it solicited comments from the public," said Bruce Silverglade, CSPI Legal Affairs Director. "This incident illustrates how cost/benefit analysis is being used by the Administration as a pretext for rescinding regulation and killing consumer issues."

Health and safety measures fought for by consumer groups for years are falling victim to the Reagan regulatory process.

The importance of ingredient labels was underscored in the 1960s when cobalt sulfate, a beer foam enhancer, killed dozens of consumers in the U.S. and abroad. Doctors who treated patients suffering from a reaction to the additive said some lives could have been saved if they had known that cobalt sulfate was in the beer. Treasury Department studies also show that at least one and a half million Americans are allergic to alcoholic beverage ingredients, and need ingredient information to avoid brands that may be harmful.

"The alcoholic beverage industry spends over a billion dollars a year in advertising," said CFA Executive Director Stephen Brobeck, "but they keep consumers in the dark regarding ingredients. The decision to kill alcoholic beverage labeling makes a mockery of the Reagan Administration mandate to give consumers adequate information."

SODIUM LABELING: In the Washington climate of continuing deregulation, the Food and Drug Administration is proposing to limit its role in the sodium labeling dispute, favoring voluntary standards instead of mandatory standards. At present, labeling food with sodium content information is mandatory only on products marketed as "low sodium" foods.

Commissioner Arthur Hull Hayes estimates that a third to a half of all the processed foods regulated by FDA will have sodium labeling by the year's end.

But the FDA's figures are misleading, according to Tom Smith of the Community Nutrition Institute. The products with the highest salt content will probably go unlabeled, he charges, and those are the products consumers need to be warned about. "Only manufacturers with a favorable product will do the labeling under a voluntary system. With a mandatory standard, a much wider range of products would carry labels."

Americans eat two to two-and-a-half teaspoons of salt per day or about eight and a half pounds a year. Most of this is in processed foods. Consumer groups have been fighting for required labeling of salt content in such products, since sodium can cause serious health problems, especially for persons with hypertension.

by Kim Fulcher

Product Liability Laws Under Assault

Despite the Washington rhetoric calling for the creation of a New Federalism, legislation now before Congress would wipe out 150 years of state jurisdiction over product liability law.

"Manufacturers and insurers are leading this battle," said CFA Legislative Director David Greenberg, "and should they succeed, consumers and workers will suffer, as will the overall level of product safety."

Product liability law sets the basic standards governing lawsuits brought by injured consumers against the manufacturers of dangerous products. That law has traditionally been developed by the courts of each individual state.

Alarmed by recent progressive trends which allow victims of product failure to recover for their injuries, industry representatives are now attempting to preempt state law and substitute a federal product liability code.

Sen. Robert Kasten (R-WI), spokesperson for this effort, has prepared draft legislation which should increase the burdens on injured plaintiffs, while at the same time giving defendants a series of expanded defenses to enable them to fend off otherwise worthy lawsuits, Greenberg said.

Under the Kasten draft, for example, victims suffering from DES-related birth defects would be thrown out of court even though they are able to prove beyond doubt that their injuries were caused by DES taken by their mothers.

"Unless consumers demonstrate an understanding that product liability law is not a technical lawyer's issue, but instead is a matter of simple justice, the combined forces of drug companies, equipment manufacturers and insurance companies are likely to prevail," Greenberg warned.

For more information contact David Greenberg at CFA.

CFAnews

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To the Editor:

I know David Greenberg's views (AT&T Settlement—What Does It Mean?" Jan/ Feb 1982 *CFAnews*) differ from mine in some respects relating to the AT&T/Department of Justice modified Consent Decree. But I must correct a serious misquote in his article. AT&T Chairman Brown did not "predict that this massive divestiture could result in substantial increases in basic local phone rates." It isn't so and he didn't say it.

Rates may well go up just as other prices will, but divestiture has nothing to do with it. Inflation does. And so does the fact that under competition, products and services have to be priced closer to cost. Local service can't receive the same subsidy from long distance revenues it used to or our long distance service would be overpriced and we wouldn't be able to compete. Access charges to all long distance suppliers, AT&T included, will help, but local service no doubt will still have to pay more of its own way.

Competition helps bring down the cost of long distance, yes, but at the same time it puts upward pressure on the price of local service. But that's because of competition, not because of the Consent Decree.

As to another concern, the Bell Operating Companies have got to be viable after the divestiture and they will be. They and AT&T are working out the arrangements together, and the viability of all parts is our responsibility to both customers and our shareowners, who will own shares of all the parts.

Dwight A. Johnson
Consumer Affairs Manager, AT&T

Greenberg Responds:

Dwight Johnson wins a somewhat hollow victory on this one. He's right: Charlie Brown, AT&T Chairman, was not the source for the statement that rates might increase precipitously after the divestiture of local Bell Operating Companies. It was Bell President William Ellinghous who was quoted about the jump in rates.

Ultimately, however, Dwight and I should not be talking about who said what and when. Our disagreement goes much further. His letter reflects AT&T's stance that the massive transformation of our lives as consumers of communications services should be structured by AT&T itself. My view is that the divestiture and the incredible changes that go with it must be subject to public decisionmakers. In the final analysis, Congress must chart our future course in communications, not private companies, not the courts, not the FCC. Whatever the good faith of AT&T toward its shareholders and customers, the questions of competition, quality service and reasonable rates are just too important to be handled as private matters.

Battle of the Budget

by Barbara Warden,
Executive Director, Budget Coalition

The Budget Coalition, formed in 1981 to oppose the Reagan Administration's economic policies, is a broad-based coalition of 200 groups, including CFA.

What is now clear beyond any doubt is that the unpopular Reagan budget proposal sent to Congress in February has virtually no support on Capitol Hill. The 22-member Senate Budget Committee, dominated by conservative Republicans, unanimously rejected the Administration's original budget by a 20-0 vote. Following this action, Committee Chairman, Pete Domenici (R-NM), outlined an alternative budget which was approved quickly on a straight party line vote, 11-9 (with 11 Republicans in favor and 9 Democrats opposed). President Reagan publicly declared his support for the Reagan-Domenici proposal. (See chart below for details of the proposal.)

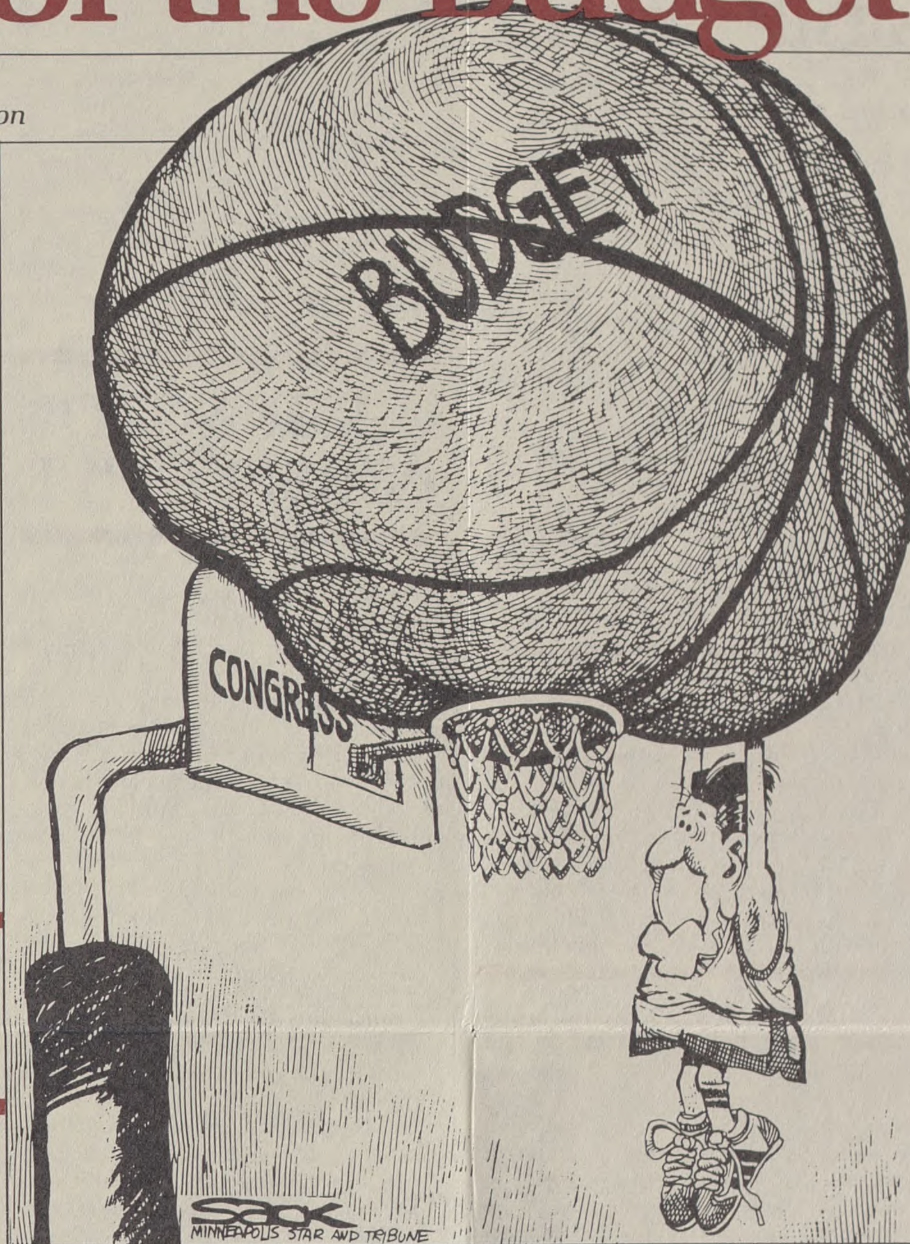
Democrats went on the offensive immediately, attacking proposed Social Security cuts, charging that it is inde-

fensible to make more major cuts in vital social programs while failing to reform the excesses and inequities of the Administration's tax-cut program. Moderate House Republicans also expressed oppostition to the Reagan-endorsed Senate committee package.

House Budget Committee Chairman Jim Jones (D-OK), with qualified support from House Speaker Thomas P. O'Neill (D-MA), then unveiled a Democratic alternative to the modified Domenici plan. (See chart below.) Responding to the deepening recession and the latest Labor Department unemployment figures of 9.4% or 10.3 million Americans unemployed—which for various reasons greatly understates the actual percentage of unemployed and discouraged workers—the Democratic leadership also announced plans for at least a $2 billion stimulus package for jobs and housing.

Although there is the appearance of movement in the direction of resolving this year's budget impasse, there will no doubt be attempts to amend the Senate resolution when it is taken up by the full Senate in mid-May. Moreover, the early Democratic and Republican criticism of the Reagan-Domenici partisan budget can only serve to intensify the congressional fight on an FY 83 budget resolution.

For further information, contact Barbara Warden, Budget Coalition, 815 16th Street, NW, Room 309, Washington, D.C. 20006.



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REAGAN-DOMENICI PROPOSAL	JONES PROPOSAL
• a $106 billion defiict for FY 83;	• a $102.9 billion deficit for FY 83
• a $95 billion increase in unspecified taxes over 3 years;	• a 3-year tax increase of $145 billion
• a deep and undetailed savings of $40 billion in Social Security costs over 3 years (possibly as much as $1,000 loss in benefits for each current Social Security recipient);	• no reductions in Social Security benefits
• A 3-year freeze at FY 82 spending levels of all social and economic programs, including health and education (which could shrink these programs by about 25% by 1985);	• a 3-year freeze in domestic social and economic programs cutting $32.7 billion
• drastic cuts in targeted entitlements including Medicare, Medicaid, food stamps, and guaranteed student loans (for example, proposed food stamp cuts are severe, totaling about $3.3 billion over a 3-year period);	• cuts in basic entitlements, other than Social Security, totaling $14.3 billion over 3 years
• a one-year federal civilian and military pay freeze with a 4% increase in FY 84 and FY 85;	• a 4% increase in federal pay and pensions over the next 3 years
• a $22 billion cut in the *growth* of military spending over three years.	• a $46.2 billion cut in defense build-up
• would require the appropriate committees to adopt legislation to raise taxes and cut benefits (This provision is referred to as reconciliation instructions.)	

PPI Pilot Program Shot Down

by Kim Fulcher,
CFAnews Assistant

Despite protests from scores of consumer groups and individual patients, the Food and Drug Administration has decided to drop its pilot project to test the effectiveness of patient package inserts (PPIs) for prescription drugs products.

In comments filed by CFA's Drug Advisor Anne Averyt, CFA charged that FDA had abandoned its responsibility to protect the health of Americans by revoking the PPI project. "In shelving the PPI program, FDA has discarded the one adequate test of the system's merits," Averyt, said, "and the one opportunity to put aside rhetoric about supposed costs and determine what the costs of such a system would really." "Most importantly," she added, "FDA is ignoring research which shows American consumers need and want additional drug information."

As a substitute for the abandoned PPI program, the FDA has established an internal Committee on Patient Education (COPE). The first objective of the Committee is to develop a comprehensive plan encouraging voluntary patient information on drugs. "The FDA's own research shows none of the voluntary approaches have been effective in distributing prescription drug information to large numbers of consumers," said Averyt. "This program is an expensive duplication of efforts already tried and failed. It merely represents a few crumbs thrown to consumers to compensate for the dumping of the mandatory PPI program."

The Pill Needs Stronger Warnings

In a related area of concern to consumers, FDA plans to revise the oral contraceptive PPIs already in use. A number of population control groups and Pill manufacturers have requested that FDA modify or eliminate certain warnings about the risks and side effects of Pill use, because they fear that the strong language used in the warnings will discourage potential users.

Consumer groups and women's groups feel even stronger language is needed, however. "The Physician's Desk Reference lists 54 serious side effects of the Pill," said Belita Cowen, Director of the Women's Health Network, "and the PPIs should include all of them." Among the warnings they want to see added to the PPIs are cautions that DES daughters should not use hormones; that the Pill may worsen conditions of sickle cell anemia or high blood pressure in black women, and that psychological depression is common among Pill users, who have a suicide rate two to three times higher than non-Pill users. They also want PPIs to be provided in Spanish, and to contain information on alternative, safer methods of birth control.

"Bankruptcy Reform" -Worst Possible Time

by David I. Greenberg, Legislative Director

By voice vote, the Senate Judiciary Committee has passed and sent to the Senate floor legislation which would fundamentally alter our national policy toward debtors in financial trouble.

This Senate action on S. 2000 could not come at a worse time. Close to record levels of unemployment and business failures have recently combined to force increasing numbers of consumers to file bankruptcy petitions. The marked upturn in personal bankruptcies reflects a common cyclical pattern. Difficult economic times in the 1940's, 1950's, 1960's and 1970's caused percentage increases in bankruptcy that outstrip the recent jumps in 1980 and 1981.

The current "crisis" in bankruptcy, however, has been used as a call to arms by the lending community, which has engaged in a very sophisticated public relations campaign to discredit present bankruptcy law. It is the Bankruptcy Reform Act of 1978, according to creditors, which is in substantial part responsible for the upswing in consumer bankruptcies. They have carried this argument to the media and to Capitol Hill, using tactics that, in the words of syndicated columnist Jane Bryant Quinn, "would make a sailor blush."

"Tactics To Make A Sailor Blush"

Unfortunately, these tactics have been very effective. Not only have the creditors been able to push the legislation onto the Senate floor, they have also convinced nearly 270 members of the House to cosponsor a companion bill that is even more punitive in its treatment of consumer debtors.

Such an overwhelming legislative response reflects—at least in part—Congress' concern that hard working constituents who pay their bills with a great deal of effort and pride should not be forced to pick up the tab for less responsible debtors attempting to take advantage of humane, forgiving bankruptcy laws. CFA has always shared this concern and viewed bankruptcy as a last-ditch alternative to financial ruin and the personal crisis that often accompanies it.

The reality of present bankruptcy practice, according to the Federal bankruptcy judges who watch it day to day, is that only a small number of debtors seeking bankruptcy relief fall into this suspicious category. The overwhelming majority are simply people who cannot meet their obligations because of job loss, sickness, divorce, or overextension of credit by lenders who should have the expertise and experience to know better. Many turn to bankruptcy as a direct result of creditor harassment and unfair contractual remedies like wage assignments and acceleration clauses.

The ultimate problem with the legislative proposals currently before Congress is that they are geared to stopping abuses that occur in only a small number of cases. By erecting stringent barriers against bankruptcy and by forcing debtors to carry a far greater burden of proof, the Senate and House bills raise the cost of bankruptcy for all debtors and remove a great deal of the disincentive against improvident lending practices by creditors.

WASHINGTON PERSPECTIVE

The prime example is the future income test that is part of both pieces of legislation. That provision requires any debtor seeking a Chapter 7 liquidation to prove that he or she could not pay a substantial portion of their debts out of anticipated future income. This approach to bankruptcy will involve courts in very detailed continuing oversight of debtors' income and expenses as well as forcing judges to make nearly impossible guesses about what is likely to happen to debtors in the future. Most dangerously, however, the future income test will allow any creditor to force a debtor to spend hundreds of dollars in extra attorneys' fees in order to receive Chapter 7 relief. Ironically, the future income threshold test may make bankruptcy too expensive for the low income debtors who need—and deserve—its protection the most.

Creditors Share Blame

Perhaps most seriously, the future income concept weakens the need for lenders to be careful businessmen. As long as they have access to a debtor's future earnings, creditors can continue to push consumer credit to record levels. In an economy already straining from its debt load, we should be encouraging lenders to be more discriminating, not less.

We should also be encouraging Congress to be more discriminating in dealing with bankruptcy in the upcoming months. There are no doubt some technical problems with the 1978 Act. And, of course, some debtors will try to take advantage of bankruptcy laws. But we cannot lose sight of the fact that the Bankruptcy Reform Act was the product of 10 years of study and hard work by Congress, academics, bankruptcy judges, creditors and consumer representatives. It has only been in place for three years—three years of high inflation, high unemployment and record interest rates. That is not the sort of experience that forms the basis for levelheaded responsible legislating.

CONSUMER FEDERATION OF AMERICA

invites you to

An Evening of Laurels & Levity

Twelfth Annual Awards Dinner

Honoring

The Honorable Thomas "Tip" O'Neill, Jr.
Speaker, U.S. House of Representatives
Philip Hart Public Service Award

R. David Pittle, Commissioner
Consumer Product Safety Commission
Philip Hart Public Service Award

Jim Boyle, Consumer Advocate
Philip Hart Distinguished Consumer Service Award

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