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Congressional Consumer Agenda Outlined

Representatives Dennis Kucinich (D-OH), Tammy Baldwin (D-WI), and Janice Schakowsky (D-IL) discussed issues ranging from health care and Social Security to financial modernization and international trade in keynote speeches at Consumer Assembly '99.

"I see the next millennium as presenting great possibilities for consumer activism, for environmental activism, for labor activism, and for human rights," said Rep. Kucinich, who focused his remarks on two issues – international trade agreements and Social Security reform.

"Consumer protection and international trade are, I believe, on a collision course," he said. "International trade agreements have a seriously corrupting effect on the lawmaking capability of state and local governments," he added.

In California alone, 95 laws have been identified as potentially illegal under the rules of the World Trade Organization, he said. In addition, 15 categories of state laws are potentially inconsistent with NAFTA, including basic consumer protections, he said.

"As consumer advocates, we need to be concerned that the administration is negotiating away, right now, our right to pass consumer protection laws in the future," Rep. Kucinich said.

The administration is pursuing greater market access to national markets of Europe, and the "only thing they have to give away is state and local sovereignty, our lawmaking capacity to protect consumers," he said.

No Privatization for Social Security

Rep. Kucinich was also sharply critical of both Republican plans to privatize Social Security and the administration's plan to invest a portion of the Social Security trust fund in stocks.

"The privatizers want Americans to believe that there is a crisis in Social Security that only privatization can solve," Rep. Kucinich said.

Noting that the program is projected to remain solvent for more than 30 years, and that the president's plan to put a portion of the projected budget surpluses in the Social Security trust fund pushes its solvency out 55 years, he said, "Social Security is financially secure."

"Social Security, however, does face a political crisis," he added. "There are many in Washington who want to replace Social Security's guarantee with a gamble."

While the president's plan to apply a portion of future budget surpluses into the trust fund is headed in the right direction, its proposal to invest a portion of that trust fund "deserves your active opposition," he said.



Rep. Dennis Kucinich
(D-OH)



Rep. Tammy Baldwin
(D-WI)



Rep. Janice Schakowsky
(D-IL)

Consumer Assembly 1999

Rep. Kucinich expressed concern that the plan's "detour down Wall Street" opens the door to complete privatization, creates an "irreconcilable conflict of interest that will significantly impair consumer protections" by discouraging regulators from pursuing enforcement actions against companies in which the government has invested, and "would ultimately lead to insurmountable pressures from business to roll back all sorts of consumer protections."

Supporters of full privatization would argue that lifting the regulations would cause stock values to rise, which would enable Social Security to pay its promised benefits, he predicted.

"If you think that deregulation disguised as paperwork reduction is bad, deregulation disguised as Social Security protection is a political Trojan Horse," he said.

Health Care For All Still On Agenda

Rep. Baldwin said that one of her major focuses in Congress will be "ensuring that every American has access to high quality, affordable health care."

"Six years ago, we in this country were promised reform that would guarantee every American access to health care," she

said. "Unfortunately, that promise was never realized."

While acknowledging that "it's not going to happen in the 106th Congress," Rep. Baldwin said health care for all is still an issue that "people want to talk about ... and organize around."

When you combine the potential political power of 43.4 million Americans who lack insurance at all with the additional 40 million whose insurance does not adequately cover their health care needs, "that creates a potential to do something very bold," she said.

The question that must be answered, she said, is "how do you give voice to those 80 million people?"

In the meantime, Rep. Baldwin said, passage of a good Patients' Bill of Rights to reform managed care is a step in the right direction.

In the current system, "too often, profit takes priority over patient need," she said. Americans do not "want to pay for a layer of bureaucracy whose sole purpose is to deny care or to deny payment for services already rendered."

A strong Patients' Bill of Rights is "an important first step," she said. "No one should fear that their insurance company will abandon them when they need it most."

She said she is optimistic that Congress will pass such a bill this session.

Like Rep. Baldwin, Rep. Schakowsky warned that, "Any old Patients' Bill of Rights is not going to be good enough."

For a bill to be acceptable for consumers, it must include a right to sue an HMO for adverse health decisions they make, guarantees that health care providers, "not HMO bureaucrats," make decisions about medical necessity, and whistleblower protections, she said.

Rep. Schakowsky also criticized a bipartisan plan to "save" Medicare by giving Medicare recipients a voucher to go out into the private marketplace and buy health care and by raising the eligibility age to 67.

"The direction that we're going in through that plan is to increase the number of uninsured," she said.

While acknowledging that a progressive strategy to save Medicare is needed, Schakowsky also said, "we need to start talking about expanding Medicare, not contracting Medicare. Medicare for all is something most people are ready to talk about."

Consumer Stake in Financial Modernization

A member of the House Banking Committee, Rep. Schakowsky focused most of her remarks on the failure of financial modernization legislation recently approved by that committee to adequately address the needs of consumers.

While the various industry groups have worked out their differences and gotten behind the bill, "there is this other interest that may not have been considered in this equation, and that happens to be the one that I represent – ordinary consumers," she said.

Among the provisions that should be added are a ban on ATM surcharges, privacy protections, expansion of the Community Reinvestment Act, and anti-redlining provisions, she said.

Although some slight progress was made in committee on full disclosure of ATM fees and some modest privacy protections, "ultimately, on a vote of 52 to 8, the committee approved a financial modernization bill that industry wanted passed, but with relatively little for consumers."

Rep. Schakowsky pledged to work to add consumer provisions, such as basic banking mandates, to the bill on the House floor.

"We all have to be asking ourselves ... when we go home and we talk to the people who voted for us, what are we bringing home for them," she said. "This bill does not provide an adequate answer."

FCC Has Vital Role In Telecom Market

In the rapidly changing telecommunications world, the Federal Communications Commission still has a vital consumer protection role to play, FCC Chairman William Kennard said in a key-note address at Consumer Assembly '99.

With the advent of competition in telecommunications, there are those who "believe that consumers should be left to go at it alone ... that the time for the FCC has passed," he said.

"Well, this may be the FCC's 65th year, but this is no time for the FCC to retire," he said. "In a telecommunications marketplace where competition is king, there is even a greater need for the FCC."

In particular, the FCC has a continuing responsibility "to protect the public interest, to protect consumers," he said.

It does so, he said, by ensuring that mergers between telecom providers do not harm the public interest and by making sure that consumers are protected "from those unscrupulous companies that would rather cheat than compete for customers."

Kennard discussed an agenda of consumer initiatives either currently underway or soon to be addressed by the agency, including: efforts to eliminate "slamming," the unauthorized changing of long-distance services; improving disclosure; and improving access both to new telecommunications technologies and to basic phone service.

In response to a record 20,000 slamming complaints in 1998, the FCC has stepped up enforcement, issued stiff fines, and, in one case, actually put a slammer out of business, Kennard noted. And in May, "tough new rules" will take effect that ensure that consumers who have their phone service switched illegally will not have to pay the "bogus bill," he said.

Faced with increasingly confusing choices among telecommunications services, consumers need "not less choice, but more information — clear information to make informed decisions about what services are right" for them and their families, Kennard added.

In line with this goal, the FCC is looking at new ways "to give Americans the basic information that they need to navigate their way through these confusing waters of new technologies," he said. This includes requiring long-distance companies to post their rates on the Internet and adopting new truth-in-billing rules designed to simplify and clarify phone bills.

Truth-in-Billing Proposed

These rules: will require bills to include a plain English explanation of which charges, if not paid, will result in a termination of service; will require new charges to be highlighted; and will require all charges to be accompanied by clear explanations of what they are and who to contact if there is a problem, he said.

"Considering how much you spend on your phone bill and how important a service it is, don't you think you should know what you're paying for? ... With these rules we'll make it happen," he said.

Finally, Kennard discussed administration efforts to ensure universal access both to new technologies and to basic phone service.

It is essential, he said, that "as we build the Information Superhighway, the on-ramps will not only go to the business districts, but to the barrios, not only to those with every advantage, but to those with



FCC Chairman William Kennard

disabilities, and not only to suburban homes, but to our rural heartland."

The centerpiece of that initiative is the e-rate program, which, after only 12 months, has "wired over one half of all the classrooms in the nation," he said. The goal, he said, is to "wire every school to the Internet by the next millennium."

Consumers Concerned, But Overwhelmed

Americans are increasingly willing to be activists on consumer issues, but that willingness is balanced by limited time and a sense that they lack the tools to take action, pollster Celinda Lake said in a Consumer Assembly session entitled "What Are Consumers Worried About, If Anything?"

Lake, who is a partner in the progressive polling firm of Lake Snell Perry & Associates, described four things consumers are looking for: information, quality, accountability, and more for their money.

The biggest surge has been in the desire for information, she said. On the other hand, the public also feels "overwhelmed by the amount of information already out there."

The answer is to provide information that is simple, clear, and easy-to-read, she said. Consumer advocates tend to "want to give them the book. Consumers want the three-by-five card," she said.

The public tends to view consumer groups as a "trusted source of information," Lake said. And, while they want the government to act "as policeman" and "set standards," they want consumer groups to help differentiate between good regulations and those that will simply "cost taxpayers more money."

If consumer groups have a weakness in the eyes of the public, it is their failure to differentiate among issues and set a manageable list of priorities, she said. However, if consumer groups can "figure out how to get them information and set an agenda, you can see high rates of activism," she said.

Consumers Are Victims of Fraud

"Consumers are wary and dissatisfied," and, as a recent American Association of Retired Persons survey shows, "they should be," said AARP Group Leader for Applied Gerontology Katie Smith Sloan.

But, even as more and more Americans are connecting to the Internet, "there are still people in this country who do not have basic phone service," he said. FCC initiatives to address this problem include both continuing support for the Lifeline program and new efforts to address the appalling lack of phone service on Indian reservations, where fewer than half of the households have phone service, he said.

Universal service also requires "making sure that all Americans can actually use these technologies once they make it to their door," he said. That is why the FCC is working with the disability community and with industry "to make sure that new products and new services have accessibility built into them from the get-go," he said.

Viability of Local Utility Competition Debated

While Kennard discussed the consumer protection role of the FCC in the newly competitive telecommunications market, panelists in another session debated whether competition for local telephone and electricity service would ever materialize.

Stagg Newman, Chief Technologist with the FCC, argued that a competitive

local market can and will develop, but that the growth of competition is still in its infancy. Full competition can be expected to take five to ten years to develop, he said.

Gene Kimmelman, Co-Director of Consumers Union's Washington, D.C. Office, was more skeptical. The cost for competitors to offer a broad range of services is enormous, and almost all of that cost is to support the high-end services used by only a relatively small portion of the population.

"The worry is that the cost is so enormous and that the consumer demand is so differentiated" that service and price breaks will go to the high end users and "at least one-half of the public will be left out," Kimmelman said.

Alan Richardson, Executive Director of the American Public Power Association, was similarly skeptical that electric utility deregulation would benefit consumers, because "residential consumers are not attractive to big providers."

While we probably can't stop deregulation, "we can structure it," Richardson said. "We need to be creative in developing regulation and thoughtful public policy."

The survey of consumers 18 and over found that three quarters had had a bad buying experience in the past year, and one in five had at some time been a victim of a major consumer fraud or swindle, she said.

While the vast majority of consumers who feel they have been taken advantage of complain, most are not satisfied with the response to their complaints. Still, few follow up by complaining to a consumer agency or attorney general, Sloan said.

In addressing these problems, advocates must focus on lowering "the barriers to consumer information" and designing "fair and meaningful ways for consumers to complain ... and to receive restitution," she said.

Corporate Ownership Influences Consumer News

One source of consumer information — consumer reporters — is coming under increasing pressure from corporate media owners, according to panelists in a general session on "Corporate News: Are Business Owners Biasing the Media?"

Herb Weisbaum, Consumer Reporter for CBS News' *This Morning*, said that, increasingly, consumer reporters are simply not doing the stories that anger advertisers. While there still is some limited advertiser pressure, "the worse problem is that we've sort of given up," he said.

Roberta Baskin, Investigative Correspondent for CBS News' *This Morning*, said part of the problem is that any hard-hitting story generates such a strong and immediate response from the corporate subject, she said.

Like Weisbaum, she concluded that "self-censorship" has become "one of the biggest problems of all." Consumer reporters "get tired of taking on big companies" when "there are easier stories to be done," she said.

"TV news is a business. It's totally bot-

tom-line oriented," said Joyce Newman, an Independent Producer formerly with Consumers Union. CU was successful in distributing consumer news to local television stations because the stations could make money on it, save the cost a reporter, and attract viewers, she said.

Professor Sanford Ungar, Dean of the American University School of Communication, countered that "one of the reasons that the press has remained, relatively speaking, as independent as it has in this country is that it has economic independence. And it has economic independence because it has been able to make money."

While emphasizing that he does not condone corporate influence on the news, Ungar said, "the great protection that we have is that we're finding out much more now about the pressures that are behind the scenes."

If consumer reporting is increasingly under pressure, social marketing is emerging as an important means of influencing consumer behavior, according to panelists in a session on "The Usefulness of Social Marketing for Consumer Educators."

Professor Alan Andreasen of the Georgetown University McDonough School of Business said a successful campaign involves listening, planning, pre-testing, structuring, implementing, and monitoring.

William Smith, Executive Vice President of the Academy for Educational Development, emphasized that a social marketing campaign is more likely to be successful if it is fun, easy, and popular.

David Zucker, Senior Vice President with Porter Novelli, described a youth anti-tobacco campaign in Florida. Preliminary results after just one year indicate that 92 percent of the target population is aware of the campaign, and teen smoking has dropped from 23.3 percent to 20.9 percent, he said.

FDA Tackles Health and Safety Challenges

The Food and Drug Administration faces a full agenda of health and safety challenges, FDA Commissioner Dr. Jane E. Henney said in a keynote address at Consumer Assembly '99.

Henney outlined five areas of highest priority for the agency over the next four years: full implementation of the FDA Modernization Act; reinvigorating the science and research base of the agency; ensuring the safety of our nation's food supply; working to ensure that the nation's blood supply is as safe as it can possibly be; and continuing efforts in the area of tobacco.

Henney focused in particular on strengthening the science base of the agency and improving food safety.

"We are asked at the agency to sit in judgement of the science that comes our way. It is critical that we be ... able to match our ability to weigh and judge with the documents that we see before us," she said.

"We simply can't allow our staff to stagnate," she added. To do so would lead to decisions that are risk-averse, slow, and wrong, she said.

Henney said that, while she believes "our food supply is generally safe," a number of changes in our food consumption patterns have left "our citizens really are more at risk today" from food contaminants than they have been in many years.

These changes include the fact that Americans are eating more produce and seafood, and that these foods are being transported long distances, both domestically and internationally; Americans are eating more foods prepared outside the home, both ready-to-eat foods and foods prepared and served in institutional settings; and the size of vulnerable population (the elderly, children, pregnant women, and immuno-compromised) is increasing, she said.

In addition, the rise of "more resistant old and new deadly pathogens" is leading to more outbreaks of foodborne illnesses involving foods regulated by the FDA, she said.

"All experts believe that many food-

borne illnesses are preventable," Henney said, adding that the FDA has "a public health responsibility to do what we can to minimize these risks."

To accomplish that goal, the agency is working to improve the science of detection, enhance surveillance, develop new knowledge on foodborne illnesses, and develop guidelines with industry for good agricultural and manufacturing practices, she said.

Product Reviews Must Be Efficient, Effective

Henney also emphasized the importance of ensuring the effectiveness and efficiency of the drug and medical product review process.

"The FDA's mission is to protect the public's health," and part of that mission means ensuring that unsafe products do not reach the market, she said. "But product reviews must also be efficient and timely. We are not promoting public health if we are not making timely decisions."

Because "drugs and other medical products are being reviewed as fast or faster than in any other country in the world," new therapies can be brought to market that are important for public health, she said.

Henney also emphasized that the agency's safety review procedures for bringing a product to market do not guarantee that the product is "safe, no risks."

"That's why it is vital to be aware of adverse events," she said, adding that one important goal of the agency is to develop a better system for collecting information on such events.

Henney emphasized, however, that, to accomplish its mission, the agency desperately needs added resources.

Areas in particular need of a funding boost are: building the science base related to food safety; retail tobacco inspections; injury reporting and adverse event reporting; and inspection of firms the agency regulates.

Drug Safety Debated

Panelists in a general session on "The Modernized FDA: Is Drug Safety Taking a Back Seat?" debated whether recent changes in the law governing drug approvals had undermined public safety.

Both Dr. Bert Spilker, Senior Vice President for Scientific and Regulatory Affairs at the Pharmaceutical Research and Manufacturers of America, and Dr. Janet Woodcock, Director of the FDA's Center for Drug Evaluation and Research, argued that public health was not being compromised.

"Drugs are much safer today than they have ever been," Spilker said. The two Pharmaceutical Drug User Fee Acts and the FDA Modernization Act "have created a far better FDA that is much more efficient and has eliminated the drug lag," he said.

As a result, the FDA has "brought many important new medicines more rapidly to patients in need," he added.

Woodcock echoed those sentiments. "There's no real evidence to support your thesis that safety's been compromised," she said. The rate of withdrawal in the 90s is lower than in previous decades, she noted.

The problem of medication-related deaths and illnesses "is a very serious problem, and no one should minimize it," she said. "But the question is, what is the cause?"

Most of these deaths and illnesses are

not the result of drugs that have to be withdrawn from the market, they are caused by known side-effects of drugs that stay on the market because their benefits outweigh their risks or by medication errors, she said.

Dr. Sidney M. Wolfe, Director of Public Citizen's Health Research Group, countered, however, that there had been "a record number of drugs taken off the market in about the last year or so," prompting a legitimate concern about the effectiveness of pre-market drug safety reviews being conducted by the agency.



FDA Commissioner Dr. Jane Henney

The problem, he said, "is that the FDA is not paying enough attention to its own medical officers or advisory committee members."

When concern about the recent rash of drug withdrawals prompted the Health Research Group to conduct a survey of FDA doctors, those agency doctors "identified 27 drugs that had been put on the market over their objections," Wolfe said.

He also challenged the argument that the increased speed of approvals had benefited the public by bringing large numbers of important break-through medicines onto the market. In fact, "only a small fraction" of the drugs currently being brought onto the market "are important advances," he said.

Food, Water Safety Need Modernization

Panelists in a session on "Food and Water: How We Can Make Them Safer" concluded that both the drinking water safety system and the food safety system need to be modernized.

Natural Resources Defense Council Senior Attorney Erik Olson noted that it has been almost 100 years since the last major safety improvement, when American first began treating drinking water, so "it is not surprising that new microbial pathogens and newly understood harmful chemicals are now challenging the old treatment systems and aging drinking water infrastructure."

A new approach to drinking water safety must rely on multiple barriers against contaminants, by first protecting the sources of drinking water and second establishing modern treatment systems, he said.

Olson said consumer advocates have an important role to play in improving drinking water safety by educating the public about the Right To Know reports on contaminants that drinking water systems must begin publishing by no later

than mid-October.

CFA's Food Policy Institute Director Carol Tucker Foreman said that government food safety regulation and industry safety practices are also out of date.

One pressing concern, she said, is that listeria, a food pathogen responsible for 20 deaths in just one recent outbreak, has now been found to remain viable in processed food, such as deli meats and cheeses, that had long been considered fully protected.

While consumer groups must continue to press their traditional food safety agenda, they must also turn their attention to the FDA, "because they have very weak food safety authority, yet broad responsibility," Foreman said.

Caroline Smith DeWaal, Director of the Food Safety Program at the Center for Science in the Public Interest, concurred that a top legislative priority is getting "adequate funding for FDA, an agency historically under-funded and under-staffed for its food responsibilities."

Pushing legislation to boost FDA funding and increase federal recall authority for unsafe food will be the focus of food safety efforts in this legislative session, she said.

Other Consumer Health and Safety Issues Addressed

Another panel, on "The Consumer Product Safety Agenda: High Priorities," addressed the threats to consumer health and safety posed by motor vehicles, consumer products, alcohol, and tobacco.

Advocates for Highway and Auto Safety President Judith Lee Stone noted that, while motor vehicle safety has greatly improved, there are areas where progress had plateaued and others where safety had declined in recent years.

Among the high priority areas are: getting better state-specific data on the effect of increased speed on highway deaths and injuries; getting broader state adoption of the .08 percent blood alcohol level; improving child safety seat and safety belt usage; and winning broader state adoption of graduated licensing laws for teens.

Stone also described other priorities in the areas of intersection safety, sport utility vehicles, advanced airbags, pedestrian safety, highway design, and large commercial truck safety.

David Pittle, Vice President and Technical Director for Consumers Union, praised the Consumer Product Safety Commission for making "tremendous progress on several key products" in recent years, including issuing a notice of proposed rule making for bunk beds and failing to "wilt" in the face of an attack in Congress intended to stop the agency's rule making on upholstered furniture flammability.

George Hacker, Director of CSPI's Alcohol Policies Project stressed that, despite serious alcohol problems in America, "the United States is generally unwilling as a society to take a look at public health measures to reduce alcohol consumption."

In contrast, Fran DuMelle, Deputy Managing Director of the American Lung Association, said that, on tobacco, advocates are finally beginning to win the battle.

Particularly important, she said, was the failure of the tobacco industry to win legal protection last year. Meanwhile, she said, another battle over FDA authority over tobacco products is expected



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Y2K Computer Bug Poses Daunting Challenge

The Year 2000 computer bug poses "the biggest management challenge the world has faced since World War II," said John Koskinen, Chairman of the President's Council on Year 2000 Conversion, in a Consumer Assembly '99 keynote address.

The problem results from the inability of some computer programs and embedded computer chips to recognize the year 2000.

"It's a simple problem from a technological standpoint, which means it's not really a technological problem at all. It is a management challenge," Koskinen said.

The problem has three tiers, he said: 1) fixing the federal systems; 2) fixing all the systems with which the federal systems interface and interconnect, primarily those of state and local governments that deliver a number of important federal benefits; and 3) fixing the systems of the critical economic infrastructure in this country and abroad.

The good news, Koskinen said, is that, as of the end of January, 79 percent of the federal systems were already Y2K compliant, and 98 percent were expected to be compliant by the end of March deadline set by the president.

Y2K problems "are not going to come from the failure of federal systems," he said. Koskinen did express concern, however, about the ability of states to get their systems to operate in time.

"We cannot afford to have four or five, or even one state, not able to deliver benefits to the people who depend on them," he said.



Chairman of the President's Council on Year 2000 Conversion John Koskinen

For that reason, the council is encouraging states to develop contingency and back-up plans to ensure that they can continue to deliver those benefits, even if they do not solve their Y2K problems in time, he said.

Y2K Problems Likely To Be Local

Similarly, while the major national and international corporations have made significant progress, many smaller businesses have largely ignored the problem, he said.

"It is clear that there will be no failure of critical systems" — such as the power grid or the banking system — "across the nation. That's not where the risk is," he said.

Problems are more likely to come from local municipal power companies, water treatment plants, emergency 911 systems, and small health care facilities, he said.

In too many cases, these smaller operators have decided to "wait and see what breaks and then fix it," he said. "That is an intolerable risk."

Another major concern, Koskinen said, is the "possible over-reaction of the public. If 200 million Americans all decide to take different economic actions than they would normally, the economy is not geared to deal with that."

The challenge for the council is to get accurate information into the hands of the American public. The council's goal "is not to give a false sense of security," but to give people good, accurate information "so they can know what the risks are and act accordingly," he said.

New Technologies Pose New Challenges

The challenges related to new technologies were also the subject of panels on "Microsoft: Consumer Friend or Foe?" and "E-Commerce Here and Abroad: How Should It Be Regulated?"

CFA Research Director Mark Cooper made the case, based on evidence from the Microsoft antitrust trial, that Microsoft has "harmed the public through its monopoly pricing of the operating system."

While the company consistently lowered prices, by about eight percent a year, before it obtained its monopoly, it has

consistently raised prices, by at least 13 percent per year, since it secured its monopoly, he said.

The result, he said, is that "overcharges for Microsoft's operating systems could exceed \$20 billion by the time the antitrust case is concluded."

Professor Stan Liebowitz, Associate Dean of the School of Management at University of Texas at Dallas, said CFA's analysis of Microsoft is "based on fundamental misconceptions and highly flawed analysis."

He argued, on the contrary, that Microsoft has benefitted consumers with low prices and "is the driving engine behind price declines in many software markets."

In the panel on E-Commerce, David Medine, Associate Director for Financial Practices of the Federal Trade Commission's Bureau of Consumer Protection, said industry self-regulation is preferable to government regulation, "because the market is changing so rapidly."

David Banisar, Policy Director for the Electronic Privacy Information Center, countered that "self-regulation for privacy has been unsatisfactory" and that other countries have better e-commerce privacy protections than America.

National Consumers League Vice President for Public Policy Susan Grant agreed, noting that, while strong self-regulatory programs would help, they are not a replacement for effective government regulation in the burgeoning e-commerce market.

Low Income Consumers Targeted for Abuse

Low income consumers are increasingly vulnerable to a number of abusive practices, according to panelists in sessions on "Welfare to Work" and "High Priced Financial Services and the Poor."

In a system that limits welfare, "people will become totally dependent on the free market," said National Consumer Law Center Executive Director Willard Ogburn. And staying off welfare will require a renewed focus on the "expense side of the family budget," he said.

Assisting these consumers will require consumer advocates to refocus on issues related to the "necessities of life," including used cars, utilities, and credit, he said. "Our traditional issues are writ large for this group. The consequences are so much more tragic for them."

Speaking on the same panel, Marva Williams, Senior Project Director for the Woodstock Institute, and Kathryn Harlow, Staff Attorney with Cleveland Works, Inc., described successful programs to assist those individuals leaving welfare for work. The Cleveland Works program involves helping people overcome barriers to work, while the Woodstock Institute is working with a major bank to develop and market a workable basic checking account to help the newly employed "enter the financial mainstream."

Unfortunately, too many low income consumers now rely on "an alternative financial sector which covers a whole range of financial services" from rent-to-own, to check cashing, to payday and subprime lending, to pawns, said Professor Roger Swagler of the University of Georgia. Furthermore, these services have "gone mainstream, or, if you wish, Main Street," he added.

Similarly, low income consumers are the most vulnerable to high cost insurance, particularly collateral insurance for cars and forced place insurance for homes, said CFA Director of Insurance J. Robert Hunter. Through these products, insurance companies drive the prices up on those consumers who are having the most difficulty making ends meet, he said.

To combat these abuses, consumer advocates must educate the public. "What we have at the core here is a question about community — is the public at large willing to stand by and watch a significant number of people being preyed upon," Professor Swagler said.

Lynn Drysdale, an Attorney with Florida Legal Services, agreed that education offers the best hope of addressing these problems. Companies continue to find new ways to make their transactions fall outside the important consumer protection laws, and most state legislatures seem reluctant to act, she said.

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