

REMARKS BEFORE THE AMERICAN COUNCIL ON CONSUMER INTEREST

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I am glad to be able to join you here at the American Council on Consumer Interests annual meeting.

I welcome this opportunity to talk with leading consumer educators who represent the many disciplines that together can provide the consumer with the breadth of education he needs for today's marketplace.

The effectiveness of our consumer education programs holds the key to the success of all the other efforts that each of us makes to improve the marketplace for consumers. Unless consumers understand and use the tools that are made available to them in the marketplace, the development of those tools is a wasted effort.

I have always given education very high priority within my office because I regard consumer education as the mortar that cements all our efforts to build both voluntary and mandatory consumer information and protection programs. The improvements we seek in labeling or warranties or quality grading or complaint handling will have no enduring value unless the consumer is educated to use these tools.

What good is unit pricing if few people know how to use it?

What good will tire quality grading do if consumers don't understand it?

What will we achieve by working with the appliance industry for informative performance labeling if consumers look only for gimmickry?

These questions focus on the consumer's buying expertise. That is the traditional focus of consumer education and it is an important one. It is education as protection of the consumer's pocketbook.

Part of that education is directed at fraud and deception. This is a narrow area but it runs deep -- deep into the pocketbooks of people who cannot afford to lose money. The consumer complaints that pour into my office bring me many tragic tales from the victims of fraud. They are the victims of the failure of our consumer education programs. Let me give you just a few examples from my recent mail. A retired Wisconsin couple wrote me that they lost a \$405 down payment on vacation land in a faraway state because they believed the sales pitch and didn't read the contract. Unfortunately there is nothing new in that story. The son of another retired couple contacted my office because his parents were duped into purchasing a worthless \$225 vacuum cleaner from a high-pressure salesman. Although the vacuum cleaner was returned within the three-day cooling off period set by state law, the company has yet to respond to the son's letters and has yet to return the money. In both these cases there are laws designed to reduce the possibility of deception and high pressure sales, but nevertheless the unwary consumer was trapped. The consumer must be forever on guard and education is his guard.

Fraud and deception account for many of the most dramatic horror stories but I would guess that in terms of total dollars consumers lose far more in day-by-day misspending in the legitimate marketplace.

The complexity of the comparisons that face consumers can be overwhelming. Even in a group such as this, where everybody is a consumer expert, how many of us can be absolutely confident, for example, that our life or health insurance policy is the best suited and most economical for our personal needs?

If we stop to examine our purchases, could we say we were able to select them on the basis of all the pertinent information we needed? When we buy food, how much do we know about the nutritional value? When we buy an appliance, how much do we know about performance and durability of competing products? When we buy carpeting how much do we know about wear and soil resistance? When we buy a house do we know how much we can afford to spend?

The demands placed on today's consumer have radically altered our concept of what consumer education should include. Not long ago our view of consumer education was largely home oriented -- cooking, sewing, and child-rearing. Now courses such as credit and family economics are becoming a standard part of the curriculum. Other disciplines such as business administration, economics and social sciences are becoming more involved in consumer education.

Our expectations of the consumer are extremely high. Traditionally we regard the consumer as the regulator of the marketplace -- assisted, of course, by government. We expect consumers to make the choices that reward the producers of the best products at the best prices. But the complex and technical nature of so many products and services in the marketplace obscures the consumer's choice of what is really best.

The thrust of much of the work of my office has been to cut through the obscurity of competing claims and technical complexity by seeking more extensive consumer information, both on a mandatory and a voluntary basis.

The more information that is provided through government regulation or voluntary industry action, the more crucial consumer education becomes in teaching consumers how to make effective use of tools of the marketplace.

The nutritional labeling that you will begin to see in the supermarkets this year is an example of how more information requires more sophistication on the part of the consumer. As you know, the nutritional labeling scheme developed by the Food and Drug Administration in cooperation with consumers and industry abandons the old four food groups as too simplistic. A frozen pot pie or a pizza is hard to squeeze into a food group category. The results of nutritional labeling experiments conducted by supermarkets showed that consumers favor detailed information over simpler labeling schemes.

Nutritional labeling will show in a standardized format what proportion a food provides of the recommended daily allowance of protein and the major vitamins and minerals. It will enable shoppers

to do a better job of planning the nutrition of their families. But it also assumes much greater consumer knowledge and expertise.

Nutritional labeling is a challenge to consumer educators to expand the consumer's understanding of nutrition. It will also be a teaching tool because it adds relevance to classroom material.

Numerous other government regulations, from tire quality grading to flammable fabric standards, are also providing challenges to consumer education.

So, too, are the changes being made voluntarily in the marketplace. Unit pricing is of tremendous potential benefit to consumers, and all the more so at this time when everybody is concerned about rising food prices. Some critics of unit pricing argue that consumers don't use unit pricing because they don't care. I believe that unit pricing is under-used because so many consumers don't really understand how it works or how much it can save them on their grocery bills. However, a few cents saved here and there doesn't turn on the average shopper, but I think she would be better motivated to use unit pricing if she knew that USDA estimates that if a housewife uses unit pricing in all her food purchases, she would save \$60 a year for each of her family members! Thus, a family of eight would save \$460 which would be a more compelling incentive to use unit pricing. Many of the food chains that have made the commitment to unit pricing have not made the commitment to educate their customers on how to use it.

Consumer education about the tools of the marketplace focuses on the consumer as an individual or a family unit. Its purpose is to prepare consumers to make decisions that are best for his own immediate material and financial well-being.

I believe that one of the great challenges that lies ahead in consumer education is educating the consumer to think of his buying decisions as they affect the society he lives in. The consumer often fails to see the ripples that are set in motion by his purchasing decisions.

As a result, consumers speak with two conflicting voices, unconsciously contradicting themselves.

There is the voice that demands a cooler house in summer, a warmer house in winter, more conveniences in the kitchen and more luxuries in life style. Then there is the voice that decries the polluted skies and waterways, the power plants and strip mines, the congested highways and the suburban sprawl.

As a society we must balance these conflicting voices. As consumer educators you can help consumers to recognize and resolve these conflicts within their own purchasing decisions and within their own demands on their government.

Some of the compromises are easy. For example, consumers are accustomed to buying room air conditioners and other appliances without considering the energy or water consumption. Air conditioners are notoriously power hungry but some have much bigger appetites than

others. The Pennsylvania Power and Light Company has developed figures on the operating efficiencies of large air conditioners. These figures show, as but one example, that the costs for a 6,000 BTU unit over 1,000 hours can vary from as low as \$21 to a high of \$30.75. The more wasteful unit uses about 50 percent more electricity for the same amount of cooling power.

If consumers routinely considered power consumption in making their selection there would be both an immediate saving in power use and, perhaps even more important, a long-term pressure on industry to increase the efficiency of their products.

As educators you can open the consumers' eyes to the importance of considerations that may seem insignificant as individual actions, but that collectively could have a tremendous impact.

Unfortunately, at present very few facts are available to the consumer on questions such as power consumption that would enable the consumer to weigh the broader implications of his purchases on a quantitative basis. Pennsylvania Power and Light Company is working to enlist the aid of appliance manufacturers and dealers in bringing information on air conditioner efficiency to consumers at the point of sale. Utility companies traditionally have close ties with home economics departments and you can use this avenue of communication to convey consumer pressure for information about power consumption. Similarly, your contacts with the appliance industry can be used to communicate the consumer's need for information on power and water consumption and other performance characteristics that are important in choosing among products.

Sometimes it will not be so easy for the consumer to balance the tangible, immediate benefits of a product against intangible, elusive goals such as cleaner air.

Steps to conserve energy or to protect our environment will always be controversial because they involve changes in our ways of doing business and in our life styles. The consumer can expect to pay a higher price for the greater preservation of his environment. This price will be in the form of higher prices for products and energy, higher taxes and sometimes the inconvenience of more government regulation.

The balancing decisions that lie ahead of us would benefit from more research into what determines patterns of consumer behavior. How much do we really know about what shapes the consumer's perception of his needs and what influences his buying? What do we know about the relative value that consumers place on such tangible items as housing and its furnishings compared to the intangibles such as cleaner environment or more leisure time? Your research work can help us to define the issues and the priorities we must weigh in making decisions as individual consumers and as a society.

The constant weighing of benefits and drawbacks that must characterize the consumer's own buying decisions is a small scale version of the balancing of needs that went into shaping the national budget of \$268.0 billion submitted to Congress by President Nixon in January. Spending everything Congress appropriates above his ceiling would be the easy way out -- for now. The programs are

already there and each has its constituency. But soon the bill would have to be paid, and, in our view, that bill is bigger than most people want to pay. The President estimates that Federal taxes would need to be increased by 15 percent to cover all the spending proposed by Congress. Or, if taxes are not raised to cover additional spending, we would be increasing inflationary pressures.

The President has called on the people to weigh the alternatives. He is asking people to look at the programs not just from the viewpoint of the beneficiary but also as the taxpayer. Once again the consumer tends to speak with two voices -- that of the consumer of government services who wants more and better, and that of the taxpayer who wants costs held down.

The present crisis in food prices, which accounts for much of the recent monthly increase in the consumer price index, also requires difficult choices for the consumer and for government. I am often asked why we sold wheat to the Soviet Union when that wheat could have helped to hold prices down at home. The reason, of course, is that the price of wheat can't be our only consideration. The balance of payments deficit which, in the long run, hurts the value of the consumer's dollar, must also be fed into the equation.

I am also asked why the President did not freeze all food prices -- and at lower levels. Here again, we must weigh the consumer's need for stabilized prices against the consumer's need for abundance of supply. The President has taken many steps to assure an expanding supply of meats and grains so that by mid-year the supply should more nearly equal the demand and thus stabilize prices. All of us who lived through World War II remember and dread the possibility that under a fully controlled system that gives the farmer no incentives to increase their production also raises the spectre of rationing with legitimate supplies dwindling and black markets springing up.

Educating consumers to take full advantage of the tools of the marketplace and to look beyond their immediate needs to the impact of their decisions on the marketplace is a tremendous challenge to your profession.

Our office stands ready to help you in any way we can. Many of you have heard of the reorganization of our office and may be wondering what it means in our ability to serve you.

In the January 29th Budget Message, President Nixon announced his plans to reorganize the government to make the Executive Office of the President more responsive. As part of this reorganization, the President, in streamlining his office, decided to move the White House Office of Consumer Affairs into the Department of Health, Education and Welfare. I continue as the President's Special Assistant for Consumer Affairs as well as Director of the Consumer Affairs Office. I shall have two offices -- the present one in the White House and a new one in the Office of the Secretary of HEW, Mr. Casper Weinberger.

There has been some speculation in the press that this reorganization amounts to a downgrading of the voice and the influence of the consumer in the Administration. Quite the reverse is true. There

has been an increase in staff and budget and there will be no curtailment of the issues we are involved in. In fact, we will have an additional 20 percent staff increase as we absorb HEW's old Office of Consumer Services into OCA.

In the field of consumer education, this move has also enabled us to add to our staff. You will be interested to know that Dr. Lee Richardson, our able Director for Consumer Education, will be joined by Sandra Willett who formerly was with the Department of HEW's Office of Consumer Services.

We have a brand new publication that I think will be of interest to many of you. It is called An Approach to Consumer Education for Adults. It provides case studies and information on designing adult consumer education programs. We will be happy to send you a copy upon request.

Many of you are familiar with our booklet, Suggested Consumer Education Guidelines for Kindergarten Through Twelfth Grade. It gives ideas of what can be done to bring consumer education to all grades within the elementary and high school system. As many of you know, the Guidelines were sent to each chief state school officer and to every school district in the country, free of charge.

In addition to these consumer education booklets, we have also developed the most extensive Consumer Education Bibliography now available. This publication lists a cross-section of guide books, pamphlets and films on consumer education.

As an additional aid to educators and consumers in general, the Office of Consumer Affairs publishes a bi-monthly newsletter called, Consumer News. As a supplement to the newsletter, we also publish Consumer Register, which is a digest of new consumer laws and regulatory proposals published in the Federal Register.

Consumer Register could easily be used by educators who want to incorporate consumer education into a social studies or civics class. In the Register are the addresses of where to write to comment on proposed Federal regulations. What better way to get young consumers involved in the legislative process than to encourage them to express their ideas on consumer issues!

Whether we are working with children or adults, the first step is to help consumers to understand that their decisions shape the marketplace -- and our society. You have a tremendous job to do and we would like to help you in any way we can.

Thank you.