

specialization that is the essence of mass production. We cannot be self-sufficient any more. Conventional consumer education posits the individual consumer striving for his or her own welfare. But in an interdependent world the most significant questions are not "How much do I get for my dollar?" but "How do I deal with inflation, unemployment, pollution, and the provision for social consumption?" These are problems of interdependence and they are not problems that the individual can do anything about. Yet they probably have more impact on consumer lives than an individual decision a person may make.

It is vital to take a hard look at the basic premises of consumer education and what we expect to accomplish. Consumer education needs to be more carefully defined in order to match performance to promise. Most importantly, consumer educators need to do homework about the whole set of problems that lie outside the traditional definition of individual consumers seeking their own satisfaction in the marketplace. Helping consumers to understand these kinds of concerns will do more to foster their well-being than will showing them how to stretch their dollars.

PROJECT SCAT

Dr. Jo Hewell*

The mission objective of Project SCAT (Skills for Consumers Applied Today) is to implement a comprehensive consumer education program at the secondary level (7-12). The approach used is referred to as the "solo-plex" approach (solo having to do with one, and plex having to do with collection). The program evolves around ten basic areas of consumer knowledge that have been identified as areas around which curriculum has been developed.

SKILLS FOR CONSUMERS APPLIED TODAY (SCAT)

Project SCAT is a federally funded (ESEA-IV-C) developmental project located in Osceola County, Florida. ESEA IV-C projects are exemplary or innovative endeavors which provide educators at the district level funds to plan, develop and field test creative and imaginative solutions to persistent educational problems which need resolution. Grant proposals are negotiated through a state office under highly structured and competitive guidelines.

Purpose

The Florida Legislature recognized the importance of consumer knowledge to individuals and passed an act cited as "The Free Enterprise and Consumer Education Act" which indicated that Florida schools shall conduct consumer education programs.

From this premise, objectives of Project SCAT evolved as follows:

1. To identify critical learner needs in the area of consumer education in the secondary schools.
2. To develop appropriate consumer education courseware for the instructional process in the secondary schools.
3. To design an instructional model for delivery of the consumer education curriculum in the secondary schools.
4. To implement and evaluate the instructional delivery system and the developed courseware.

Procedure Followed

Through a review of related literature, the technical expertise of consultants in the field of consumer education, university affiliates, and

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curriculum developers, ten (10) basic topical areas of consumer education have been identified as providing a basic body of knowledge for secondary school curriculum. These are:

1. Employment and the Consumer
2. Money Management and the Consumer
3. Housing and the Consumer
4. Transportation and the Consumer
5. Health and the Consumer
6. Recreation and the Consumer
7. Law and the Consumer
8. Communications and the Consumer
9. Ecology and the Consumer
10. Technology and the Consumer

Many of these topics are divided into a number of sections when appropriate to promote comprehensive coverage. The finalized SCAT kit consists of approximately 22 color-coded courseware packets which will include the teacher's guide and the student Packaged Activities for Learning (PALS).

The teacher guide adheres to the following criteria:

1. A learning map for each section which lists entry skills and developmental skills
2. The rationale for presenting the topic as an instructional unit
3. A Content Outline
4. A guide to materials description
5. Objectives keyed to content outline and PAL (Packaged Activity for Learning)
6. Introductory, developmental and culminating activity suggestions for group and individual implementation
7. Instructional aids composed of masters for transparencies and student activity sheets
8. Film Guide and Film Annotations

The student PALS adhere to the following specifications:

1. Entrance Test (multiple-choice questions)
2. Introduction
3. Answer Sheet (Entrance Test)
4. Emphasis on Skills: critical reading, vocabulary and math
5. Organized by characteristic statement areas which progresses through the basic presentation, vocabulary, activities and review
6. Exit Test (same generalization tested by entrance exam, different form)

The courseware designed for grades 7-12 is flexible and can be utilized to present a one-semester or a one-year course depending upon the particular need. Or the courseware can be integrated into the appropriate curriculum areas to project a comprehensive approach to promoting consumer education skills, concepts and understandings. The duration per unit averages four to six weeks each. However, after the field testing, a more concrete recommendation for the length of each unit can be made.

One of the decisive factors for maximizing success for SCAT materials is intensive In-Service for the teachers to be involved in the implementation process.

The portable contents of Project SCAT courseware are as follows:

1. One box-type container (dimensions unknown at this point) with appealing colors and appropriate art work
2. One In-Service Training Manual
3. One Project Director's Guide
4. Approximately 22 separate color-coded packages of materials which have evolved from the ten basic consumer education topics
 - A. Each package is self-contained with a teacher's section and a student's section. It may be used for teacher directed activities or for individualized instruction.
 - B. Each package is color coded to the topic area (i.e., Money Management contains six sections: Budgeting, Banking, Credit, Insurance, Investments, Taxes). All covers are to be green with appropriate art work to depict the content.

The project is in the second developmental year. The school year 1977-78 will be an intensive field testing, revision and evaluation period.

Management Profile

Complete Draft	Field Testing	Being Written	Being Typed	Being Illustrated
14	14	3	1	2

Expectations are that all modules will be in complete draft form by Sept. 30, 1977. Field test results at this point indicate the materials to have a positive effect upon the learning process.

EXAMINING THE ISSUES

Ms. Elizabeth Hanford Dole*

Government has a definite role in assisting business and consumers in our society. However, a balance must exist. One result of the quest for this balance is cost-benefit analysis. The FTC has been active in assisting consumers in the marketplace. Many of the accomplishments of the Commission are reviewed.

A controversy rages over whether the government has piled too much regulation upon our society or whether there is still too little protection by our government for those unable to protect themselves. The business community and, more recently, several prominent members of the academic community have launched a frontal attack on the entire regulatory framework. They claim that America is now suffocating under a deluge of federal paperwork, that business cannot even decipher, much less obey over 60,000 pages of edicts set forth in the Code of Federal Regulations, and that government regulators are now costing the economy over \$45 billion a year. The United States, they say--quoting Walter Lippmann--is badly suffering from the "sickness of an overgoverned society."

On the other hand, persuasive arguments are still made that our society continues to be riddled with inequities and injustices. Unsuspecting consumers are still being gouged by the marketplace. Pollution remains a threat to our environment and may even grow apace with a renewed emphasis upon energy. Sexual and racial discrimination, while reduced, still holds people back. To those who see society in this light, the government--whether it be the executive, the legislative, or the judicial branch--remains the best vehicle for vitally needed reform. Thus the battle is joined, and the arguments go forward both in Washington and in conferences like this one.

More and more people feel overtaxed, over-regulated, and over-burdened by Washington. Yet all of us who have worked in the consumer field know full well that our government does have a legitimate, important role to play--and that it can and must continue to be a constructive force in our society. What we must seek, is a balance--a "creative balance," as Eliot Richardson has called it, that nurtures self-reliance and personal freedom and shields our citizens when they are weak and cares for them when they are sick.

Before Robert McNamara and the "whiz kids" went to the Defense Department, few people had ever heard of "cost-benefit analysis." There can

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be no doubt now that it has become an important and desirable tool in the government. Employing the talents of economists, statisticians, and others, cost-benefit analysis enables government policy-makers to determine how great the benefits of their intended actions may be and whether those benefits will be outweighed by the economic and social costs imposed upon the society as a whole. As a rule of thumb, if the costs outweigh the benefits, the policy maker has a clear signal to go back to the drawing boards. If the analysis is properly done, it can thus be a vital check against government actions which intrude too far or cost too much for the society to bear.

Today, cost-benefit analysis is being applied more rigorously in government than ever before. In the environmental field, for instance, the government is asking itself whether the requirements now on the books for air and water standards are going to be worth the price. The Chairman of the President's Council of Economic Advisers, Charles Schultze, recently co-authored a study for the Brookings Institution in which he estimated that current environmental laws might cost society as much as \$500 billion in the next ten years. Weighing the benefits against the costs, Schultze suggested that we might be far better off to replace the current controls system with a system of pollution taxes--taxes that would presumably cost less, prompt greater technological innovation, and still achieve the desired levels of environmental purity. Similar kinds of analysis have recently been undertaken on the Interstate Commerce Commission's trucking regulations, the Civil Aeronautics Board's airline regulations, and on occupational health regulations issued by the Occupational Safety and Health Administration.

At the Federal Trade Commission, cost-benefit analysis has increasingly become a standard part of our daily operating procedures. For instance, before the Commission undertakes any major new initiative, we look to the staff to provide us with a summary of the estimated costs to society and the likely gains. The commission now has evaluation committees that review staff requests for new Commission initiatives and economists participate in the deliberations of these committees. When an investigation is started that is likely to produce a recommendation by the staff for a trade regulation rule, an economist is assigned to provide a thorough analysis of the economic issues to help assess the cost effectiveness of the proposed rule. The FTC Act now requires that before a rule is promulgated defining unfair or deceptive acts or practices, a Statement of Basis and Purpose "a statement as to the economic effect of the rule, taking into account the effect on small business and consumers" must be included. Thus, cost-benefit analysis is a central means of ensuring that the FTC responsibly exercise the authority granted to it by the Congress. The use of such analysis to measure the significance of Commission matters from the standpoint of how much money is saved for consumers is obviously a very necessary and useful dimension of effective planning. It goes without saying that saving money for consumers is a worthwhile objective, and the development of more precise cost-benefit techniques to measure this saving is tremendously important.

There are many limitations to this cost-benefit technique. The truth is that cost-benefit analysis tends to emphasize one facet of consumer

welfare--the consumer's economic welfare, as measured by the overall size of the market basket of goods and services he buys and the price he pays for it. While extremely important, this is not, nor should it ever be, the only dimension of consumer protection with which the Commission is concerned. Preoccupation with dollar cost-benefit analysis, with its aura of quantitative precision and economic specificity can lead to the neglect of other goals and objectives that are, at times, as critical to the FTC's mission as dollar-economic benefit. Cost-benefit analysis can guide resource allocation decisions, but it must never become a substitute for human judgment or compassion.

There are several areas of Commission activity which are vital to the consumer but which are not readily susceptible to precise benefit measurement:

--For instance, the Commission must commit a substantial portion of its expertise and imagination to encourage health and safety improvements. All of us know that the use or misuse of a wide variety of consumer products can lead to serious personal injury or can be hazardous to human health. Yet many regulations in the field of health and safety cannot easily be measured by the economic yardsticks.

--Then, too, the Commission must take corrective action against obvious, blatant violations of its statutes, rules, and orders. Public confidence in the business community and in government is undermined when flagrant abuses continue unchecked or consumer complaints are allowed to go unanswered. Many of the violations may involve small ticket items, but the costs to society may add up to a significant amount in both a quantitative and qualitative sense.

--Still other activities of the Commission which do not always lend themselves to quantification are efforts designed to provide consumers accurate product and service information which will enable them to make better, more informed choices in the marketplace. By requiring the substantiation of advertising and truth-in-lending disclosures, for example, the Commission devotes substantial resources to protecting the consumer, knowing full well that the benefits cannot easily be measured. Consumers need this type of protection, and it provides business with a positive incentive to be more honest, open and respectful of consumer sovereignty.

But here is a vitally important area where cost-benefit analysis may provide a misleading yardstick. It is central to the issue of government's proper role in modern American society. It is the matter of protecting special groups of consumers who need--as well as deserve--a stronger helping hand from the government. These are such groups as children, the elderly, the poor and the disadvantaged. Many of these consumers lack buying sophistication, or their access to the marketplace is restricted, or their ability to comparison shop is limited. Frequently, they find it hard to

make informed choices in a free market. In short, they suffer more harshly than anyone else from deceptive advertising and marketing techniques, shoddy goods, or discriminatory credit practices.

Cost-benefit analysis cannot give all the right answers to the problems of protecting these special consumers. Macroeconomic analysis, for example, may indicate the gains and losses to the entire society resulting from particular government regulation, but it will not give an accurate reading of a regulation's impact upon pockets of society that are buried away in the overall statistics. The elderly, the poor, and others who are especially vulnerable may reap a far higher benefit from a government directive than the middle-class consumer who may be able to take care of himself. Then again, the argument can be made that because of the special handicaps of individuals in these groups, the government ought to lean over backward to protect them while being fair to all affected interests. A democratic government that is generous of heart and spirit must be willing to make that kind of commitment to the most disadvantaged members of its society.

Many recent Commission activities have attempted to protect consumers who are particularly vulnerable. The Commission can fulfill its responsibility to consumers in essentially two ways. Traditionally, our mandate has been carried out by the issuance of complaints against companies. Complaints are lodged after an investigation has disclosed a possible violation of the law, and they can result in dismissal or either a consent or a litigated order. More recently, under the Magnuson-Moss Act, Congress has confirmed our authority to issue substantive trade regulation rules which have the force and effect of law and which define specific unfair or deceptive acts or practices. This legislation empowers the Commission to seek in court the return of money for consumers who have been defrauded or otherwise injured by violation of a Commission rule. The Commission can also go to court to get civil penalties of up to \$10,000 per day against companies for each violation of a Commission rule. The trade regulation rule is a powerful enforcement weapon, and the FTC is placing heavy emphasis on rulemaking in the consumer protection area.

For example, the proposed rule permitting price advertising of prescription eyeglasses may stimulate competition in eyeglass sales to the benefit of those who have impaired vision, and especially the elderly consumer who must survive on a fixed income.

A rule is being considered which could have a particular impact on the hearing handicapped, including the elderly. This proposed rule would require a disclosure in every advertisement making a performance claim for a hearing aid that many people with a hearing loss will not receive any significant benefit from a hearing aid. The proposed rule would also give the consumer a 30-day trial period within which to cancel his purchase and get back most of his money if he is unable to use the hearing aid effectively.

In addition to rulemaking activities, there are two other actions which the FTC has recently taken which are particularly important to the

elderly. Some of the stories that have crept out of some nursing homes and into the newspapers have appalled many Americans. The Commission's investigation is not directed toward the general quality of nursing home services--others are looking into that--but toward nursing home practices which may be deceptive or unfair, such as false or misleading representations in the sale of nursing home health care services or contractual disclaimers relieving homes of responsibility for their patient's health, safety, or property. The Commission will also be making inquiries to determine, among other things, whether nursing homes receive kickbacks from their pharmaceuticals or other suppliers or mishandle their patients' money and valuables. Many of these latter types of practices are unacceptable in any context and they are intolerable when they are directed at the elderly.

Equally important to many elderly consumers is the investigation of the impact of state regulations prohibiting dental laboratories from selling finished dentures directly to consumers. Some states require that they be purchased only through dentists, and the question is whether this type of restriction is necessary to the health and safety of the public, and how much the restriction costs the public.

Let us turn now to some of the Commission's actions in areas where low-income and handicapped consumers have been targets of abuse and where, once again, cost-benefit analysis cannot be the touchstone of our decision to take action.

Some of the consumer problems of handicapped individuals stem from the fact that many are confined to their residences due to transportation and physical mobility difficulties. Comparison shopping between competing goods and services is difficult for them, particularly when price and quality information is not readily available through the media or by phone. Those confined to their homes furnish a captive audience for door-to-door salesmen. The record compiled in the FTC proceedings to formulate the Door-to-Door Rule contained evidence of widespread consumer abuses. The numerous complaints of consumers regarding door-to-door salesmen involved the use of deception in getting a foot in the door; high pressure sales tactics; misrepresentation as to the quality, price, or other characteristics of the product; high prices for low-quality merchandise; and the nuisance created by the uninvited visit. Based upon the record of proceedings, the Commission promulgated a rule which permits the buyer in a door-to-door sale to cancel the transaction within three business days without any penalty or obligation. A provision of the rule which is particularly helpful to individuals confined to their residences is that if purchasers cancel, they need not physically return the goods to the seller; instead, they simply make any goods delivered to them available to the seller at their residence.

Another trade regulation rule which is particularly beneficial to individuals confined to their residence deals with the delivery of mail-order merchandise within the stated time, or if no time is stated, within 30 days after the seller receives the order. The seller must notify the buyer of any delay and give the buyer an option to cancel. The

record of the proceedings contained over 10,000 pages of complaints, the overwhelming majority of which dealt with delays in delivery or outright failure to deliver merchandise. Almost half expressed extreme frustration due to the failure of mail-order sellers to responsive?y answer inquiries concerning orders. Mail-order buyers, especially those confined to their residences, are far less able to resolve complaints than those who purchase from local merchants; rather than being able to take their grievance directly to the store representative or manager and explain the difficulty personally, mail-order buyers must deal with a seller who is often hundreds or thousands of miles away.

In addition to these Commission initiatives, the proposed prescription eyeglass rule, the hearing aid rule, and the proposed rules dealing with over-the-counter drugs and vocational schools could have a substantial effect upon the handicapped.

The single most significant action the Commission has taken in recent years on behalf of all consumers, and especially low-income consumers and inner-city residents, was its decision to promulgate the "Holder in Due Course" rule, which became effective last May. Before the rule became final, all consumers were the potential victims of a holder-in-due course, but the old common law doctrine placed a heavier burden on the poor and the disadvantaged. This rule was designed to put equity back into our credit markets by removing the shield behind which many merchants hid beyond the reach of their dissatisfied customers. Naturally some creditors vigorously oppose this rule; they think it imposes too heavy a burden upon them and contravenes traditional concepts in the law. Nonetheless, holder-in-due-course is a relic of a bygone era when a buyer could personally evaluate the integrity and trustworthiness of the seller. Today's marketplace is impersonal, the products are standardized, and buyers frequently have no basis upon which to judge sellers. Centuries of abuse are the legacy of this old English doctrine.

The Commission, in recent years, has invested considerable resources addressing the problem of TV advertising which is being beamed at children. What we know about this type of advertising tends to indicate that young children fail to understand the nature of television commercials and that they tend to trust and believe television advertising indiscriminately. In a word, children have difficulty in distinguishing commercials from programs and tend to want whatever products are advertised on television. Thus the Commission has concluded that television advertising directed at children requires a stricter standard of fairness and accuracy than advertising directed at adults. Among the "children's" cases that have come before the Commission in recent years, several have prompted Commission bans on ads that commercially exploit children, misrepresent a product's capabilities through deceptive film-techniques, contain product endorsements by personalities who have no special competence in the field, or fail to disclose the need for a separate purchase of a toy's component parts. The Commission has also attacked advertising that could induce children to engage in activities that could be dangerous, as in the ad showing a four-year-old child cooking food on the family oven with his parents proudly proclaiming

what a fine rice the child had prepared. In another case, completed early this year, a consent order was taken forbidding a pharmaceutical company from using "Spider Man," a popular TV figure for children to advertise children's vitamins. Children are not sophisticated enough to evaluate their need for vitamins and could even endanger themselves by faithfully carrying out the blandishments of "Spider Man."

Thus the vulnerability of this special group warrants close monitoring of children's advertising. The Commission is directing particular attention to toy and food advertising, which accounts for the vast bulk of all advertising directed to children. In terms of law enforcement tools, the Commission will continue to emphasize a case-by-case approach. The case approach is especially well-suited as a means of developing information about the effects of advertising claims and techniques and in establishing data which enhances our efforts to delineate better enforcement priorities.

The final area is protection of minorities, such as Spanish-speaking consumers who now comprise a sizable and rapidly growing segment of our population. The door-to-door sales rule noted earlier exemplifies our activities which benefit the Spanish-speaking communities. The rule requires that an official sales contract and notice of the right to cancel must be written in the same language that is used in oral presentations about the product. In other words, if a seller persuades the consumer to buy his product with a Spanish sales pitch, he cannot then turn around and slap the buyer with a contract written in English and perhaps foreign to the customer. You can imagine the abuses that can arise from such an environment.

We have indeed traveled far from the day of "caveat emptor" and the "laissez faire" of Adam Smith. The government now regulates many areas of the marketplace where once it feared to tread, and as those regulations accumulate in one area after another, there is a significant danger that we could overburden our society and our economy so that things slowly grind to a halt. To protect ourselves from that end, it is essential that the government always act prudently, cautiously, and with due regard for the consequences of its acts--and for that purpose, tools such as cost-benefit analysis can be invaluable.

Yet, in our desire to make government more scientific and precise, let us not overlook how important it is to have a government that is compassionate toward its weakest citizens. Especially vulnerable groups deserve a measure of generosity that cannot be placed under a microscope or quantified on a chart. America would not be the country we grew up to respect and to love unless it were governed by its heart as well as its head. Abraham Lincoln once said: "To correct the evils, great and small, which spring from want of sympathy and from positive enmity among strangers, is one of the highest functions of civilization."

AN ADVOCATES VIEW

Mr. Martin Lobe1*

The essential question is who is going to make our nation's energy policy: our elected representatives or OPEC and their agents, the international oil companies. We must raise prices to encourage conservation of energy. If we deregulate oil and gas prices, we hand control of our economy to OPEC and the international oil companies. Carter is correct in raising prices through our tax system and recycling the money to the consumers rather than granting windfalls to the international oil companies and OPEC.

President Carter, in his Energy Speech on Wednesday, April 20, 1977 noted that the American people have some very difficult decisions to make regarding the energy situation. He is absolutely correct--we do have important decisions and options to pursue. The issue before us, essentially, is whether our energy policy is going to be made and our energy prices are going to be made, by our elected representatives or by the OPEC Cartel and the international oil companies. I think President Carter is absolutely correct in noting that we must, through our elected representatives and the President, set a national energy policy. His proposal, overall, is not bad. It needs a lot of work; but considering the time frame, it is not bad.

Let us take a look at pricing for a moment for: (1) crude oil, (2) natural gas, (3) coal and (4) alternative fuels. We use tremendous amounts of oil and natural gas in this country, and we waste incredible quantities of it. We have to encourage conservation. You can encourage it either through a large, elaborate bureaucracy or through a pricing scheme. President Carter, I think appropriately chose the pricing scheme so that each individual can make his or her choices of what is important. If we do not set the price of domestic oil, what is going to happen is that OPEC and essentially the Arab members of OPEC will set the price for U.S. oil. In effect, we will grant to a few sheiks, kings, princes, or whatever, the power to determine the amount of capital that will be drawn out of the American economy.

The oil companies have cooperated with the OPEC Cartel because it is to their advantage to do so. The companies are sometimes corrupt, but not often, at least with this Administration. What we see now is the oil companies supporting policing the cartel. Why would they want to do that? Very simply, because the higher the price for OPEC oil, the higher the profits they get from their non-OPEC oil. Oil was very profitable to produce at \$2.50 a barrel, it is now extraordinarily profitable to produce at \$11.28 a barrel. As a matter of fact, a little analysis of

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CitiBank Newsletter's April issue with a report of profits for various industries will indicate that in 1976 the oil companies, the eight defendants in the FTC Antitrust case, earned over 20 per cent of the total profits earned by the largest 1,890 manufacturing companies in the United States. That gives you some idea of their financial capabilities. They are answerable to no one for all practical purposes, except theoretically to the stockholders; but we all know that large international corporations tend to have self-perpetuating boards of directors, except when you have a significant stockholder like the Mellon interest in Gulf. The companies like Conoco are the mini-majors who are going to get hurt, because as the majors grab larger and larger shares of the market, the consumer and what little independent competition exists in the oil industry, will go the way of the Dodo bird.

The question is, should we deregulate the price of oil and natural gas? Let us take a look at what that would mean. If we deregulate the price of oil, that means the price of domestic oil will rise to whatever level OPEC sets for it. If we deregulate the price of natural gas, that means the consumers in the producing states are going to be paying \$4 and \$5 per 1000 cubic feet, up to 2 1/2 to 3 times what they are paying now. Why should that be true? Most of the so-called "Yankees" are buying natural gas over long-term contracts at fixed prices. Most of the gas sold in the producing states is uncontrolled except in all, or almost all, cases by contracts with either six months or one year review provisions. That means that the purchaser will pay the going price. Now if these Yankees come down and want natural gas, they are going to be able to pay four, five, or even six dollars per 1000 cubic feet for natural gas because they are going to roll it into the 50¢ gas they already have. The consumers in the producing states (Texas, Oklahoma, Louisiana) do not have that option of rolling it into cheap gas and they are going to be paying four, five, maybe six dollars per 1000 cubic feet of natural gas--obviously not a satisfactory solution. New Mexico recognizes the problem and has already put a cap on the price of natural gas sold in its state.

Let us take a look at what the President has proposed to do. He has indicated that we are going to keep price controls on domestic crude. Further, we are going to let the price to the consumer rise to the price adjusted for inflation that he is paying overall in 1977. The difference is going to be made up by a tax which is going to be rebated to the consumer, so that even though theoretically, at least if it was an ideal world, everybody would pay out as much as they got back. It would be more expensive to run a 4,000 - 5,000 pound automobile; it would be more expensive to heat your home; it would be economic to insulate your home; and you could use that money for something else. Now the final details of the President's program are not yet set. It is likely, although not certain, that large chunks of that income generated from a tax on oil and natural gas will be rebated to the payroll taxes and to Social Security which are two of the most regressive taxes we impose upon the American public.

There are several deficiencies in the President's program, however. First of all, Alaskan crude, and remember we are talking about one-third of our nation's total reserves, which are owned by Exxon, British Petroleum, and Atlantic Richfield, will be priced at almost \$15 a barrel. That is much too high. Second, there is no justification for \$1.75 price for natural gas. The Federal Power Commission staff, which is not noted to be unfriendly to the natural gas industry, estimated with an 18 per cent rate of return that the nationwide price of gas should be, at most, 62¢ per 1000 cubic feet. So what the President ought to do is cut back that \$1.75 price for natural gas to producers. They will scream they cannot get enough capital, that they are not earning enough. Well, Mobil Oil did not earn enough to invest in new drilling and exploration, but they sure earned enough to buy Montgomery Ward (that is with less than one year's profits) and they have earned enough to put in a bid for one-fourth of Orange County, California.

There is a finite problem about the amount of money you can reinvest. Large amounts of capital, so-called capital requirements of the oil industry, are transfer payments to the Federal Government in the bonus bidding system. These oil companies are required to put out literally hundreds of millions of dollars just for the right to drill on the outer continental shelf. That is wrong. What we ought to do is go to a net profits leasing system as California does, which in effect allows the companies to bid freely without this large barrier to competition. It would return more money to the federal government in the long term; it would not help balance the budget as quickly as the present bidding system does; but it would maintain a much greater control over what goes on.

The President has recognized at long last that we do not have adequate data about the oil and gas industry. He has insisted that we go out and collect that data, under penalty of perjury. I think that is long overdue. All our statistics now, for all practical purposes, come from the American Petroleum Institute and the American Gas Association. They are unaudited, self-serving industry data. We cannot allow this country to run on data from the industry that is supposed to be being regulated. The President has promised to collect that data, and knowing the people he has working for him, I think he will do a very good job of it. Now the oil companies will tell you, "Well, we'll tell the government anything they want!" Yet they go into court when the Federal Trade Commission asks for line-of-business reporting and try to prevent them from getting the data, and the history of data collection from the United States Government has been a disgrace. Ever since 1966, as far as I am aware, we have gone out and said "We're going to collect data," and the industry says, "We'll help you," and nothing has ever been done. Maybe it is bureaucratic inertia, I do not know.

The President has said that we must encourage the conversion of our electric utilities to coal and encourage conservation of electricity. That, also, is long overdue. If we were to prohibit today the consumption of natural gas to generate electricity, we would free 1/7th of the

nation's total supply of natural gas. What we have to do is discourage the consumption of natural gas for electricity and for other non-priority uses. The President's program is not nearly strict enough. It has to be strengthened. It is true that it will take a long time to convert many of these electric generating plants to coal. There are tax incentives in the President's program to do that. However, it is much too long a time frame. It is not nearly stringent enough in terms of forcing the lowest priority consumers of natural gas to switch over to alternative fuel. Rather than paying an equivalent price for natural gas, equivalent to distillates or #4 or #2 heating oil, we ought to be forcing these companies to pay much more for natural gas and we ought to have a flat prohibition against certain uses of natural gas. If we do that, then there will be plenty of natural gas available for required needs--heating homes, baking products, and making fertilizer. If we do that, we free up large quantities of natural gas. What we have done in the past is oversold it. The more natural gas you burn, the lower the price you pay. We cannot afford that. The President has delegated this responsibility to state public utilities commissions who in the past have done nothing except wring their hands.

There has been much ado about this idea of a gasoline tax. I think it a nice symbolic gesture--I do not really think it will have that great an impact on consumption. There is no excuse for paying such a low price for gasoline in the market today. Nor is there any excuse for not moving vigorously to encourage industry competition rather than locking in the status quo as the President's program does. He noted that divestiture is not needed now, but it will be studied and, if it is needed, then the Anti-trust Division will be asked to intervene. I did a quick study a couple of years ago and discovered that Exxon has more attorneys on retainer than are employed by the entire Justice Department. When you talk about big oil versus big government, you are talking about really two junior level government attorneys, maybe a senior level attorney, against some of the top corporate attorneys in the country. The large corporations can inundate you with very high-priced attorneys. Who cares about the cost of attorneys when you are earning 2.8, 2.9 billion dollars per year? I mean that comes out of petty cash!

We represent Consumers Union before the Federal Energy Administration--it appeared that Conoco, Exxon and a couple of other companies got caught with their fingers in the cookie jar and they overcharged, according to the FEA, the American public about 1.3 billion dollars. Either my partner or myself sit in the hearing room with six to sixteen lawyers from the other side, arguing whether they should be forced to pay the money back or receive a retroactive exemption from the rulings. And this is a small proceedings. It has not even gotten to court. So the relative imbalance of any given issue is really great. Divestiture has been studied to extremes and I think everybody who has studied it impartially has concluded it is needed. It is needed now.

So far as the individual consumer is concerned, the President's program now is not yet definite enough to really say, "This is what's going to

happen, this is what's going to happen." All you can say is that you are going to pay a lot more for energy and the public has got to know that if they do not pay this price--if they do not encourage conservation now, we are going to be paying a lot more for a lot less later. The basic question that we must ask ourselves is, "Who do we want to make national energy policies, OPEC and their agents, the international oil companies, or our elected representatives?"

Everybody agrees that conservation is required. How we conserve and who we pay the price to, will depend essentially upon the support the President gets for his program and how Congress reacts. Russell Long has said in effect, "What's good for oil is good for Louisiana, and I'm for what's good for Louisiana." And he is Chairman of the Senate Finance Committee. However, he ought to be concerned about the consumers of Louisiana who make their voices heard. I do not think the 200-odd lobbyists of the oil industry in Washington or the thousands of lawyers they have on retainer will be able to sway the politicians. Politicians all want to get reelected. That is the first and foremost thing, and no matter how much they get in campaign contributions from the oil industry, or from their friends in the oil industry, they are not going to get reelected if the public is outraged at what they do.

It is up to the so-called consumer leaders to educate their constituency. Consumers are going to have to pay more--there is no question about it. The only question is whether it is going to be rebated to the public through the tax system or going to be put into the pockets of OPEC or the oil companies. The decision is up to you. The essential nitty gritty "who does what to whom" is important, but it is far more important that we understand the overall outline of the program and work through Congress to "improve it." You know, the President was absolutely right when he said everybody was going to scream and it all depends on whose ox is being bored who screams the loudest. Consumers are going to have to scream, and scream loudly if they are going to preserve their piece of the pie. The White House now is very sympathetic to the consumer viewpoint, far more sympathetic than any of the three previous administrations. We can work with them if we present reasonable alternatives.

AN INDUSTRY RESPONSE

Mr. Howard Hardesty*

The principles and goals President Carter set forth in his energy message have many favorable aspects. Perhaps most important of all, the President has emphasized that our energy problems are severe and require immediate attention. We must deal with the nation's excessive reliance on foreign oil. But in finding appropriate solutions, we must also balance in an equitable manner the interests of consumers, producers, and environmentalists. It is vital that we deal with these pending decisions through factual discussions and not emotional name calling. Such rhetoric by our critics benefits no one and serves no constructive purpose.

There are three items that come from the President's energy message that have to make all of us feel a little better about the future of this nation. It would be very difficult to find fault with his statement of the ten principles around which he wants to build the program. Certainly government should provide the policy that puts all the effective tools of this country behind a particular program to better serve all of us. Certainly we want economic growth. We need to protect the environment. Conservation is an absolute essential. All of the sacrifices must be fair, must be shared by everyone in accordance with their ability to share. We need to shift toward goals and we certainly need to be thinking about the new resources that will come to our rescue; ones we do not even know about yet can provide the energy for the 21st century. We cannot quibble with his goals--2 per cent increase in energy demand or less, as compared with a 5 and 6 per cent that we have experienced in the past decade, gasoline consumption down 10 per cent, 50 per cent less imports, a strategic reserve, two-thirds more coal production by 1985, insulation of 90 per cent of the homes and a turn as quickly as we can to solar energy. These are good, and I think in addition to spelling out these principles and setting these goals, he has also done something else. Through the leadership that he has provided and through the strength of his office, there should be very few people in this country that question that our energy problems are severe, they need our immediate attention, and we must move forward toward their resolution. When you begin to get down to specifics, then you get into the real heart of the matter. This is going to be the most difficult challenge, because as you serve the environment, as you serve the consumer, as you try to assist the producer, you obviously are having pressures coming one against the other. I think if there is a concern in what some of the detail I have seen so far it is that we are really looking too long term and are less concerned about the next four or five years.

When we are talking about a new coal station of 1000 megawatts or 2000 megawatts, we are talking about eight years of construction time. We

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are talking about the installation of a technology of scrubbing devices not yet perfected. So we are looking in that phase of the program at something that is at least six to eight years. When we turn to synthetics, we are talking about long lead times, too.

We have a problem right now of bridging the gap and we have got a sickness that needs attending right now, and that is our heavy reliance on foreign oil, in excess of eight million barrels a day in the last month. An adverse dream, balance of payments of over \$35 billion a year, and there is nothing that I have seen yet in this program (Carter's Energy Program) that begins to change this very quickly. This may be where his leadership has to call upon us to voluntarily say, "Yes, the problem is real, and yes, there are ways that we can so conduct ourselves to make a contribution as we gear up to a different future and a future which helps us burn all of our sources of energy in a more efficient and effective way."

The energy problem is serious and deep, and it deserves more than emotionalism. It deserves a consideration of the facts and how best they lead us to the interests of this country. For instance, I have heard little earlier about the sheiks and the kings who control our destiny in cooperation with the international oil companies. I have heard that Conoco has its finger in the cookie jar. I have heard that the oil companies were not answerable to anyone. Let us get a little more specific instead of trying to emotionally turn somebody against an industry or against a company.

Canada has posed us our greatest problem. We not only have a three month embargo, we have got a total embargo on oil coming down from Canada. That does not help us with three border-line refineries that have depended upon Canadian oil in the past. We are going through all sorts of problems and we have not seen them lower prices. They were the first people who really began to lay it on heavy with oil crossing the border.

Venezuela was the one that started the first real true increases in price. In 1969 when oil was at \$2.75 our margins in our two principal countries were roughly 20-25¢ per barrel. They were returning us our capital in fourteen years, and that is no great bonanza! Now that the price has risen to \$11.73-\$13.75, our margins still stand at the 20 per cent range. This take has not gone to us! It has gone to the producing countries and this is true across the board whether you take Norway, the United Kingdom, or the United States. So keep these facts in perspective. This has not been some sort of a windfall to us. Sure, when they doubled these prices it looked like it was, but we had to stay in business, so if we made \$11.75 per barrel, we had to go out the next day and put it back in our terminal so as to keep the refinery going, and we spent every bit of that.

Now, "Conoco got its finger in the cookie jar." Does that really help a national debate on important policies? If you think that abiding by rules and regulations issued sometimes sixty and ninety days after you

make a decision is an easy thing to do, it is not. We went to the FEA with the problem, they did not come to us, and we said "Here, we interpreted, based upon conversations with you, one way; you have written your regulations and we see from your forms we were wrong, how do we work this out?" I think that has the interest of our shareholders, yes, our employees, yes, and our consumers. But no one flushed us out on that.

Now we are answerable to someone. We are answerable to a lot of people. We are answerable to our employees to provide them with safe and adequate jobs that have continuity and at levels that are representative of what they need to live and to perform their functions. We are responsible to consumers, the utility companies, the people who come into our service stations, who buy our products. So there are a lot of areas where we come in touch with a day-to-day basis with people.

We are moving forward today under the leadership of President Carter to come to grips with a policy which, he says, if not resolved in the near future, can lead to a catastrophe. No energy policy will move through Congress, will be finally accepted by the people, unless the incident and the burden of increased energy costs are borne fairly by all. Sure it would be nice in some areas to have prices move up to provide cash flows that are necessary to help bridge the gap. But if the public were to perceive the efforts at this time for a new policy as they flow in only to the oil companies, there would be no policy. If the producers were to perceive that they have no incentive for the future and that everything was surrounding the protection of the consumer, we would have no policy. If the environmentalist notes that the world of the future is one that is unspoiled by man, as much as all of us would like it that way, without being willing to engage in an honest interchange of how we can get the job done and serve both goals, there will not be an energy policy. Whatever we bring to the format of American public opinion as we go about our jobs, all of us from our different backgrounds and interests should recognize that the problem is great, it is serious and we should attempt to blend together those abilities that we possess that will really serve America in the long term.

CONSUMER RIGHTS OF THE DISABLED

Dr. Lilly Bruck*

Disabled Americans, 36 million of them, are the largest minority in the United States. They are now emerging as the "next minority," fighting for equality as citizens. In this context, the word "consumers" connotes militant, activist consumers of services provided by agencies who, traditionally, did not include disabled citizens in decisions affecting their lives. People with disabilities are handicapped by environmental and attitudinal barriers in society. The law now makes it mandatory that there be no discrimination against disabled individuals solely because of their handicap, in any project involving Federal funds.

There has recently been an explosion of news about a group of people about whom society has kept remarkably quiet for decades and centuries. This group of Americans, 36 million of them, are the largest minority in the country--the handicapped. Medical and technological advances not only keep those alive who previously would not have survived serious accidents or illnesses; electric wheelchairs, computers that translate print into sound, skills in rehabilitation make it possible for citizens with disabilities to join the mainstream.

This minority is by no means a closed society. The able-bodied should never think of the disabled as "they." While we would not change the color of our skins or the places of our birth, accidents or illness can make any one of us a member of this largest minority. Diving, skiing, automobile accidents can paralyze in split seconds; illness and geriatric disabilities swell the ranks of disabled Americans day by day.

The handicapped are becoming more assertive. The following is a quote from the Newsletter of the American Coalition of Citizens with Disabilities:

Confrontation on 504. The words are bold and starkly simple: "no otherwise qualified handicapped individual in the United States shall, solely by reason of his handicap, be excluded from participation in, be denied the benefits of, or be subject to discrimination under any program or activity receiving federal financial assistance." Section 504 of the Rehabilitation Act of 1973, as amended in 1974, offers in these brief clauses the most comprehensive civil rights protection ever extended to America's estimated 36 million disabled citizens. The words are law and have been since 1973. Without implementation, however, they are mere expressions of policy. Regulations interpreting the language of Section 504 and providing guidelines for compliance and enforcement are urgently needed for the promise to become reality

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for the hundreds of thousands of disabled people annually seeking assistance in federally funded programs and activities.**

Section 501 of the Act refers to Civil Service employment, Section 502 concerns compliance with architectural barriers, and 503 establishes rules for affirmative action for employers working with government contracts.

The word "consumer" as we use it, is defined more narrowly by the disabled community. "Consumer organizations," such as the quoted Coalition of Citizens with Disabilities, represent consumers of services provided by M.S., U.C.P., Lighthouse and others. In this context, the word consumer stands for self-help, independence and a good measure of militancy. But then, is not our brand of consumerism also a militant approach to consumer protection, and is not consumer education instruction for self-defense in the market maze?

Disability and handicapped must be defined. "Disability" is a physical limitation, an impairment in vision, hearing, mobility; an organic, nervous or mental disorder. The "handicap" is created by environmental or attitudinal barriers which exclude people with disabilities from full participation in society. Many of the attitudinal barriers are due more to ignorance than thoughtlessness. The current emphasis in media coverage may contribute to improving the situation and the White House Conference on Handicapped Individuals, in Washington, will put a spotlight on the problems of the handicapped.

In 1973, a booklet, Consumer Advice for the Handicapped, was published by the New York City Department of Consumer Affairs. It addressed itself to the purchase and rental of goods and services for special needs--wheelchairs, canes, hearing aids--and gave some other pertinent advice about available resources. For the consumer needs for their non-disabled selves, we inserted a companion piece, our regular Do's and Don'ts for Consumers. The publication was a success. It was still distributed free--then New York City could afford the luxury--and orders came in from all over the country. Had not anybody thought of the handicapped as consumers?

The current version is different. The title has been changed from "Advice" (how condescending) for the "Handicapped" (Who handicaps them? We have met the enemy and he is us.) to Consumer Rights for Disabled Citizens.

**One week after this paper was delivered, on April 28, 1977, Secretary of HEW, Joseph Califano signed regulations implementing Section 504 of the Rehabilitation Act into law, responding to nation wide demonstrations and sit-ins by people with disabilities. "The time for discrimination against the handicapped is over in the United States," declared President Jimmy Carter in his opening address to the First White House Conference on Handicapped Individuals, on May 23, 1977.

The major problems of the handicapped are income, education, employment, housing and transportation. These are areas where government must and does assist. Examples are Disability benefits, SSI, Veterans benefits, Vocational Rehabilitation, Education of all Handicapped Children, Affirmative Action, and Tax benefits for reconstruction of premises. However, in business, there is no government subsidy to enforce compliance with regulations. Only the pressure of public opinion and the demands of disabled consumers will achieve results.

In the introduction, the book claims that we need a

DISABLED CONSUMERS BILL OF RIGHTS

the right to Access for the mobility impaired;
the right to Information for the visually impaired;
the right to Communication for the hearing impaired;
the right to Consideration for the mentally impaired.

How can a person shop if he cannot even get into the store? Why should a blind shopper be deprived of savings from store coupons? A deaf consumer does not even get the benefit of radio and TV commercials. Much as we may sneer at them they do inform the hearer about sales, bargains and new products. When it comes to credit, do you think that a person with communication problems gets fair consideration?

In preparation for the book for the handicapped; we sent questionnaires to airlines, banks, food markets and department stores in New York City. We asked concrete questions about width of entrances, aisles, rest rooms, information, communication, staff training, special accommodations and services. The responses were sparse. Even among those who responded, not too many services were listed. No special staff training was reported. Only the airlines are advanced in service to handicapped passengers and in special staff training to be sensitive to the needs of disabled travelers and to accommodate them. This attitude of the airlines may be due to competition, or maybe even more due to public pressure. Not so long ago, disabled airline passengers were subjected to humiliating conditions, having to provide doctor's certificates even when traveling as delegates to professional conventions, having to travel with an aid, or even being refused passage altogether. Several lawsuits by handicapped activists and regulations by the F.A.A.--and federal money in airport reconstructions--brought about improvements.

The poorest responders were the banks. In the entire country, I believe only Chemical Bank provides statements in Braille. This shows a lack of demand, or lack of knowledge among disabled clients that they could and should demand!

The response to the publication is unbelievable. It is no longer free, yet orders come in from every state of the Union and beyond. The "Talking Book," produced by the Library of Congress, Division for the Blind and Physically Disabled, is currently being distributed.

It is our duty, as consumerists, to advocate disabled consumers' rights in the market place. Our task is twofold: we have to make demands from

business and offer assertiveness training to disabled consumers. We should start in the schools. As educators, you are familiar with the "Education for all Handicapped Children" Act--and its problems of implementation. How do handicapped children see themselves in their roles as consumers? Do special education teachers include consumer education? Are physically handicapped children even slightly familiar with the concepts of budgeting, evaluating advertising, shopping, or are they too infantilized by their surroundings to ever have spent one dollar on their own?

ABSTRACT*

ECONOMICS OF MEDICAL EXPENSE INSURANCE

Dr. Sylvia Lane**

Individual purchasers of health insurance are disadvantaged when compared with members of group plans. The individual consumer lacks information concerning many aspects of his medical insurance needs. He is confronted with numerous types of policies, yet impartial price information for these policies is not readily available.

Often individual consumers lack, or think they lack, the competence to understand policy provisions. Usually, they do not know their risk class. Such imperfect information results in higher prices because of their reduced bargaining power with insurers. The higher rates paid by individuals may be subsidizing group members who have a marked advantage when purchasing medical expense insurance since they are represented by knowledgeable bargaining agents. Group representatives may negotiate contract prices close to marginal cost, leaving fixed costs to be borne by less astute bargainers, perhaps the individual policyholders.

State regulatory commissions only protect consumers against fraud and insurer bankruptcy, not against imperfect information or inequitable pricing. State regulatory agencies make no attempt to control costs or prices. Research is necessary to determine the direction and amount of subsidies group members may be receiving from individual policyholders if regulatory commissions are to approve equitable premiums for the health insurance market.

*The full text of this paper will appear in a future issue of The Journal of Consumer Affairs.

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