

AN INTEGRATED APPROACH TO CONSUMER EDUCATION PROGRAMMING

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In 1977, the Ontario government decided to establish a Consumer Information Centre. That unique multi-service centre functions to make consumer information more accessible to the public and to assist both consumer educators and Ministry staff. The report of the effort to establish the extensive combination of services and programs as a single operational unit may be of assistance to others in the field of consumer education.

Those in the field of consumer education programming operate under the aegis of a diverse range of agencies -- government (at both provincial/state and national levels), universities, community information, and social services. In 1977, the Ontario Government decided to establish a full-service program.

For the new integrated program several services were felt to be essential, based on past requests for service, the observations of ministry staff, and some research. These services were a resource collection of consumer education learning materials, a centralized public inquiry service, consultative assistance, and projects to develop innovative consumer education programming, together with the development and presentation of workshops. It required almost twelve months to establish this extensive combination of services and programs as a single operational unit.

The results of our efforts to date, in developing what may be a unique multi-service centre, may be of assistance to others in the field of consumer education, both those who are contemplating the development of a resource centre in the near future, as well as those with well-established, mature programs. Since many existing consumer education centres across the continent service one or two distinct clientele groups, this paper outlines one possible model for an integrated consumer education and consumer information program. Certain strategies, as outlined here, can support an expanded range of services and/or reach additional target groups, while still maintaining a high calibre of service.

Background

Since its creation in 1972, the Ontario Ministry of Consumer and Commercial Relations has been involved in consumer education programming. In the past, requests for service were received principally from consumer education teachers, and these needs were met by public information pamphlets and occasional presentations to school classes and community groups. Through project funding, research was undertaken to identify consumer education needs in northwestern Ontario, and as a result, a teaching kit for grades nine and ten was developed.

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In November, 1975, the report on the implementation of the new Business Practices Act recommended that a Consumer Information Centre be established. With this impetus, funds were set aside for the establishment of a Centre. In the spring of 1977, at the opening of the government legislature, the throne speech stated that the Ministry of Consumer and Commercial Relations would undertake a major educational program including "the establishment of a consumer education resource centre". This was the final authorization required to proceed with the development and establishment of the Centre. In February, 1978, the Centre was officially opened and we began the first year (one of collecting data (5), establishing contacts, and gathering information).

Objectives

The function of the Consumer Information Centre is to make consumer information more accessible to the public, and to assist both consumer educators and Ministry staff. The specific objectives of each of the functional areas are stated separately.

Public Inquiry Service. This bilingual service seeks to improve the information skills of consumers by advising them of their rights and responsibilities, especially as related to Ministry legislation.

Library Services. The library service exists to encourage community information services, community educators, and ministry staff to utilize consumer and corporate affairs resource materials appropriate to their individual needs.

Consumer Education Outreach. This educational program seeks to promote a preventative (self-help) approach to consumer education via service, development, and special projects. Assistance is provided to consumer educators including teachers, social workers, family counsellors, information specialists, and adult educators.

On a long-term basis, the Centre will continue to act as a catalyst to develop community programs which may be operated by community leaders on an on-going basis, and to act as a resource to public libraries and community information centres. For this reason, there will never need to be a chain of centres through the province. The community information networks and adult education resource people are already in place.

Program Description

It should be noted that the following description of program delivery relates to a program that is still evolving. It is expected that target groups and project emphasis will change in the next few years. However, existing strategies for prioritization, co-operative projects with educational multipliers, and the team approach, will continue to be incorporated into the program as it matures.

Such flexibility is a key factor in the responsive nature of the program.

Integrated Organization

The Consumer Information Centre is part of the central support services of the Ministry. It, therefore, has a mandate to deal with topics and inquiries concerning all facets of the Ministry's programs, such as insurance, consumer protection, incorporations, and property rights. In addition, the decision-making process is considerably accelerated because the number of senior levels of management are minimized.

Implications

1. This comprehensive approach to consumer issues is important when dealing with consumers or community and social service agencies whose concerns are not governed by organizational boundaries.
2. The Centre is able to react speedily to short term funds that may become available for projects because of minimal decision making levels.
3. At the same time, this proximity to senior management requires that the Centre be highly accountable for its actions. The fact that additional staffing dollars were made available when the workload required it indicates, to some extent, the credibility the Centre has established.

The News and Information Section of the Communication Services Branch provides the Centre with media and editorial specialists, as well as production assistance. Their interest in the Centre's operations has provided the inexpensive publicity and organized media events that are essential to any public service.

Implications

1. The fact that the public inquiry service was utilized by nearly 45,000 consumers in its first year of operation is one indicator of the effectiveness of the publicity program.
2. Visibility brings with it both strengths (a well utilized Centre, both in human and material resources) and weaknesses (scheduled, attention-grabbing 'events' may have minimal intrinsic value). It is important that staff understand the long-term goals of such activities.

The consumer information services are fully integrated in that library services, the consumer education outreach program, and the bilingual public inquiry program are all offered from within the Centre. This allows for maximum use of the team approach.

Integrated Human Resources

Centre staff often work as a team on specific projects, e.g., compilation of bibliographies

and development of content for workshop programs. It may also involve some job rotation. In addition, Ministry specialists often participate as resource personnel in consumer education workshops across the province. When workshops or seminars are conducted in a community, local resource people are always included, such as Better Business Bureau or Chamber of Commerce staff, Northern Affairs Officers from the provincial government, and federal consumer services staff.

Implications

1. This strategy reflects the consumer point of view: Often the jurisdictional responsibilities for consumer matters are not understood by the consumer, and much time is spent locating the right agency to solve a particular problem. Centre workshops which focus on the variety of consumer protection agencies which the consumer may call upon to assist community professionals and para-professionals in referring local problems to the appropriate agency for resolution.
2. The effectiveness of an integrated staffing situation has been particularly significant when we face a staffing crisis. Telephone lines have to be manned and all consumer inquiries require a response within a few days. The flexibility of the team approach has proved itself whenever a manpower crisis has developed and additional staff from other areas have to assist temporarily. In addition, the existence of a program plan assures that, as soon as the crisis is dealt with, established priorities receive renewed attention.
3. The multi-role demands of a public information service and an educational program may result in lesser priority to the more controllable workload area -- the educational program.
4. Job rotation is not possible in all cases. Because of the staff's specialized skills, e.g., library science, it is not possible for all areas to exchange skills.

Integrated Services

The Consumer Information Centre offers a "one-window" approach. A consumer visiting the Centre to pick up pamphlet information may also be teaching consumer studies and can turn to the consumer education staff for consultative assistance. Similarly, someone visiting the Ministry to incorporate a business, may be interested personally in consumer information. The one consumer service that is not within the Centre system is complaint handling. All complaints related to Ministry legislation are referred to the appropriate branch. Centre staff take no part in resolving complaints -- understandably so, since the Ministry is responsible for over seventy pieces of legislation. Because many visitors to the Centre utilize more than one service, the workload has increased. In addition, users often tell others of the variety of services available and this produces a ripple effect.

Implications

1. Faced with an uncontrollable workload, Centre staff have established priorities for handling requests for service. First, the Centre is focusing its attention on the needs of disadvantaged consumers, i.e., those with limited reading and writing abilities, senior citizens, new Canadians, low income groups, northern consumers, and the handicapped. A recent survey (4) of Ontario consumers confirms that low-income groups are especially concerned about consumer issues, know little about where to get appropriate information, and support government sponsored consumer education. As a result, the Ministry has identified disadvantaged consumers as a key group to whom projects and services should be directed. Research indicates (2) that we are reaching the literate and affluent consumer. Fortunately, most of the Ministry's free publications are geared to the interests of this group and are widely used. This ensures that the Centre can concentrate its developmental resources on the needs of disadvantaged consumers.
2. Secondly, the outreach program is directed at reaching educational multipliers, i.e., teachers, community leaders, social workers, and family counsellors -- those who are in a position to work with consumers at the community level. These people are known in their community (1), know their community problems, and are therefore best able to implement consumer education programs.
3. Requests for service from consumer educators in the high school and elementary school systems are handled as resources permit, after ensuring that first priority demands are met. Displays at annual conferences, and "show and tell" presentations have tended to be eliminated. There are staff elsewhere in the Ministry who speak to student and community groups on specific legislation and programs. Centre staff travel anywhere in the province (412,582 square miles) to present workshops or participate in panels, for those requests that can be accommodated.
4. Requests are screened so that no workshop is conducted for fewer than 15 registrants. This ensures that for the time and effort (not to mention the cost) expended by staff, a reasonable number of people benefit.
5. Because of clear cut priorities, it is possible to provide some level of service to a variety of groups, while directing project initiatives to meet the needs of certain key groups. It also improves credibility, in that refusal of service is tied to established priorities.
6. The Centre acts as a backup resource to community information centres across the province. It sends regular mailings of new informational materials and visits local centres to alert them to services of special interest. In this way, it avoids fragmentation of information systems (3), and minimizes duplication of effort.

Integrated Resource Collection

The resource materials of the Centre -- sound filmstrips, video tapes, research reports and laymen's guides -- are all shelved according to subject. Similarly, whether the material is designed for use by a group leader, student, researcher, teacher, or a consumer, all materials are integrated by subject. Provided that material is in the public domain and presents its case objectively, materials produced by government, business, and education are all included.

Implications

1. This arrangement permits identification of areas of overlap and gaps in consumer information materials.
2. It also assists the user to broaden the range of materials with which they work, whether it be a change of format or a change of level of difficulty in the material.
3. From a programming point of view, many resource materials are identified by the publisher for a very narrow audience, when in fact they have a much wider usage. For instance, a bingo game designed to teach elementary school children about clothing care labels is equally successful when used with new Canadians. In the same manner, counsellors of mentally handicapped adults were pleased to find a resource that presented the skills involved in writing a cheque in a very basic, step by step, manner. That particular resource was designed as a third grade mathematics unit. By far the largest area for expanding the target audience occurs with high school materials, many of which are readily usable with adult consumer groups. Animated characters and/or animals are particularly suitable illustrations to eliminate age specific or racial bias.

Integrated Projects

The integrated approach is constantly applied when developing consumer education projects. It reflects overall Centre goals. On occasion we have worked with other levels of government involved in consumer protection to produce resource materials.

Implications

1. One learning activity such as buying a chesterfield, identifies up to six pieces of legislation that may be involved in what the consumer perceives as a single transaction. Similarly, we try to work with a variety of agencies such as community colleges, universities, and professional associations, to develop resource materials.
2. Consumer studies students receive an opportunity to participate at a professional level and to gain increased understanding of career opportunities.
3. The interdisciplinary approach has proved effective in bringing together professionals from complementary fields, such as consumer

studies specialists and rehabilitation counsellors.

4. The simplest benefit of such an undertaking, is the cost sharing and use of shared manpower.
5. On another level, the co-operative role strengthens the Centre's role as a resource originator rather than as an implementor of ongoing programs, although at the expense of total project control. Additional benefits for participants are that they expand their professional contacts and establish links with agencies in related areas.

Conclusion

Dedicated and innovative staff are crucial in any success that the Centre has achieved to date. Nearly all staff started with the knowledge that programs and procedures were in the planning stages. All have a level of commitment that is far beyond that required of them. Their time (plus overtime) and effort have taken the Centre much further in its program development than was anticipated for the first year.

It is expected that the Centre's program priorities may alter in scope as the program continues to evolve. This built-in flexibility is an important characteristic of the program plan. However, the past year has confirmed that an integrated approach to consumer education programming can be very effective; this approach will be maintained in the future. The interrelated functional units of both program and staff continue to evolve and expand the scope of their roles.

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EDUCATION OF THE CONSUMER:
CAN THE PAST PREDICT THE FUTURE?

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Consumer education is at a stage of development which necessitates a closer look at the past in order to avoid the repetition of mistakes and to continue to build more effective programs. This paper reports an extensive historically-based survey of literature on the consumer movement, consumer education, and economic education. The areas' response to various stimuli, factors, and conditions were examined and interrelationships explored. The survey revealed several recurring or unsolved issues which reflected ever changing patterns in the interrelationships of the consumer movement, consumer education, and economic education. The results may be grouped broadly into nine issues: 1) orientation and approach, 2) content and definition, 3) placement of concepts in the curriculum, 4) mandates and directives, 5) quality of student materials, 6) teacher preparation, 7) network for communication, 8) special needs, and 9) new directions. The research results are intended for use by graduate students in the following areas: teachers of consumer and economic education; materials producers; education administrators; and other policymakers, including government, community and consumer leaders.

Consumer education frequently exists as a field of study, but it is by no means a concrete and well-defined subject. Programs for the preparation of professional consumer educators are unrefined in concept and lack unity in curricula. Leaders enter from any number of root disciplines, bringing their own viewpoints and orientations. This diversity is invaluable in shaping the present and future of the field.

At the kindergarten through twelfth grade level (K-12), consumer education has functioned as a "foster child" to several subject areas (primarily homemaking, business education, and social studies), being eagerly embraced when supporting funds are available and as readily ignored when funding is less available or scarce resources are needed to sustain basic program components. Homemaking education, the earliest and most constant domicile of K-12 consumer education, is often criticized for its narrow perspective and for reaching only a select segment of the school population has consistently received training in consumer education, while the broader school population frequently has not received consumer education from the subject areas which claim to serve it.

For purposes of discussion, consumer education will be examined as it exists at the K-12 level. Consumer education is defined as instruction to: prepare persons for participation in the marketplace or in situations involving the use of public or private resources by imparting the understandings, attitudes, and skills which will enable them to make rational and intelligent consumer decisions in light of their

personal values, their recognition of marketplace alternatives, and social, economic, and ecological considerations.

Consumer education is a part of, and is influenced by, the educational philosophies and trends in this country. Frequently, consumer education is compared to economic education in purpose, content, and treatment of issues. Economic education will also be examined at the K-12 level and is defined as instruction in: the facts, concepts, principles, theories, issues and problems of economics. It should provide the student with an objective, non-political set of analytical tools which can be applied to current economic issues both at a personal and a societal level.

Consumer education is also an integral and inseparable part of the consumer movement, which is defined here to encompass the totality of organizations, institutions, regulations, activities, and viewpoints directed at improving consumer welfare. The consumer movement is broader than, and has societal implications beyond, consumer or economic education at the K-12 level.

In our research we traced the development of K-12 consumer education and of the two closely related areas of the consumer movement and economic education. The three areas' response to various stimuli, factors and conditions are examined and interrelationships are explored. Successes and failures in each area are analyzed for possible application to needs assessment for the future.

Historical Framework

The interrelationship of consumer education with the consumer movement and with economic education can be understood more readily by an examination of historical conditions and developments.

During the last half of the nineteenth century the United States experienced rapid growth and industrial development. Population doubled and began to shift from rural to urban areas. With greater concentration of the labor force, industrial output and employment increased five fold. Construction and restoration of the nation's railroad network allowed manufacturers to serve and to influence national markets. National advertising, relying heavily on brand trademarking, was a natural outgrowth of these marketing opportunities.

The early years of the twentieth century were characterized by relative comfort and optimism. At the same time, rising prices coupled with fixed incomes served as an impetus for the growth of the labor movement. Largely through union efforts to increase wages, real incomes increased for large segments of the population, although

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not for persons existing on fixed incomes. The World War was a major concern during this period, and occupied the minds of most Americans to the exclusion of consumer or education issues.

Prices continued to rise in the early 1920's and, while real incomes remained relatively constant for those in the labor and agricultural sector, other earners experienced real income declines. The early part of the decade was heavily dominated by thoughts of product scarcity and post-war economic adjustment. This preceded the economic crash of the last years of the decade.

During the Depression of the 1930's, consumer prices declined but, more importantly, real income suffered as a result of wage reductions or lost jobs. Unemployment rates were disastrously high. Consumer attention shifted from post-war spending to the need to economize or do without. The economic system became suspect as the depression period lingered.

World War II and the early post-war recovery dominated all activity in the 1940's. Because of the necessity for wartime production, consumer and household products were extremely scarce--even during the early recovery period.

With the advent of the space program, and specifically with the success of Russia's Sputnik in 1957, consumer efforts toward improvement of the consumption environment were eclipsed by the national concern for our country's competitive position in the space race. When the nation realized that it did not have a work force trained to cope with advanced space technology, it instituted drastic shifts in educational program funding. Mathematics and the hard sciences were selected as the targets for special study and funding emphasis.

The apparently unlimited supply of energy and other natural resources encouraged manufacturers to focus on planned product obsolescence. Consumption was a dominant and pervasive goal, with little regard for the consequences.

Prices of consumer goods rose somewhat following the Korean conflict, but supplies were limited. By the 1960's, production of consumer goods was adequate to meet demand, and consumer concern shifted to marketplace inequities.

The compulsion toward consumption, which had prevailed during the periods of scarcity, also underwent a change. Consumption for its own sake was repudiated by the youth counter-cultures which emerged during the 1960's. The communes, with their aim at self-sufficiency and home production, may have involved only a few people; but, at base, the attitudes behind them were and are shared in milder form by millions.

The philosophy exemplified by the "back to nature" groups was intensified by a related struggle for public esteem between "production and progress," on the one hand, and environmentalism and the simpler life, on the other.

Prices continued their rapid increases into the 1970's. Consumers are faced with double-digit

inflation, complicated by high levels of unemployment. This period has been characterized by unexpected scarcities of consumer products, from sugar to fossil fuels, and by a growing awareness of the ecological consequences of uncontrolled consumption.

Consumer Movement

The consumer movement developed during three recent periods: 1900 to World War I, 1920 through 1940, and the period of time since 1960. Each period was characterized by rapid social change and economic problems; each led to journalistic efforts to arouse the public's belief in conditions; and each grew out of the Industrial Revolution of the late 1800's, and was expressed in a series of regulations in the early 1900's. Following a decline in activity during World War I, the second period of the movement concentrated its attention on an anti-advertising campaign which advocated scientific product testing. World War II, and later the space race, temporarily eclipsed the consumer movement in the 1940's and 1950's, but a new wave of consumer activity emerged in the 1960's.

In the 1960's and 1970's the consumer movement shifted its emphasis from local involvement to federal regulation--the movement as a whole gives scant recognition to the role of education and local government. The activity of this most recent period was initiated by and is best described by the four consumer rights proclaimed by President Kennedy: the right to safety, the right to be heard, the right to know, and the right to choose.

Consumer Education

The fifth consumer right, later heralded by Presidents Nixon and Ford, was the right to consumer education. Inherent in this right is a recognition that consumers must be trained to take advantage of the first four rights, that an uneducated consumer can neither express concerns clearly and effectively, nor use information wisely to make choices among products and services that s/he must purchase.

Consumer education K-12, begun early in this century as an approach or philosophy in domestic science programs, later developed as a topic within the homemaking programs; but it did not spread beyond that subject area to any significant degree until the 1930's. Consumer topics were later included in business education, science, mathematics, and social studies courses. Consumer education during the 1930's is best characterized by an anti-advertising, anti-business sentiment, and an emphasis on "frugality." By the end of the 1930's, businesses began cooperating with and funding consumer education efforts.

During World War II, other efforts overrode attempts to educate the consumer. In the 1950's, consumer educators continued to organize, particularly at the college level, but K-12 program offerings did not noticeably increase or re-direct. The 1960's saw a slow resurgence of interest in consumer education, as evidenced by Part F of the Vocational Education Amendments of 1969. Part F served as a vehicle for federal involvement in,

and funding of, programs, not only through funding of state education efforts, but through support for program related studies. The first state requirement of consumer education for all students was instituted for K-12 programs in the 1960's. Such requirements became more common and the mandating of K-12 consumer education has increased in the 1970's, although there has been little similarity of purpose.

Major problems which continuously face consumer education in the twentieth century are: the inadequacy of teacher preparation; the uneven coverage generated by haphazard placement of content within the curriculum; and the scarcity of comprehensive, objective, and up-to-date teaching materials amidst the proliferation of materials available.

Economic Education

Economic education was established early as part of the college curricula in this country and was available in secondary programs before the turn of the century. Although consumption and exchange were discussed as necessary topics in economic education at that time, the consumption approach was not widely integrated into secondary and junior college courses until the 1930's. Cooperation between consumer and economic educators was quite strong during that decade. After World War II, economics shifted from its consumer orientation. Economic education flourished in the 1950's and early 1960's, both as a reaction to the threat of communism, which was a predominant concern of Americans at that time, and as a response to a recognition of the increasing complexity and urgency of economic issues. Economic education has traditionally been less activist-oriented. Seemingly co-opted by business interests, economic education's moves toward reality have been in relation to the business community rather than the larger society.

Curriculum development was a major focus of the 1960's, and economic education was extended to the elementary level. The 1970's introduced a variety of state mandates for economic education at the public school level, although the means for achievement were even more vague than for consumer education.

It is probable that as a result of developmental activities in the 1960's, economic educators today concur to a high degree on subject content; and quality teaching/learning materials are now available for instruction. However, the inadequacy of teacher preparation in economics is still a deterrent to widespread economics education. Generally, requirements for teacher certification include little or no economics. As a result, teacher preparation is one of the most pressing tasks faced by the economic education field.

The alternating dominance of theoretical economic education and more utilitarian consumer education have closely followed the pendulum swings of the curricula as a whole. Thus, the 1920's and 1930's were the zenith of the Progressive Education movement. Emphasis among virtually all curriculum workers was a direct application to real-life problems--and consequently consumer education boomed. This trend ended with the United States Office of Education's

(USOE) ill-fated Life Adjustment program, which encouraged almost nothing but the utilitarian approach. Then, opening with a barrage of criticism of alleged anti-intellectualism, came the great drive for "excellence," which culminated about 1963. It was the heyday of the "pure" disciplines, glorifying theoretical refinement and scorning direct applicability to real life. Thus economic education and other discipline-oriented subjects reigned supreme. In the mid 1960's there was renewed thought for the needs of school drop-out and the less academically-inclined. "Relevance" became the battle cry--and consumer education again entered a round of development. In the 1970's economic education demonstrated its first initiative in seeking to form a linkage between economic education and consumer education.

Comparison of Consumer Education with Consumer Movement and Economic Education

Consumer education has, at various times in the present century, moved closer to either the consumer movement or to economic education. Likewise, these fields occasionally incorporate aspects of consumer education into their own programs.

Consumer education appears to have shared the consumer movements' philosophy most closely during the anti-advertising period of the 1930's. Presently the two fields are converging at the federal level as regulatory and advocacy agencies recognize the important role consumer education plays in consumer protection. Additionally, the Sentry Insurance study revealed that consumers support the need for consumer education as well as consumer protection.

Despite these instances of shared viewpoint, consumer education and the movement have generally proceeded on separate paths in their attempts to improve consumer welfare. Education and regulation, while compatible activities, are not often combined.

Consumer education and economic education have, at several times, appeared to be moving toward greater coordination and cooperation. Consumer education appears to incorporate economic concepts when "theory" is prevalent. Economic education has increasingly recognized the role of consumption, but tends to emphasize consumption aspects during periods when practicability or applicability is a desired characteristic. For example, as consumer education matured in the 1930's, and the nation rocked from the shock of the Depression, consumer education contained substantial economy theory. Currently, as competency-based education evaluation promotes application of theory, economic educators are incorporating consumer education concepts into their programs.

Although there is a similarity of emphasis and orientation between the consumer movement and consumer education, and a similarity of development between consumer education and economic education, the three, most definitely, remain separate and distinct. Consumer education shares a philosophy with the consumer movement and a base discipline with economic education. The future of consumer education would seem to be most securely based on a close cooperative relationship of shared philo-

sophy, research, and methodology with both the consumer movement and economic education.

Issues

The preceding historically-based survey revealed recurring or unsolved issues which reflected ever-changing patterns in the inter-relationships of the consumer movement, consumer education, and economic education. A review of these issues will establish areas of commonality and differentiation and indicate possible future avenues of cooperation.

Orientation and Approach

Over the years consumer education and economic education have struggled with approach and purpose. The orientation of consumer education has closely followed the changing concerns of the consumer movement to a greater degree than has economic education. Economic education appears to have been more attuned to social change and educational philosophy. Therefore, as one strives to improve current conditions without repeating past mistakes, one might be justified in exploring cooperation between consumer and economic education. How, and to what extent, can consumer education cooperate to assure stable and continuing support for mutual objectives, while maintaining the distinctive purposes of each field?

Home economists were the first to employ a consumption approach in classroom education: but, by the turn of the century both consumer and economic education incorporated consumption into introductory college courses. It was not until the 1960's, however, with the emphasis on relevance in education, that the consumption approach became widely employed at the secondary level in economic education courses.

Orientations within consumer education were influenced early by family needs and labor conditions and then changed as social, economic and technological factors affected consumer attitudes. While core consumer education content has remained relatively stable, viewpoints have fluctuated. Over the past few decades, consumer education course content has been heavily loaded with "facts." There has been no widespread teaching of basic principles required by consumers making intelligent decisions under changing market and social conditions. Facts, however, are easier to learn and to teach, and we will probably have to bear with this problem until we improve teacher training and clarify the substantive content of the field.

Concept and Definition

In consumer education, there is still a need to clarify, delineate, and define the field, and to develop appropriate behavioral objectives. Economic educators also have not reached agreement on either focus or content. The major recent development in that field is a shift to teaching economics via an in-depth study of a limited number of economic problems, using the analytical tools of the economist. More work is needed in both consumer education and economic education. Both fields

might benefit from an interdisciplinary examination of content, utilizing their mutual perspectives and those of related disciplines.

Placement of Concepts in the Curriculum

The placement of consumer and economic education in the curriculum is still unresolved. Consumer education concepts are found: as a separate course; as separate units in existing courses; and as units integrated into homemaking, social studies, and business curricula. Course dispersal on the K-12 level is uneven. There is very little agreement on which of the placement alternatives is most effective for implementing consumer education. Economic education also faces the problem of curriculum placement, although the options are somewhat more clear. Economic education courses are better established in the curriculum than are consumer education courses, but the coverage given to concepts on the K-12 level is uneven.

The appropriate sequencing of concepts must be determined in consumer and economic education if the subjects are to be effective in the years ahead. Careful attention must be given to the selection of content at the elementary level, so that both consumer and economic education will have a base on which to build at higher grade levels. To date there has been no definitive work on the sequencing of content.

Mandates and Directives

Should courses be mandated/required, or is it more of a long-term advantage to allow schools and students the option of including consumer and economic education in the curricula? Required courses have not been shown to be more effective than voluntary programs. Lack of trained teachers and high quality materials may be partial causes. States which mandate programs do not necessarily, or even frequently, alter pre-service or in-service teacher training. Most required consumer education programs are accompanied by curriculum guides. Economic education programs have guides which are much narrower in content than are textbooks. The general public, including consumers, activists, business persons, and government regulators support compulsory consumer education at the high school level. Education administrators recognize that consumer education should be an integral part of the secondary curriculum and prefer to have state board recommendations rather than legislatively mandated course policies.

Before the 1960's, consumer education and economic education were popular subjects, but were not generally required. By the early 1970's, several states had established some type of requirement for consumer and/or economic education for all students. Economic education is now required more frequently than is consumer education. The economic requirement is often described as a course in the free enterprise system.

Quality of Student Materials

Materials for student use reflect the indecisiveness of consumer education content and the narrow

view of economics which pervades the fields.

Consumer education has been plagued throughout its history with inadequate, out-of-date, promotion-oriented materials, or with materials which present only one side of multi-faceted issues. It is difficult to produce a text which achieves a balance between theory and action, and yet remains current for any length of time. Consumer education materials, other than texts, are generally produced by business, government, or consumer interest groups, to represent aspects of issues which are currently important to themselves, or by teachers for use in their individual classrooms. Consumer education materials of all types are very narrow in scope, and do not normally include economic aspects of consumer problems. Early economic education texts were inadequate, heavily theoretical, and out-of-date, but programs were developed around these materials. Secondary and college level materials are a much less serious problem in economic education today. Elementary level materials for consumer and economic education are increasing. Improvement is needed, not only in the quantity, but in the comprehensiveness of these materials.

Consumer education must adopt some criteria by which to evaluate the effectiveness of teaching materials. Although there is an increasing marketplace proliferation of consumer education materials, there are no widely utilized criteria by which those charged with teaching consumer education can evaluate these materials or their own program.

Teacher Preparation

Consumer and economic education are without a cadre of trained professionals capable of implementing effective programs, and universities are doing little to produce such teachers. Preparation in consumer education and economic education is only an incidental part of most existing pre-service programs. Most teachers of economic education at the K-12 level have had no more than one introductory economics course at the college level, and many consumer education teachers have not had even that much training. Home economics teachers and business education teachers are the only ones who frequently receive consumer education as an integral component of their teacher preparation. Home economics and business education have distinct foci, and their predominance has introduced a "bias" in consumer education.

As consumer education and economic education concepts move down into the elementary grades, and are distributed throughout several courses, it may become necessary for all teachers to receive consumer and economic education, perhaps in the form of a combined one-semester course as part of the pre-service social studies training. Exemplary programs are in operation in various universities and states, but there is little assurance that this will become standard in the foreseeable future.

States which mandate consumer and/or economic education rarely provide the funds necessary for pre-service or in-service teacher training. How can consumer and economic education cooperate to train teachers and develop exemplary materials?

To what extent should the leaders seek outside funding rather than rely on basic education budgets? In-service training of teachers in the two fields has been funded primarily from private sources. Such funding is increasingly scarce and potentially inconsistent. While private money should be sought to enhance and supplement training programs, the public coffers must provide a sound basic foundation. Public money is somewhat unevenly distributed among subject areas at the present time. Under the Vocational Education Amendments of 1968 and 1976, homemaking teachers in every state are eligible for in-service training in consumer education. The Office of Consumers' Education can fund teacher training projects across disciplines, but funds are limited. These two programs can reach only a small number of the teachers needing and desiring training. Nevertheless, these monies for consumer education far exceed any federal money for economic education efforts.

Network for Educator Communication

Consumer educators have difficulty in staying up-to-date on research findings, current events, and innovative teaching techniques. Consumer education is currently lacking in a communication network for such teachers.

There are a number of consumer education centers around the country which perform one or more of these functions, but they are not formed into a network. Some were originally funded by the National Committee on Education in Family Finance. Two were established through Part F vocational monies. There are other centers which differ in purpose or funding source. The Office of Consumers' Education has taken first steps to facilitate the exchange of information among these centers.

Economic education is far ahead of consumer education in the establishment of a network for teacher training, for information sharing, and for curriculum development through the councils and centers affiliated with the Joint Council on Economic Education, although they do not reach teachers in most subjects.

A Journal of Economic Education is now published, but a consumer education journal is needed. The Journal of Consumer Affairs is the closest such journal, but it does not generally reach secondary teachers. Consumer and economic education specialists must be encouraged to popularize research findings in such publications, as well as in the professional journals of related disciplines.

Special Needs

Do consumer and economic educators and consumer advocates possess enough flexibility to meet the special needs of students and consumers?

In order to be effective in the future, consumer education must broaden its scope and focus. More programs should be aimed at groups having special needs. The Vocational Education Amendments furthered the move toward special audiences by requiring that one-third of the funds be used in areas of low income or high employment. Office of Consumers' Education legislation requires

bilingual consumer education. Despite these efforts, there is a dearth of materials for the low-income, low reading ability, or bilingual/bicultural consumer. A similar situation exists in economic education.

The consumer movement has been supported primarily by those persons with high income and education. Efforts to involve other groups in the movement have been singularly unsuccessful, in part because the target groups lack the discretionary time and money to participate.

New Directions

The role of the consumer is important to the general welfare. Economic education is essential to effective citizenship. These concerns mark areas of possible future interaction between the consumer movement, consumer education, and economic education.

Forward-thinking individuals have addressed the need to focus on consumption of human services, to make that approach equal to the emphasis on consumption of goods, to focus on individuals as consumers of public goods and services, to consider the issue of energy, and to enhance the relationship of consumer education to citizenship education and to economic education. As has been noted, the available teaching materials are lacking in coverage of these contemporary issues.

Current projects include the Consumer Education Development Program, the Consumer Education Resource Network, the Joint Council's Consumer Economic Education Project and Consumers Union's Penny Power Project. Will these new developments have a lasting impact?

CONSUMER ABUSE: SOME RECOMMENDATIONS FOR CHANGE

Dr. Jane G. Schubert*

The intervention strategies suggested in this paper are based on the findings of an empirical study of consumer transactions. These transactions represent cases of clear fraud, cases for which a verdict of fraud is debatable, and consumer complaints for which there may be no legitimate claim against the merchant. The primary goal of this study was to develop strategies which are potentially effective in combatting abuses of the types revealed in our data.

Nonviolent white collar crime permeates the marketplace and results in unnecessary losses of both time and money to consumers. Consumers who purchase merchandise or contract for services are exposed to the potential for numerous forms of abuse: Although some forms of abuse may be unintentional, the result for the consumer is the same; the transaction is unsatisfactory.

Most merchants are honorable business people who willingly provide restitution for honest mistakes. The fact remains, however, that many transactions which begin as normal business procedures turn sour and the outcome is a consumer grievance. Such transactions often result in modest individual losses, although the total amount represented by these losses is astonishing. Yet, little is known about the nature of these widespread occurrences; the need exists for empirical evidence on the nature of the abuses suffered by consumers. Such evidence would permit the development of intervention strategies for preventing and/or controlling these abuses.

The research described below was designed to accomplish three broad aims, to be addressed in one of three consecutive phases. The purpose of the first phase was to describe the nature and characteristics of consumer fraud, and of the laws and regulations intended to control it.¹ The second phase was to expand on the first by collecting a larger and more focused set of consumer fraud events and by examining the effectiveness of the control mechanisms. The purpose of the second phase was to determine the requirements for new or modified countermeasures. The product of the third phase was a set of recommended approaches or strategies that are potentially effective in protecting consumers from abuse.

Methodology of the Study

The methodological approach was to design a framework or classification scheme based on the process of the transaction between the merchant and the consumer. This approach examined how the fraud was perpetrated by identifying the actions and circumstances which characterized an offense, the sequence of events that set it apart from other types of fraud, and the conditions which allowed a particular type of offense to succeed. Each type of offense was analyzed as a profile of consumer fraud; the profiles then generated ideas for intervention strategies.

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Representatives of law enforcement agencies, consumer groups, and regulatory agencies supplied examples from their case files of actual events where they believe consumer fraud had occurred. Approximately 400 cases from eleven consumer agencies were used to establish a data collection framework. At the conclusion of this first phase, we recognized that our attention was being directed by the accumulating data to phenomena which could not be encompassed by accepted legal definitions of fraud. We decided to follow the route dictated by the data. This study therefore covers a domain which includes, but is not limited to, consumer fraud as currently defined. The data base of 1,147 cases, drawn from a total of twenty-one agencies, contains offenses which some would call consumer abuse, consumer hurt, or consumer fraud. The data set generated profiles of consumer abuse that emphasize behaviors of both the merchant and the consumer during the transaction.

The ultimate objective of the entire project was to develop strategies which would be effective in combatting abuses of the types revealed in our data. The basic materials for this development consisted of (1) the systematic descriptions of patterns of consumer abuse, and (2) an analysis of the current potential effectiveness of existing interventions.

Both of these were products of the project's second phase. The essential task was to conjoin these materials and to evaluate the adequacy of each intervention as a response to the patterns of abuse. There is no precise technology which supports tasks of this kind; reliance must be placed on a logical analysis of the apparent match or mismatch between a "problem" and a "solution." In order to make our reasoning open to public examination, we developed rationales which link each proposed intervention strategy to the problem area it is intended to remedy.

Criteria for an Ideal Intervention Strategy

Each approach is evaluated against a standard set of criteria. In terms of these criteria, an ideal strategy is one which:

1. Requires minimal investments by both merchant and consumer. Some existing mechanisms place an unreasonable burden on the consumer; hiring an attorney to recover a small dollar loss is one example. But legislative and regulatory remedies may place equally unreasonable burdens on non-offending merchants. Escrow, for example, is an effective and powerful protective device for consumers. But its broad application in the marketplace would create untenable cash flow problems for many merchants.
2. Is easy to implement. An approach which requires legislation will find the road to implementation a long, poorly marked, and uncertain one, with many detours along its course. Producing an administrative guideline to implement an existing legislative mandate

is easier. A consumer education effort faces still fewer obstacles to implementation.

3. Has low administrative and enforcement costs. An approach might require the creation of a new bureaucratic entity at the state and/or federal level. Another might add a function to an existing unit. A third might substitute a new function for an existing one, and thereby add little or no administrative expense. An approach might place an administrative burden on the private sector rather than on government. The criterion is the magnitude, not the location of the costs.
4. Has low susceptibility to abuse by consumers. For some programs, detection of abuse is relatively simple; for others it is very difficult. Some implementing guidelines almost "invite" attempts to abuse; others discourage such attempts by making their detection devices highly visible.
5. Does not adversely affect other interventions. Increased consumer protection which is offered as a "free good" will decrease consumer vigilance in the marketplace. Concurrent attempts to educate consumers will thereby be weakened. One-by-one approaches to our society's problems too often ignore these unintended effects.
6. Provides adequate scope. There are two issues here. The first concerns the adequacy of coverage for the population at risk. Some approaches "miss" the population most in need; the consumer education efforts of the Public Broadcasting Service have been criticized for this deficiency. Approaches also vary in their coverage of the market. Some are narrow in focus, applying to one segment such as auto repair; some cover all transactions which involve a specified mechanism, as door-to-door sales; others are still more general, applying to almost any transaction. We will refer to these two issues as Scope: General and Scope: Specific.
7. Has significant pay-off in reducing consumer loss. This is the bottom line in evaluating the effectiveness of an intervention. It transcends all other criteria. Truly significant payoff might justify a program of relatively narrow scope.

Intervention Strategies to Consider

The thrust of this paper is to present intervention strategies which we believe are worthy of consideration; the selection of these interventions was guided by two principles. Both derive from the data on consumer abuse, but neither are ordained by those data. First, for this domain which is characterized by a very large number of small losses, we believe the court system to be of limited utility. It is an already overburdened system with elaborate rules or procedures which discourage its use by the individual consumer. We consider class actions and small claims proceedings among our interventions, but we have emphasized approaches which avoid the courts.

Second, we view the government role as that of the court of last resort. Government should stimulate, persuade, influence, and twist arms if necessary, to see that mechanisms for consumer protection are present and operating effectively. But the government should be the operator only as the last

resort. We assign to government only those functions which cannot be managed effectively by the individuals and institutions of the private sector.

A total of sixteen present intervention strategies were selected for consideration. They are organized into six general areas which are summarized below: A more thorough examination of one area follows.

1. Payment Planning. The purpose is to restructure payment procedures to allow the consumer leverage when the transaction turns sour. The four strategies suggested are new applications of existing mechanisms: limited prepayment requirements; withholding the final payment; escrow; and "pay as you go." Each is focused on a transaction in progress.
2. Post-Sale Alternatives. There are many occasions when a consumer legitimately reverses a decision to purchase a product or service and wants to back out, but the merchant refuses. Four options are offered for improving the situation by giving consumers the opportunity to exercise automatic cancellation rights: rejection of goods or revocations of acceptance; cooling-off periods following written agreement to a transaction; warranty rights that permit remedies following expiration of the cooling-off period or inapplicability of rejection; and refund standards useful for many future service contracts.
3. Complaint Mediation. The need that generated this recommendation is the lack of success experienced by consumers in attempting to seek redress for a grievance. Three types of change are considered: making the mediator more available; increasing the probability that merchants become involved in the mediation; and improving the quality of the actual mediation.
4. Private Remedies. Consumers have options for initiating proceedings against fraudulent merchants without involving a third party. Consumers often are unaware of these options. Furthermore, there are serious obstacles to their use at present; they more often serve the merchant than the consumer. Modifications are recommended to redress this imbalance in small claims courts. Class action proceedings are also considered.
5. Coverage for Consumer Loss. Providing coverage for loss is the most general of the six areas; it is potentially applicable to any pattern of fraud. Strategies considered include bonding, insurance, creditor liability, and consumer priority in bankruptcy proceedings.
6. Document Simplification. This intervention is designed to produce a balance of knowledge between the merchant and the consumer in all transactions where print media are involved. The focus is on the pre-transaction period.

Insurance Coverage as an Intervention Strategy

On the following pages, one approach, insurance coverage, is presented in more detail. The proposed intervention strategy is linked to the problem area it is intended to remedy by a rationale which consists of a statement of the problem, an analysis, and an evaluation.

Nature of the Problem

Most consumers who report a loss attributable to a merchant action are not reimbursed for that loss. For the minority who are reimbursed, recovery is usually limited to the amount already paid for a defective or non-delivered product or service. Recovery for the indirect loss of time, effort and money spent in obtaining reimbursement is rare. Evidence for these assertions is clear and compelling. In our data base, 68 percent of the consumers received no refund of any kind, and only 5 percent recovered any portion of their indirect loss.

These data refer to consumers who took some action beyond appeal to the merchant. While fraud prevention strategies may reduce the amount of consumer loss, we must expect that there will be an appreciable number of losers throughout the foreseeable future. Provisions should, therefore, be made to provide coverage for the victim.

Analysis

Any mechanism which would reimburse consumers for loss due to fraudulent transactions is potentially applicable to all patterns of fraud. Unlike approaches which attempt to prevent or deter the occurrence of a particular type or pattern of fraud, a coverage rationale is perfectly general. The intent of coverage is to return the consumer to the state of affairs which prevailed before the transaction occurred in those cases where this outcome is not produced by voluntary merchant action.

There are existing mechanisms for third-party coverage of loss. One is insurance, financed directly by the consumer or indirectly through merchant payments into an insurance pool. In the latter case, the pool might be created voluntarily by trade associations or groups of merchants, or participation might be required by legislation. There are existing examples of each. In Canada, travel agencies are required to maintain such a pool; some states have mandated similar pools to protect consumers from bankrupt money order and insurance companies. In Baltimore, furniture dealers have created an escrow pool to protect consumers against business failure by one of the members. One could imagine a very broad-based insurance program analogous to the Federal Deposit Insurance Corporation (FDIC).

Consumer Fraud Insurance

Insurance schemes might also be financed by consumer-paid premiums. As in the previous case, the risk of loss is distributed over a large number of consumers. Competition among insurance companies would result in adequate procedures for settling claims. An additional advantage would be the capability of the insurance companies to collect damages from offending sellers. An insurance company can maintain a staff of attorneys and other specialists who can become

experts in collecting from offending merchants. If the market for such insurance were sufficiently large, an insurance company would have an incentive to police the marketplace, to seek special damage awards on behalf of its policyholders, and to thereby reduce its own losses and the rates which it could offer to its customers.

Should an insurance company decide to develop this potential market, initial costs to consumers might be quite high. If the company's total program were truly effective, the costs would be driven down and brought within reach of a larger number of consumers. But one can hardly imagine low income individuals purchasing consumer protection insurance.

Merchant Financed Insurance

Because insurance is a traditional approach to distributing risk over a large population, and because the FDIC was mentioned as a possible model, further comment on the nature of merchant-financed insurance seems desirable. Concerning FDIC, two comments summarize our view. First, all things considered, FDIC has worked very well indeed. It has not developed a massive bureaucracy, it has not drowned its members in a sea of paper, and, despite dire predictions to the contrary, banks have prospered. While the costs of the FDIC are necessarily passed through to depositors in the form of lower interest rates than they might, in theory, receive otherwise, the effect on the individual depositor is miniscule. And the protection against loss of principal and accrued interest has been absolute; depositors in banks which failed have recovered all assets. Second, we could recommend a Federal Consumer Insurance Corporation only if all less drastic interventions failed. Here, as elsewhere, the government is seen as the court of last resort. At one extreme, any trade association might establish an insurance pool and require participation of its members. The National Canner's Association has an insurance program for its members. Its purpose is to protect canners from damage claims arising from consumers of defective canned goods. But since it does settle such claims, it obviously provides coverage for consumers. For any such program to be both effective and feasible as a consumer protection device, three conditions must exist.

First, the association must be able to enforce standards. If a cannery is in violation of industry-accepted standards of sanitation, then some enforceable action must be taken to protect other canners from the increased premiums that would result from increased claims. Second, if the only available action is to expel the offender from the association, then there must be some powerful reasons for maintaining membership. Third, if there are members and non-members participating in the market, consumers must know which are which, and avoid dealing with the non-members. These conditions are extremely difficult to bring about by total reliance on self-policing by a trade association.

Government's Role

The least drastic intervention by government is to provide the enforcement mechanism, while leaving

Table 1. An Assessment of Intervention Strategies Based on Evaluative Criteria.

Criteria	Bonding	Insurance		Creditor Liability	Bankruptcy Reform	
		merchant financed	consumer financed			
BURDEN	On merchant	Low for reputable; high for dishonest	Moderate; reduced over time	None	None, based on current evidence	Tighter credit for marginal sellers
	On consumer	None	Possible small cost pass-through	Very high	None	Significant to minimal, depending on reform
EASE OF IMPLEMENTATION	Could require legislation; could be adopted voluntarily by merchant associations	Could require legislation to be effective	Very easy	Requires legislative or regulatory or judicial intervention	Relatively easy; internal reform by bankruptcy courts; some new legislation	
ADMINISTRATIVE COSTS	Acceptable; some pass-through to merchants, consumers	Some new functions for association or an FCIC	Acceptable	Uncertain; probably acceptable	Moderate	
SUSCEPTIBILITY TO ABUSE	Relatively immune	Some policing required	Low; almost immune	Relatively immune	Relatively immune	
INTERFACE WITH OTHER INTERVENTIONS	Minimal; consumer education could support usefulness	Might reduce consumer education efforts—reduce consumer vigilance	None	Consumer education supportive	None	
SCOPE	General	Uncertain; probably narrow	Very broad	Broad in areas covered; very narrow in population covered	Uncertain; might be broad but not representative	Broad but not sufficient
	Specific	N.A.	N.A.	N.A.	N.A.	N.A.
PAY-OFF	Short-term	Minimal	Significant	Significant for those covered; no spread of impact	Significant	Significant
	Long-term	Significant	Very significant	Does not differ from short-term	Very significant	Significant

the establishment of standards and the provision of insurance to the industry or trade association. The simplest mechanism is for government to make the industry-accepted standards a requirement to licensing. If a member is expelled by the association for violating standards, then the license would be revoked automatically.

Restricting the government role to the licensing function will often be inadequate as a consumer protection device. The licensor becomes known as a "captive of the industry," and this phrase is doubtless an accurate one for some "regulated" areas of the market. But the approach should not be excluded from consideration. In an ultimate and only partly Utopian sense, what is best for the consumer is also best for the honest competitive merchant. But because self-policing has often failed to provide adequate protection to the consumer, intervention by government has often proceeded to the next step.

In this approach, government establishes standards, assumes the inspection (policing) role, and enforces through licensing. An industry-supported and managed insurance program could be required of all licensees. This model obviously requires a larger staff in the licensing agency than does the less drastic intervention model. It is not obvious that this represents a net increase in cost. For any standards-enforcing program, inspection (and inspectors) is essential; in the self-policing scheme, inspectors would presumably be hired by the association or by its insurer. Despite opinion, there is no real evidence that efficiency is greater in the private sector than in government.

The most drastic intervention would be creation of a public or quasi-public agency. Such an agency might deal with one market sector only (automobile dealers, for example) with several related sectors (automobile repair and service, for example) or it might be established as an umbrella, which could grow in scope by adding areas of the market over time.

The four options described above may be restated briefly as:

1. no government intervention: private sector establishes standards, enforces compliance, and provides insurance;
2. government assumes enforcement responsibility through licensing, and standards and insurance remain in private sector;
3. government adds establishment of standards to responsibilities, and the private sector is responsible for insurance; or
4. government assumes responsibility for standards, compliance, and is the insurer.

We believe that these options should be pursued in the order given. The government's role should be to encourage development of consumer-protective insurance programs in the private sector. Government should use its influence with trade associations to take such initiatives that will make strong intervention by government unnecessary. Where relatively unobtrusive interventions, such as licensing, can facilitate such development or make private sector programs more effective, then the licensing

authority should be asserted. For each of the principal requirements--establishing standards, assuring compliance, and providing insurance--the government should be the court of last resort. Where private sector efforts fail to provide adequate coverage, government must take action.

We recommend that:

1. trade, industry, and commercial associations be encourage to create insurance pools wherever feasible, and to self-police their market sector to the maximum extent possible;
2. licensing and other regulatory authority be used to support private sector enforcement of standards of conduct;
3. where insurance schemes are not feasible, individual merchants or neighborhood/shopping mall associations obtain bonds which guarantee the merchantability of their products; and
4. government action vis-a-vis insurance, bonding or other coverage schemes, be taken wherever private sector action is inadequate to protect consumers.

Evaluation

Table 1 presents our assessment of these approaches on the set of criteria. No comment on the entries seems necessary.

Our purpose in suggesting options for intervention strategies is to raise appropriate issues. We do not claim to offer definitive solutions. Indeed, our primary goal is to present our logical analysis with sufficient clarity to permit informed debate on the central issues of concern.

FOOTNOTES

¹The surveys of consumer fraud laws and of enforcement mechanisms were conducted by the National Consumer Law Center, Boston, Massachusetts under a subcontract to the American Institute for Research. This research was supported by LEAA grant no. 76-NI-99-0122.

THE ETHICS OF RESEARCH IN THE CONSUMER INTEREST

Panel Summary by H. Keith Hunt

Participants: H. Keith Hunt, Brigham Young University
 Dennis McNeill, University of Denver
 Wallace Snyder, Federal Trade Commission
 William Wilkie, University of Florida

The Federal Trade Commission (FTC) relies on consumer research in the planning, conduct and evaluation of projects. This was not always the case. A study indicates that in the first forty years of the history of the Commission, only .2 percent of the cases involved the use of consumer research in advertising cases. In the early 1970's that started to increase to the point where it reached about 15 percent of the cases, and now, in most of the major advertising cases, one or more of the parties introduces consumer research for consideration on the record. The FTC is relying more and more heavily on research and is budgeted to spend upwards of a million dollars this year for consumer research in one form or another in the Bureau of Consumer Protection.

FTC Uses of Consumer Research

The FTC uses consumer research in at least four different ways. First, it is used as part of the planning process to determine whether or not to bring a case or promulgate a rule. Second, it is used to determine whether or not particular messages, especially implied claims, are present in advertising. Third, it is used to help frame appropriate remedies for the marketplace, especially remedies involving information disclosures. And fourth, it is used to evaluate the success or failure of FTC actions in the marketplace.

When considering whether or not to bring an advertising case, it sometimes helps the FTC to look at copy research (copy tests) which can indicate whether a significant number of consumers have perceived a particular claim which the FTC thinks may be deceptive. Copy research gives an indication of how important (strong) that claim is in comparison to other claims that are in the ad. If the research is a bit more sophisticated, the FTC can learn whether particularly vulnerable segments of the population, such as children, may have been misled or unfairly treated by the ad. All of this information from copy research goes into the case selection process which determines whether the FTC should bring a case. From a policy standpoint, if the FTC finds that the incidence of deception is very low it does not pursue that matter any further.

A second major use of consumer research is to determine whether an ad contains a particular claim. Both the Commission and its trial judges have found it appropriate and useful to rely on research proffered by all concerned parties. For example, in the recent Listerine case, Burke day-after recall was introduced which indicated that there was an implied claim flowing from those ads to the effect that Listerine would prevent colds and sore throats. That was useful information to the Commission.

Industry has also found consumer research to be useful. In the Firestone case, for example, industry

was able to persuade the Commission to drop one of the charges because the research they introduced indicated that very few consumers had gotten that challenged message.

The FTC also uses research to help frame remedies. For example, a study was done on energy labels which helped the FTC determine which labels would most effectively convey rather complex information to consumers concerning comparative energy efficiency.

After an FTC decision or rule is in the marketplace for a period of time, the FTC sometimes does impact evaluations to determine the effect of its actions on the marketplace, both in terms of the costs of the remedy and whether it has had the intended effect.

Accuracy and Reliability of Research Used

The FTC is very concerned that the research it uses is reliable and accurate. It is of utmost importance, both in terms of admissibility in legal proceedings and in terms of persuasiveness in the Commission's deliberations, that the consumer research be methodologically sound. It must be shown that the research is reliable and the results are accurate, and that those individuals reporting the findings did not attribute to those results anything more than the strictest standards of research would allow.

There are several checks and balances in the FTC's processes which operate to make sure it gets reliable and accurate research. First, the Commission for the past eight or nine years has had access to highly talented marketing/consumer research experts from academic and professional backgrounds. These people themselves have conducted research. Three of them are on the panel here today. They spend a period of time with the FTC, usually a year or more, and they advise both the staff and the Commission as to the quality of submitted research. For example, all of the research that is proffered by outside parties is reviewed by these people and also by consultants from outside the Commission. That helps the FTC find pitfalls or flaws that may be present in the research. Second, these people sometimes assist in designing and conducting research the FTC does. They work closely with the staff and with independent contractors who do research for the FTC.

The second major safeguard is the legal process itself. People putting research in the record have a very stringent burden. First there must be a full description of the protocol and the procedures used in conducting the research. Second, there is a very thorough and often very lengthy cross-examination of the people who are putting the research on the record. The purpose of this cross-examination (similar to the type that would occur in a federal court proceeding) is to test the accuracy and reliability of the research and the appropriateness of conclusions that have been drawn. It is the cross-

examiner's responsibility to point out flaws in the study, potentiality for bias, improper statistical analysis, and improper reporting of findings or conclusions. People who introduce research have the burden of showing that it is of high quality.

Where problems are raised with the research, the Commission will either reject it in its entirety or give it very little weight. Consider two brief examples of rejected research. In the Listerine case, in which the staff challenged the effectiveness of Listerine's cold and sore throat advertising, an entire clinical study that had been proffered by the company was rejected because it was established at the trial through cross-examination that there was a very good chance that both the test subjects and the experimenters, (the doctors evaluating the children's symptoms), were aware of which subjects were test subjects and which were control subjects. It was not the double blind study it claimed to be; there was substantial potential for bias and the study was rejected. In the Firestone case one survey proffered by the company was rejected because a questionnaire was believed to be defective because the questions did not call for mutually exclusive responses.

The third safeguard in FTC proceedings is that the research is subject to rebuttal. This is true not only in case proceedings but in FTC rule-making proceedings; in particular, rebuttal witnesses and rebuttal comments discussing the research are filed as part of the record.

Use and Potentials for Research Misuse

There are pressures that come to bear on a researcher when participating in a rule-making proceeding. These pressures can result in unethical research or misused research. Rule-making is different than a case. It is a proceeding involving an industry-wide practice; thus, it involves a large number of parties. Its purpose is to either prescribe acceptable behaviors or to proscribe unacceptable behaviors in industry marketing practices.

Research fits into rule-making in much the same way it fits into case proceedings. First comes problem identification, then the evaluation of alternatives, then the decision and then, sometimes, the appeal of the decision. So research fits in, in terms of establishing a factual predicate. It fits in, in terms of identifying alternatives and evaluating tactical decisions. It also fits in evaluation research. Two potential areas of misuse of research are found in problem identification and in evaluating tactical alternatives, both of which are found typically in early stages of rule-making.

In rule-making there are two broad categories of research misuse. One is misuse by design; the other is misuse in application. Misused design tends to come about due to the pressures of the advocacy setting. Once the staff of an agency has issued an initial position piece and the issues are set forth in a Federal Register notice and public hearings are scheduled and held, battles lines are drawn. Individuals and organizations participate because they have a point to prove or protect. A researcher is faced with a considerable amount of pressure to acquiesce to that point. If "ethical" issues come into play at this point, they usually show up in terms of a deficiently designed study

due to the inherent biases of the researcher and the individual's inability to maintain high standards for research. Misuse by misapplication is where an individual has previously completed a study and attempts to apply it now in a policy setting to a policy decision different from the setting of the completed study. So we see two different types of misuse. One is methodological or design, the other is in application.

There are pressures in rule-making which can minimize or maximize the impact of unethical or misused research. Typically, rule-making involves a large number of participants so the incremental effect of any one study is usually not very great. For example, in the children's advertising rule-making there are somewhere in excess of sixty researchers involved in dental, nutritional and cognitive areas of the case. The incremental affect of any one researcher is probably going to be relatively small. However, there are some forces which could increase the impact of misused research. First, in rule-making hearings there is usually a limited amount of cross-examination. The presiding officer does not have time to go in depth into studies and delve into issues that could cause a study to have bias or to be misapplied. So lack of adequate cross-examination in rule-making could allow the impact of a poor study to be increased somewhat.

Second, there is no direct feedback on the individual's performance to his discipline regarding his research or testimony in any rule-making or other federal proceeding. The common checks and balances of peer review are absent. So the individual does not accrue any disadvantages to providing either over-generalizations from his study or a poor design. Pressures are always on the individual in rule-makings and in government regulations to prove a point. Whether or not research is misused depends in part on the checks and balances of cross-examination and on the individual's standards. A person with high standards and a national reputation for excellence in research is less likely to endanger that reputation by acquiescing to those pressures.

Research used at the government level is, overall, of very good quality. It does not appear that misuse occurs frequently. But pressures are there, and misuse depends not only on the individual's expertise but on the ability to withstand the pressures.

It would appear that there are now adequate resources available for people to engage in quality research relevant to public policy issues. The Magnuson-Moss Act provides for funding of research for interested citizens who do not have other means of support. So funding for research need not be a solely tactical level working for the Commission or a solely tactical level working for an industry with a vested interest.

Scrutiny of the Research

Rejection of research occurs not only to the business side; it has occurred in at least a couple of cases to public interest groups (citizens groups) very committed to a certain position and undertaking research on a volunteer basis and offering that research in testimony. But, the research was heavily scrutinized, as you can appreciate, and the research was really "ripped up" and deservedly so. In one

case there was serious concern that the appearance of that research not only did not really foster any gain but in fact probably set back the movement that the research was attempting to advocate. Do not underestimate the importance of high standards. The methodological soundness of the study under scrutiny is very, very significant. Unfortunately, methodological soundness tends to reflect things like sampling, interviewer training, blind interviewing (which means the interviewer doesn't know the purpose of the work and is not gearing results toward a desired outcome), presumably advanced statistical analysis, all of which are the kinds of things that take a lot of money if you are going to mount any study that has generalizability. If you are not well funded, you are in trouble at that very elementary level.

If you yourself are not an expert in sampling theory, interviewing, questionnaire design, or statistical analysis, you should work with an expert in any or all of those areas and get different experts for different areas. That has happened, by the way, in some of the recent rule-making areas, and has worked to the advantage of the quality of the research which has been submitted.

The "Art" of Research

The attention which can be easily paid to the quality of any research is at the science level of the research, that is, things like sampling, rudimentary interviewing techniques, generalizability, and inferential statistical analysis. Those things can be externally judged and are. The "art" of consumer research is much less susceptible to external verification and has not been nearly so well treated in cross-examination. That is really the area in which ethics come to play. It is important to determine why you are doing research. In public policy there are at least two possible objectives for a study. The objective might be to offer descriptions of the consumer environment (descriptive research). Then you are essentially providing facts relevant to a problem area, not suggesting what ought to be done with those facts but simply providing facts. The danger is that in this heated, emotional atmosphere, such research can easily be adjudged to be irrelevant. It is not irrelevant, it is only background. It is not helping to lead to a decision. Anyone who has been involved in the public policy arena is familiar with the strong stress in the advocacy setting to be a true participant, a meaningful person in that setting. But true participants do demonstration research, not background research. It is very hard not to be on one side or the other of a question in this setting, and demonstration research has the unfortunate characteristic of being one-sided in nature at the level of the "art" of research. The "art" of research is on what you choose to focus, in what order you choose to have your questions, and on how you choose to ask your questions. You are not likely to get away with gross errors in any advocacy proceeding, but you certainly can get away with subtle techniques which favor your point of view. These subtleties are not sufficiently handled in the current state of the art in handling research in advocacy proceedings.

The Ethics of Advocacy Research

The advocacy situation is immensely powerful. There should be serious concerns about what it does to the

ethics of research through the kinds of pressure it places on researchers. Almost never do you see a researcher who appears as an independent witness, quite unbiased. You almost always see a witness appearing either for the FTC or for the industry. You can almost predict what is going to be concluded by the witness for the FTC. And you can almost predict what will be concluded by the witness for industry. That says that research in this setting is not after full truth and is not dispassionate in nature. And for those of us who consider ourselves to be researchers, that is a serious quandary.

When we talk about the ethics of research and the consumer, we need to be quite open; we are talking about the ethics of advocacy research. Individuals involved in advocacy research usually prefer to see one of the sides win. But it is not always only a two-sided issue, it can be multi-sided. In many of the hearings we see situations where there are many different positions being advocated. It is not "them" and "us", but is rather several them's and us's, each having differences from the others to some degree. But in advocacy research you prefer to see your side win. It is not a case of scholarly research where we are just "trying to search out truth".

However, "trying to search out truth" is more just an ideal than many of us care to admit. Most of you, in any research that you have ever done, have expected it to come out a certain way and that expectation affected the research. You knew the way it was supposed to come out, you knew where the problems would be, and you designed your research to overcome or facilitate them. So perhaps the major difference between advocacy research and scholarly research is that in advocacy research our bias is obvious, or should be, while in scholarly research that bias may not be obvious, even to ourselves.

It is easy to have the naive view that any good research is adequate in advocacy proceedings, that all one has to do is do good research and it will stand up under criticism. After getting burned badly, it is then just as easy to reverse one's opinion to think that academic research is totally different from advocacy research, that you either do one or the other but you could not do both at the same time. Those who continue to be active in advocacy and scholarly research usually come back to the point of thinking the two are basically the same if they are the highest quality of research--that research which is truly outstanding, that study which, when submitted to any rigorous journal would be immediately picked up without revision to be put in the next issue of the journal--is exactly the same quality of research which is regarded in an advocacy proceeding as being excellent research. The problem is that most of us do not do that quality of research very often because we do not have the money to do it. So we have to cut here and cut there. As a result, our research is not always snatched up by the first editor that sees it and sometimes when our research is presented in advocacy proceedings we get less than an overwhelmingly positive response.

Differences Between Academic and Advocacy Research

There are several differences between academic and advocacy research. First, one needs to recognize that academic research is done to advance the state of knowledge; advocacy research is done to prove a point through trying to establish one point as being

correct. Second, in validating academic research one uses replication, doing similar studies to see if one gets the same results. One tests to see whether this study and its results agree with theory and with previous research. In advocacy research the validation question is, does it stand up under cross-examination. These are two totally different validating processes. It is important to recognize that a study can be totally scholarly and yet not stand up under attack. In doing advocacy research you have to design your study so it is both scholarly correct and defensible, and in so doing you give up some things and you add some cost. Consider sampling as an example. We all know that sampling is reasonably robust, that we can vary in minor ways from technically correct sampling and that results are not going to be that much different than if we had used the most pure sampling design. We have proven that to ourselves and we have read articles where others have proved it. But that will not stand up in an advocacy situation. Even the slightest variation from technically correct sampling procedure can be picked up and magnified until the judge has to have serious reservations about the study and the researcher. So if you are doing advocacy research you have to do it perfectly, which usually means that you have to use a random sample which is a nationally projectible sample and a number of other things which add significantly to the cost.

Another major difference between scholarly research and advocacy research is in the evaluators of the research. With academic research, the question is, will it get on the conference program or will it get in the journal, and that is the reviewing process. We have very scarce resources in journal space and in conference space. Therefore, the question is, which research deserves to be reported in the journal or on the program? On the other hand, the responsibility of the reviewer or the critic in an advocacy proceeding is to destroy the research. It is the social responsibility of that person to do everything possible to destroy the study which they are evaluating. Most people feel when they are reviewing for a program or for a journal that they are not out to destroy the work but rather to decide whether it warrants the scarce journal space that is available.

Finally, it is important to recognize advocacy research as very much of a gaming situation. Advocacy research is a very sophisticated situation where the players have to play not only their side of the board but all the other sides of the board in order to be in a position to win. Anyone involved in advocacy research needs to know their side of the research; they also need to know just as well the opponent's side of the research. They need to understand all the issues so thoroughly that they can then present their research in a way that will be most likely to succeed, as equal and sometimes better scholars are arrayed against them, both to destroy their study and to present conflicting findings from other studies.

THE CONSUMER DIMENSIONS TO INTERNATIONAL ECONOMIC NEGOTIATIONS

Michael Calingaert*

It is a pleasure to have this opportunity to discuss the consumer welfare implications of international economic negotiations. I will speak about consumer involvement in certain international economic issues and the significance of these issues to consumer interests. However, before doing so, I will explore how the Department of State has come to play a significant role in promoting consumer interests, which are more popularly thought of as essentially a domestic rather than international concern.

Government's New Role In Consumer Affairs

First, I will provide some background on the government's role in promoting consumerism. Throughout the early 1970s, a number of proposals were made for the creation of a strong voice in government to speak for consumers. However, there was no agreement on what form this voice should take. Some favored a decentralized approach in which the consumer advocacy function would be left to independent agencies. Equally prominent was the recommendation that an independent consumer agency be established. In 1977, bipartisan legislation was introduced in Congress to create an agency for consumer advocacy.

Following this action, President Carter took the initiative in April 1978 to increase the responsibilities of his Office for Consumer Affairs. Each federal agency was required to establish a consumer representation program that would respond to consumer needs in developing policy and providing adequate opportunities for consumer participation in agency decision-making. The President's Special Assistant for Consumer Affairs, Esther Peterson, was given the responsibility of overseeing the implementation of this program.

State Department Consumer Representation Program

Government activities to protect the consumer are largely the province of agencies responsible for domestic policy decisions. The Department of State, with responsibility for the formulation and conduct of U.S. foreign policy, plays a relatively smaller role than domestic policy agencies in promoting consumer interests. But there is a consumer dimension to foreign policy. Actions in the international arena can substantially affect the consumer's purchasing power, freedom of choice, and overall welfare. These are concerns which must be taken into account in the policy-making process.

Following the White House directive of last April, the Department has established its own consumer representation program. We in the Department are systematically involving consumer representatives in our decision-making and negotiations on a wide range of international economic issues including civil aviation, trade, commodities, and international business policy. In addition, we are making a special effort to ensure that State Department analysis of policy alternatives formally considers the impact of policies on consumers.

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Specific guidelines concerning the Department of State's public participation program were published in the Federal Register on August 24, 1978. These guidelines set forth our general policy on the role of private sector advisers including consumers, and established ground rules for their selection and compensation.

Consumer Advocacy and Foreign Economic Policy

Ensuring that consumers are involved in the formulation and implementation of international economic policy is easier said than done. In the first place, the consumer/public movement has been quite inactive on many foreign economic policy issues in which consumers have a significant stake. This is due to a number of factors: unwillingness of most consumer groups to devote their relatively meager resources to battles that are likely to require years to win; competing priorities between domestic and international issues; and the absence of the emotional response generated by many domestic issues that have traditionally commanded the attention of the consumer movement. This is true even where the burden on the public of certain foreign economic policies may be equally significant.

This absence of consumer advocacy on certain issues was highlighted by Nobel Laureate economist, Milton Friedman, who referred to the plethora of consumer advocates that "pop out from behind every bush," telling us what we must do and what we must do without. He noted, however, that in the wake of actions such as the imposition of import quotas that raise product prices and reduce quality and variety, "not a peep" is heard out of consumerists.

A second problem is related to the limited resources of most consumer organizations, which normally rely on voluntary dues and contributions for support. This problem has been mitigated by the legislative authority now given to most government agencies, including the Department of State, to finance consumer participation in their proceedings. There are two basic assumptions underlying the granting of this authority. First, the cost of agency proceedings can be a financial barrier to adequate representation of many diverse and important points of view. This is particularly true where expected benefits from such representation may be large in the aggregate but are held so diffusely that no single individual or group has a sufficient stake in the outcome to justify the cost of intervention. Secondly, if consumer and public participation were not encouraged, government decision-making would be limited largely to parties that have an immediate and substantial interest in the outcome. This could have negative consequences for the governmental process, despite good-faith efforts by agencies themselves to represent important public interest points of view.

Even with the lowering of financial barriers, the State Department has difficulty encouraging qualified representatives from the consumer movement to participate in agency proceedings. Organized consumers, like most citizens, tend not to have well-defined views or expertise on most of the international economic policy issues that come under the

State Department's jurisdiction. For the most part, consumer groups have been formed either for general purposes or else to promote positions on one or more issues of strictly domestic policy.

Because consumer groups are widely spread geographically and generally not specialized on international economic issues, the Department has had to take considerable initiative to involve them in the foreign affairs process. Diversity has been an end in itself, since it facilitates the further objective of broadening the base of participation. We have sought to identify groups that are representative of the organized consumer movement and have a tradition of grassroots activism. This grass-roots approach, which involves a degree of reaching out to our potential constituency, is like that taken by certain other government agencies. The Interstate Commerce Commission, for example, has had to proceed in this manner to establish a public participation program since it does not have a well established constituency of organized consumers or other public spirited groups.

Finally, a word is in order about the uniqueness of the State Department's jurisdiction, which is a further factor we have considered in implementing a consumer representation program. Under the constitution, the President's authority to represent and act for the United States in day-to-day foreign relations is paramount, even on matters which require Congressional legislation or consent. The allowable breadth of delegation to the President and, hence, to the Secretary of State, is substantially greater in domestic affairs. For example, normal due process requirements do not apply to the conduct of foreign relations. There is good reason for this. While long delays associated with procedural or other requirements might be supportable or desirable with respect to domestic policies, these constraints would be impracticable in areas of foreign economic policy which require rapid action if action is to be effective at all.

Having described the basis for and nature of the State Department's initiatives with respect to the consumers' role in the foreign policy process, I will now turn to three specific areas of international economic policy where recent policy actions have significantly benefitted the consumer and where consumer representation has in most cases played an important role in determining policy.

International Civil Aviation

Perhaps the sector which has seen the most radical change in the government's role, and an attendant radical change in the conditions prevailing in the industry, is civil aviation. The basic pattern of regulation of the aviation industry was established in the 1930's when air travel was in its infancy. Subsequently, while the industry grew and changed enormously, there was little concomitant change in the regulatory role of the government.

This administration decided it was time to alter the nature and extent of federal regulation. Its premise was: that the aviation industry had outgrown the need for the degree and detail of governmental control which had been imposed, that airline management was in the best position to make intelligent business decisions, and that the market-

place, with its competitive pressures and discipline, was the proper place for decisions to be made and tested. The experience of charter airlines offering low-cost transportation had demonstrated the existence and potential of an untapped market. Lower and more innovative fares would attract more people to air travel, resulting in higher load factors and more efficient utilization of equipment. Accordingly, the Administration pressed for and obtained new legislation, the Aviation Deregulation Act.

These efforts at deregulation are not, of course, limited to domestic air traffic. Indeed, the logic of a more competitive aviation environment is equally valid in most segments of the international marketplace. Internationally, however, we are more restricted since we have to deal with other governments, many of which favor restrictive rather than expansionary aviation regimes. We have sought to persuade foreign governments that it is in their interest, and in the interest of their airlines and consumers, to foster a more open and competitive aviation system. Our negotiating strategy, as formulated in the President's Statement of U.S. Policy for the Conduct of International Air Transportation Negotiations issued on August 21, 1978, is to trade competitive opportunities, not restrictions, with other countries. This means that, in return for progress toward our competitive objectives, we are prepared to make concessions which are themselves of a liberalizing character.

Our efforts have met with considerable success. Over the past year, we have concluded new or revised air transport agreements with Great Britain, Germany, Belgium, the Netherlands, Mexico, Singapore, Korea, Jamaica and Israel, which provide for expanded services for more American cities; lower, more innovative fares; and liberal charter rules. These negotiating successes have been translated into tangible benefits to airlines and consumers: a dramatic increase in the number of American cities which have, or shortly will have, direct services to Europe, Mexico, the Caribbean, and parts of the Pacific; a striking increase in the number of American carriers granted new points abroad; much lower fares established on the North Atlantic route and in the offing for the Pacific; and an increase in traffic last year which exceeded the airlines' own optimistic projections.

Consumer representatives have assisted us in concluding these new, liberal agreements. U.S. delegations to major aviation negotiations with foreign governments include technical advisers from not only the airline industry but consumer and labor interests as well. Representatives from the Aviation Consumer Action Project and Consumers Union have served as consumer advisers on aviation delegations, and their participation and advice have been valuable. Before we included consumer representatives on delegations, there was probably a feeling among consumer groups that the U.S. Government had little appreciation of their interests. I think I can fairly say that consumer groups have learned this is not true.

Commodity Policy

In no other international economic issue are consumer interests more important than in the raw materials field. When we weigh national interests, fulfilling the needs of our industrial economy for adequate

supplies of key raw materials at stable prices is a critical foreign policy objective. These raw materials include many individual commodities--fuels, food and feed grains, minerals, fibers, tropical products--the markets for which have widely different characteristics. U.S. interests are not uniform across all of these markets. For some commodities, such as tin, bauxite, nickel, and manganese, we are almost totally dependent on foreign sources of supply. In these cases, the government's perspective is unambiguously that of a consumer seeking to promote the most economic sources of supply.

For other commodities, however, such as copper and sugar, the U.S. is a major producer as well as a leading importer and consumer--a situation that requires the government to seek to reconcile divergent interests. For example, the major sugar groups include domestic sugar cane and beet growers, refiners, commercial users and traders. Then there are the producers of fructose, a major sugar substitute. Finally, there are foreign governments which export sugar to the U.S. Each of these groups has a unique perspective on the sugar market and each seeks to influence our domestic political process. Hence, we face an immensely complex challenge to develop public policies that accommodate particular sectors, while also serving the overall national interest.

As is the case with other commodities, the final consumers of sugar products are not actively represented in the political process by a major organization, though their particular concerns are not ignored. To some extent, commercial users have interests with regard to sugar supply and price that converge with those of household users of sugar. Moreover, the State Department's fundamental commitment to promote an open international trading system, with minimum restrictions on the flow of goods, parallels the interests of consumers in obtaining the widest range of goods at lowest cost.

This general commitment, as well as a determination to improve the functioning of the sugar market, led the government to negotiate an international agreement to stabilize the world sugar market. Sugar is a classic example of a commodity plagued by chronic "boom-and-bust" conditions. Though consumers may derive short term benefits when sugar prices fall below production costs, in the longer term this situation leads to shortages and sharp price rises. The International Sugar Agreement, negotiated in 1977, is designed to improve the stability of world sugar prices through a combination of internationally coordinated stocks and export quotas. It attempts to deal with an international problem on an intergovernmental level, to distribute the costs and benefits of stabilization as evenly as possible between producers and consumers.

Raw materials issues, ranging far beyond sugar, have become a major topic of international discussion in recent years. The U.S. has engaged in a number of negotiating conferences seeking international agreements to stabilize commodity markets. The U.S. is a member of commodity agreements for tin and coffee; it expects soon to ratify its membership in the sugar agreement; and it is participating in negotiations on similar agreements for rubber and cocoa. To ensure adequate consumer representation, U.S. delegations to these commodity meetings, now

as a rule, include consumer advisers. These individuals may come from the consumer offices of local government or from private consumer organizations. Their presence contributes to the government's awareness of consumer concerns and gives consumer groups a first-hand appreciation for the complexities of protecting U.S. interests in international negotiations.

Multilateral Trade Negotiations

Finally, I would like to talk about the Multilateral Trade Negotiations, the MTN or Tokyo Round. On April 12 in Geneva, negotiators representing nations accounting for most of the world's trade agreed on the "final substantive results" of the MTN, thus culminating over five years of work. This round of trade negotiations was the seventh since World War II, and the most comprehensive and far-reaching since establishment of the General Agreement on Tariffs and Trade (GATT) in 1947. Agreements have been reached on tariff reductions and also on a broad range of so-called "non-tariff" obstacles to trade such as export subsidies, government purchasing requirements, import quotas, product standards, and customs valuation methods.

Throughout this negotiation, the U.S. Government has consulted with various sector advisory groups, such as business, labor and agriculture, to obtain their opinions on what our negotiators should seek in the MTN. We also consulted informally with a number of other groups, including consumers. In addition, the President's Advisory Committee on the Trade Negotiations, the principal advisory body for the MTN, includes several consumer representatives. The Administration was very much aware of consumer interests in these negotiations and considered them in formulating negotiating positions. Most importantly, the American consumer will receive important benefits from the results of these negotiations.

In the first place, the negotiators have agreed to an average cut in tariffs of about 33 percent. Not only will this lead to an increase in U.S. exports, but it will also increase the quantity of goods available to U.S. consumers at reasonable prices, and thus assist us in the fight against inflation. Cuts in our tariffs will also encourage U.S. business to increase its efficiency to remain competitive with imports. A more efficient U.S. industry means lower prices for the consumer.

The Administration attempted to limit the extent of tariff cuts on certain products and in some cases excluded such products from any cuts at all. While consumers would obviously have benefitted more if we had agreed to deeper cuts on all products, we also had to ensure that we did not do undue damage to American industry and labor. Workers are consumers too, and it would not be in the national interest to lose large numbers of jobs in sensitive industries as a result of the MTN. I believe that we have avoided this. As you can see, our decisions were based on analysis of complex and often conflicting factors--a desire to make tariff cuts that would benefit consumers while at the same time protecting American jobs.

The codes of conduct that have been negotiated on non-tariff barriers to trade should also benefit the consumer. Generally, they will make trade fairer and more predictable and thus lead to increased

economic efficiency and lower prices. In addition, some specific consumer benefits have been obtained from these codes. The Subsidies-Countervailing Duty Code is a case in point. This code will tighten restrictions on the use of subsidies by governments promoting the export of their products. As part of this code, however, we have agreed not to apply import duties, so-called countervailing duties, to offset the amount of the subsidy if injury to American industry cannot be demonstrated. In those cases the American consumer will benefit from the lower price of the imported goods.

These are some of the principal benefits that consumers will receive from the MTN. But perhaps even more important is the signal that the successful conclusion of the MTN gives. The governments of the world have agreed not only to maintain the liberal trading system, but to continue to liberalize it even in the face of severe economic pressures. Thus, the successful conclusion of the MTN represents a clear rejection of increased protectionism, which would have surely resulted had the MTN failed and would have threatened to recreate some of the factors that touched off the Great Depression of the 1930s.

In sum, I believe our negotiators have brought back an eminently satisfactory agreement. We did not get all we wanted, that is never possible in a negotiation. But we do have a package that will be beneficial to the United States and its people. Congress will shortly begin its consideration of this package. The Administration's position is clear. As President Carter stated in his State of the Union address: "Congressional approval (of the MTN) is essential to the economic well-being of our country and of the world. (It is) one of our top priorities in 1979."

Conclusion

The State Department has made a major effort during the past year to reach consumers and to implement a representation program that deals with their very real and important concerns. As organized consumers gain greater understanding of the broader consumer welfare implications of foreign economic policy decisions, of the process by which such decisions are made, and of the alternatives available to the U.S. Government in light of positions of other countries, we at the Department of State hope to see greater advocacy in this field.

But even if one assumes that the consumer movement can eventually become a self-sustaining, effective force in the foreign economic policy arena, it is difficult to predict how long it might take for this to happen. History has shown that broadly based interest groups such as consumers do not coalesce until some time after the commonality of their interests becomes generally recognized. Collective action by consumers on issues of common interest has occurred with great frequency during the 1970s, and the consumer movement has become a politically influential force. Despite its newly found prominence, however, the consumer movement has yet to be effective on most international economic issues.

As the academic wing of the consumer movement, the American Council on Consumer Interests is uniquely situated to help remedy the problem of weak consumer

advocacy on international economic matters. The main purpose of my remarks today has been to attempt to heighten your awareness of this problem and convince you of the importance of doing something about it. Through your publications and your various educational and research activities in the various academic institutions you represent, I encourage you to attempt to raise the level of understanding among the general public concerning the consumer dimension to foreign policy. We in government will be making similar efforts.

PANEL: REPRESENTING CONSUMERS AT INTERNATIONAL TRADE NEGOTIATIONS

Moderator: Dr. Brenda P. Roberts*

Presenter: Dr. Stewart Lee

Presenter: Dr. Robert Herrmann

Presenter: Dr. Clinton Warne

THE NATURAL RUBBER TRADE NEGOTIATIONS

Dr. Stewart Lee**

I will give a little background information, and then some of my response with regard to the degree of contribution I did or did not make. Delegations are sponsored by the State Department, in conjunction with the United Nations Conference on Trade and Development, at Geneva, Switzerland.

With regard to my participation as the consumer representative on the U.S. delegation, I was representing the Pennsylvania Citizen's Consumer Council. I was in Geneva from November 30 to December 8. Lawrence Shepard preceded me; he was there for the first part of the natural rubber trade negotiations. I was there for the second part. One of the problems is that the negotiations run for about thirty days and it is very difficult for someone who is not full time in government, or full time with the industry, to take a thirty-day block of time out of their regular schedule. Therefore, one consumer representative is over there for a while, and then the next one follows through. I had two days of preconference preparation in Washington, but this was after all of the U. S. plans for negotiations had been developed. I did get that program plan a little bit ahead of time. I was also given about two inches of background materials to read. So I did feel I was arriving in Geneva with some background information.

And the basic responsibilities in these negotiations-- I think there are seventeen commodities in which they are trying to work out some stabilization program and the U.S. goal is to sort of get a rolling--I would use the words "floor" and "ceiling"--even though the U.S. is very reluctant to use those words at the negotiations. In other words, not a permanent fixed floor good for all times and all places. If a depression comes, the "floor" ought to go down; if inflation comes, the "ceiling" ought to go up enough. Basically, the objective is to get stabilization so you don't have these wild fluctuations. For example, one type of natural rubber has increased in price 50 percent in the last year, and, since I was at the negotiations, it has gone up another 15 percent--just one kind of rubber. So, is there something to block these wild fluctuations which render harm to the consumer on the high side and render harm to the producer on the low side. On the low side, again, that short run benefit to the consumer can be negated if there is nothing produced because the price is so low. This is where I think we need to get more economics into consumer education. The idea that low prices are great for the consumer is erroneous if there is no product. We have to be very realistic about that.

Among the representatives from the U.S. were rubber

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companies. Goodyear and Firestone, for instance, had their full-time people there. These were knowledgeable people, real experts. For example, one was in charge of the Malaysian Rubber Plantation of Goodyear. Another was the President of the National Rubber Trading Commodities Organization. This is their full-time activity; they know what is going on.

I would say my responsibility was made exceedingly easy, primarily because the U.S. business and the U.S. consumer interests were very similar. For example, the U.S. auto companies and the rubber companies are consumers. They are buying from Malaysia; they are interested in trying to keep the price of natural rubber down. The thing that keeps Malaysia, which is the number one rubber producer, and a few other rubber-producing countries from raising prices, as the Organization of Petroleum Exporting Countries (OPEC) has done, is synthetic rubber. However, when the OPEC nations had that trade embargo which increased the price of oil, the natural rubber producing countries benefited tremendously because the cost of synthetic rubber went up and they could therefore raise their prices. There is a little break on natural rubber, with regard to the price of synthetic; you wonder how much of a break it was.

As we look at the kinds of negotiations that have been going on, I'd like to call just a few things to your attention. The terminology was one of the first things I had to learn. They used a variety of terms, but basically it centers around such things as the use of words such as "floor price," "trigger price," "reference price," and "buffer stock." One aspect was "buffer stock," used to keep the price from going too low. Countries that would agree to the agreement would use a fund that would buy natural rubber to keep the price from going too low. The buffer stock of natural rubber would, if the price went up too high, be sold off to keep the price from going higher. That would keep the price within range. The issues were: What should be the reference price? What should be the trigger price? What should be the buffer stock? And the terminology: Should you call it a floor? Should you call it a ceiling? These are the kinds of things that were going on.

Basically, my responsibility as the U.S. consumer representative was to act as a sort of watchdog and to ask questions from time to time. A cablegram came in every morning from Washington; a cablegram would go out every night; one would come in the next morning. We would sit down; we would go over it; and then, we would figure out what could be done that day.

I might say that meetings did not always run exactly on schedule. For example, one meeting was

two hours late, another was one hour late; we took a 20-minute adjournment and we reassembled two hours later. Much of what went on when I was in Geneva might be called "executive sessions," where just the heads of the trade negotiating teams from the key consumer nations and the key producing nation (meaning Malaysia) got together. The rest of the delegates from each of the negotiating teams did not participate in these executive sessions. The one advantage is that it gives you more time to see Geneva. The disadvantage is that you do not know precisely what is going on. Obviously, you can't be involved in those sessions, but when your representative comes back, you sit around and rehash what has been going on and what is the next particular procedure that can be followed.

The number one benefit of my participation, personally, was that it was a very significant learning experience. The degree of contribution I made was limited, primarily because I was not involved in the pre-conference negotiations on what the U.S.'s position would be.

One question I would like to raise: Is the consumer representative primarily there just to have a consumer representative, or is the consumer representative there to make a contribution? At the April negotiations--there was no agreement with regard to negotiations--the only agreement was to meet again.

As an illustration of this, the consumer representative who went to Geneva in April was a person who had not been to the previous natural rubber negotiations. So whatever those representatives who were there first learned, the second one did not have the benefit of that knowledge. So it was a new learning experience for the April representative. One of the representatives of the State Department said, "Well, one of the goals is to get many consumer representatives aware of what is going on." That appears to define the role of a consumer representative as just being an observer more than being an active participant and contributor. It seems there is a question mark that one might raise with regard to this kind of program. The other side of it is, the problem is, can you have a 10-20-30 day block out of your time now, and another 10-20-30 day block of your time six months later?

In the April negotiations, apparently, a move was made very close to a trade negotiation. A New York Times report said "Nations reach rubber accord." Whether it will be finally ratified is another thing. There are the problems of sharing the financing for building the buffer stock, of where the buffer stock is going to be held, and who, and with the degrees of involvement, is going to move in to buy or sell as prices go up and down. There is a wide variety of types of complications.

One of the major points is, as one who has been in the consumer movement for so long, that in 1978 the consumer is being recognized as one whose interests should be represented in a way that has never been done. That's where the State Department should be congratulated. If you go back not very long, in almost any department of government, you will find a lack of consumer representation. But we have seen this movement toward consumer representation. I think the burden it puts on the consumer representative is a very significant burden, that is, whether consumer representation is going to be continued. Continuance will depend on what the consumer representative can contribute, and what

the consumer representative can contribute will depend on the kind of background and follow-through that individual representatives are given by the particular government agencies they are working with.

Those are a few of the observations I would make with regard to this particular program. It seems to me that the benefits are there, if the proper procedures are followed. It is a learning process, I think, and we can move on from here.

REPRESENTING CONSUMERS AT INTERNATIONAL TRADE CONFERENCES: THE WHEAT AGREEMENT NEGOTIATIONS

Dr. Robert O. Herrmann*

Consumer representatives have been placed on delegations to international trade negotiations only in the past two years. Among the delegations which have included such representatives are sugar, coffee, wheat, natural rubber, and lead and zinc.

The concerns of a consumer representative on a trade delegation differ with the U.S. position in the world market. For some products, such as natural rubber, we are strictly an importer. In such cases, the concerns of U.S. consumers are likely to be much the same as those of business firms which import the commodity. For others, such as sugar, we import part of our supply and produce the rest domestically. In such cases, consumer concerns involve both the prices of the imported and domestically-produced commodity and the impact of these arrangements on the Treasury costs of domestic commodity programs. For some, such as wheat, we are heavily involved in exporting. The U.S. is a major exporter of wheat and in recent years has exported two-thirds of the wheat grown domestically.

The role of the consumer representative becomes even more difficult and complex in cases such as wheat. At least three conflicting objectives must be taken into account:

1. maintaining prices at reasonable levels and ensuring adequate supplies for U.S. consumers;
2. encouraging exports to protect our balance of payments and to provide needed markets for U.S. farmers; and
3. maintaining prices to farmers so as to minimize the need for costly farm income programs which create a burden on taxpayers.

The Wheat Agreement Proposal

The draft proposal which was the subject of negotiations over the past two years called for the creation of reserve stocks to help keep prices within an agreed range. The plan called for the building of reserves when prices fell below an agreed-upon point. These reserves were to be held by individual member countries and released when shortages drove prices above the upper end of a proposed price range.

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