

with the manifold technical bodies that formulate policy for the Community.

In summary, while the European Community has the formal authority to establish a European-level consumer law and policy, and has adopted this as a goal, it has done relatively little to make its broad declaration of rights into realities. The Consumer Service of the European Commission has proposed numerous measures which would raise levels of protection in much of Europe, but most languish in the cumbersome procedures established for European-level lawmaking.

BEUC has been a remarkably effective voice for consumers in Brussels, considering its limited resources, and access to policymakers, but this has not been adequate to offset the strong counterpressures from business, the lack of a clear commitment to an effective positive European Consumer protection policy within the Commission, the general anti-regulatory climate, and the recalcitrance of some Member States.

AMERICANS' INTEREST

Americans have a great deal to learn from and about consumer law and policy in Europe. The foregoing represents a hasty sketch of some important developments, but much more study and research on the European scene is needed. I hope the brief discussion of European developments suggests some of the reasons why Americans slowly take more interest in European consumer law. Let me merely stress a few of these.

First, American consumerists, government and business need to know a lot more than they do about the way consumer law operates in Europe. From the consumerist's viewpoint, there is much to be learned from observing the operation of the European system. While the EC itself has failed fully to implement its Consumer Programs, the Programs themselves represent as comprehensive a statement of the needs and rights of consumers as has ever been promulgated by any government. And in many individual European countries, progress and policies have been developed which we can learn from. For example many European governments have done more to support effective consumer voice than we have: the role of semigovernment bodies like the British National Consumer Council is especially interesting in this regard.

We can learn to improve our own system by observing what is going on in Europe. Europeans have developed new ways to handle consumer matters, as well as adapting American approaches in ways that may improve on the original. For example, the European "general interest suit," a variation on our class action, deserves study. The Europeans are struggling to develop a relationship between central authority at the EC level and the

Member States; study of these matters will help us understand our own federal system better at a time when we are reconsidering federal-state relations. Finally, American business is increasingly concerned with selling in Europe: lack of knowledge of consumer law and policy in the Member States and at the EC level could hamper these efforts.

Secondly, American consumers may increasingly be affected by consumer policies in Europe. As international trade becomes more important to the American market, American governments will have to reach some accommodation with those in other industrial countries where conflicting consumer policies affect trade. The time may not be too far off when policies set in Europe or Japan, will directly influence the type and level of protection available to American consumers.

As we move to more of an international system for harmonizing consumer protection policies, we should take a lesson from the experience of the European Consumer movement with the EC institutions. Europe consumerists have discovered that methods of organization and techniques of representation that work effectively in national political arenas may fail when employed in the very different environment of supranational and international institutions. In the future, Americans may need to understand and master the politics of international policymaking: in such an effort they can learn much from their European counterparts and benefit from joint activities undertaken with groups like BEUC and various national bodies in Europe.

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CONSUMER POLICY IN DEVELOPING COUNTRIES

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Abstract

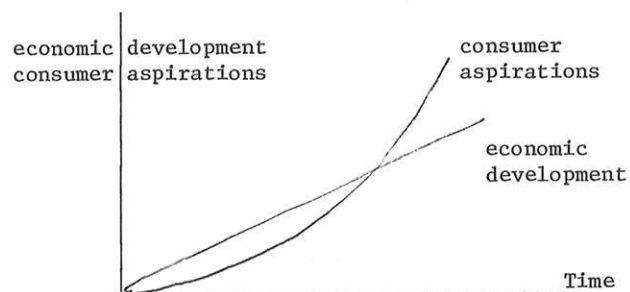
Consumers in the less developed countries (LDC) are facing a high-risk marketplace. This is due to structural features of the market, seller chicanery, and buyer poverty. A program of consumer emancipation is proposed, based on consumer protection, education, and information in that order. The program is predicated on a concurrent transformation of cryptocapitalist markets into an open market sector where buyers and sellers are substantially equal partners.

Consumer Policy and Consumer Aspirations

No one interested in human welfare can doubt the urgency of an active consumer policy in the economically less developed countries (LDC). We mean by consumer policy measures taken to enforce consumer rights and to promote the interests of citizens as consumers. Such policy is still at a strictly primitive level in the vast majority of the LDC. Where laws exist they are frequently haphazardly enforced.

This sad state of affairs probably reflects the fact that policy develops in response to actual or perceived problems in the environment of the policymakers and their constituents. But LDC policymakers have had their attention riveted on infrastructure and heavy industry. And in the role of consumers, constituents of the LDC tend to have very modest aspiration levels. As indicated by Figure 1 one may indeed hypothesize that consumer aspiration levels are strongly correlated with levels of economic development; in fact from a very modest beginning the former may indeed overtake the latter, revealing a certain "dissatisfaction gap."

FIGURE 1. Economic Development and Consumer Aspirations Levels



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A comparison of Thailand and Kenya on the one hand with the United States and Sweden on the other would appear to provide empirical support for our hypothesis. Indeed, most people in the LDC do not even think of themselves as consumers. Note, too, that there is a seller's market in these countries with little incentive for producers to concern themselves with consumer interests. Further in this area of consumer experience in the marketplace of the LDC, there has been an astounding lack of a research base on which to anchor policy initiatives.

The Present Situation in the LDC

Ecology of Consumer Markets

In comparison with the rather abundant research on consumer behavior in affluent countries--much of which has been done by participants in this conference--the experience of consumers in the marketplace of the LDC has been grossly neglected. The author and his colleague Gerald D. Sentell have recently concluded a baseline field study of this subject in Thailand. Taking into account follow-on studies in Kenya [14] and Turkey and much anecdotal evidence from other LDC we believe it is possible to make certain generalizations about the ecology of consumer markets more or less applicable to this admittedly highly diverse set of 100 or more nations.² The Thai study has been accounted for in detail elsewhere [12]; a few salient features of the marketplace environment will be outlined to facilitate understanding of the policy proposals to follow.

The outstanding feature of the consumer buying process in the LDC is that it is so often fraught with high risk. This is due to market structure problems as well as to characteristics of sellers and buyers themselves. Three major structural factors existing side by side frequently reinforce each other. They are the lack of quality control in local manufacturing, the equally striking lack of transportation and storage facilities suitable to the preservation of fresh foods, and the predatory practices of sellers. The market system is one where relatively few things are prepackaged, and where packaged goods are often adulterated. There are few official product standards, and everything tends to be approximate. The veracity of weights and measures may well be questionable. In Thailand, as in many other LDC, chicanery is not unethical--it is a game.

The single most important characteristic of the typical LDC consumer is, of course, that of

²Preliminary research also suggests rewarding comparisons between the marketplaces of the LDC and the People's Republic of China. See [7] and [8].

poverty. This means that he can ill afford to make mistakes. Unlike many ghetto consumers in the MDC, the poor consumer in the LDC does not seem to resign himself in a state of stupor in facing the marketplace. Realizing his high-risk situation, he counters with a surprisingly intensive search effort.

From Bangkok down to the village level, a very important part of all Thai transactions are carried out in public marketplaces which are generally privately owned and operated.³ In these marketplaces--to which Middle Eastern bazaars are an obvious pendant--information is "poor, scarce, maldistributed, inefficiently communicated, and intensely valued." The search for information, "laborious, uncertain, complex, and irregular" as it is, is therefore the central experience of life in the public market. Sellers and buyers often are as much interested in "making search fruitless for others as they are in making it effectual for themselves" [3].

Bargaining represents the classic way of transacting business in the LDC. It should be viewed as a natural outgrowth of the uncertain and heterogeneous market environment. Bargaining tends to be a time-consuming form of search, although to many buyers as well as sellers it is also an enjoyable game. Unless seller and buyer are old acquaintances there is a tendency on the part of both to view it as a zero-sum game, encouraging an ethic of "doing whatever you can get away with." Devoting his career to a particular trade, the seller more often than not is likely to gain the upper hand in ad hoc transactions.

It seems that information search is the principal means that LDC consumers use in fending for themselves. In a sense they all tend to be "information seekers." Unfortunately, the information they obtain tends to be ephemeral and unreliable; past experience has little learning value. Thus, it is not surprising that they differ markedly from the Information Seekers (IS), the group of consumer sophisticates we have identified in the more developed countries [9]. It has been shown that the IS of the latter countries more than others serve as opinion-leaders, redress-seekers, and vigilantes of the marketplace [11]. There is little such activity among even the most information-minded Thai consumers. The lack of reliable information is a direct expression of the vicissitudes of that marketplace, which tend to chain the consumer to the position of eternal underdog. It is clear that the reduction of the randomness must be a

³Distribution methods typical of the MDC (one-price-for-all, standardized packaging, homogeneous product offerings, etc.) are daily making greater inroads in the Thai system, as in other LDC. They are epitomized by some of the department stores, hotels and specialty stores opened in Bangkok in recent decades. Yet their penetration in the outlying municipalities and rural areas is fairly modest.

major avenue of the LDC consumer policy.

Cryptocapitalism and the UN Development Gospel

One may ask, what are the prospects of the private or public sectors in the "typical" LDC responding to the plight of the consumer? Unfortunately, the short-term prospects are dismal. The philosophy of the private sector in most of these nations is one for which cryptocapitalism is the most appropriate term. Cryptocapitalism in some respects is like a modified guild system. In a majority of industries and trades there is a seller's market. The fact that supply does not expand to meet demand stems from the widespread notion that overall demand is basically unchangeable (though perhaps changing). To avoid "rocking the boat" traders--it would be misleading to call them competitors--in a market by express or silent agreement seek to preserve "fair" market shares for all. Indeed, members of petty trades often accept shrinking shares to make room for otherwise unemployed newcomers, typically relatives or friends of existing traders. Big-league industrialists typically are unwilling to take risks other than those promising payback within three years or less. Capitalists tend to expatriate major parts of their fortunes. At the government-business interface there is considerable corruption, consumers ultimately paying for the privileges obtained by the unscrupulous. A private sector based on cryptocapitalism is a serious retardant of development, just as in one case after another (Japan, Hong Kong, Taiwan, South Korea, Singapore, to name a few) it has been demonstrated that a private sector based on open markets can be the prime propellant of economic growth.

In the present cryptocapitalist atmosphere multinational corporations--such powerful change agents in many other fields--have not seen the need or had the opportunity to apply the kind of consumer-oriented business practices fairly prevalent in many of their home countries.

The large public sector in most LDC is focused on building "infrastructure" and heavy industry in the style recommended by the development gospel of the UN and most of the world's motley crew of development economists for the last 30 years. It almost goes without saying that this sector is heavily producer oriented, whether we are thinking of its industrial or consumer (railroads, mails, etc.) marketing aspects. No doubt a good deal has been accomplished in the area of infrastructure, such as highways, ports, and schools, although with the exception of public health the achievements seem quite modest relative to both needs and the amounts of international assistance and other resources spent in the process. It is probably fair to say that the costly governmental forays into heavy industry generally have been less successful. Certainly, they have typically failed to result in any increase in standards of living. Many governments in dual-economy LDC have traditionally favored the metropolis at the cost of the rural areas by keeping tight control on the prices and marketing of basic foods. This may be good political strategy in countries where the metropolitan population holds the key to governmental

stability. However, it is now obvious that it has been very poor development strategy. It has reinforced dualism and inequality. It has retarded agricultural growth in many instances where such growth is a prerequisite to any other development. It has further worsened the imbalance created by the one-sided emphasis on infrastructure, heavy industry and monumental construction projects.

There is little consumer policy, there are still few consumer movements of significance, and there is next to no indigenous research on consumer problems in the Third World. Little is to be expected from the extant marketing system and the moribund gospel of unbalanced development. Prefacing the discussion of consumer policy one may say that the hope and challenge of the future is the linking, indeed the integration, of such a policy with the transformation of cryptocapitalist into open markets and an overall development strategy based on balance and popular incentives rather than imbalance and popular indifference. It is precisely in its capacity to redress the balance and generate popular motivation that consumer emancipation is a crucial element in successful economic development.⁴

Philosophies of Consumer Policy for the LDC and the Industrialized Countries

Consumer policy consists of measures promoting consumer interests taken by others than individuals. These interests are often seen as articulating five principal consumer rights: the right to consume freely, to choose, to be informed, to be heard and to be safe [13]. As we are all consumers, consumer rights are human rights. It need hardly be added that like all other rights consumer rights are not absolute, and that with every right follows a certain responsibility. From both a subject matter and a political value point of view consumer policy measures may be divided into consumer protection, education, and information.

Consumer protection is measures to safeguard consumer rights in cases where consumers themselves cannot be expected to enforce these rights. Consumer protection ranges from standards and other rules and regulations to maintain consumer health and safety via the control of deceptive practices and the handling of consumer complaints to competition policy aimed at maintaining open markets in the private sector. Consumer education provides the knowledge foundation necessary to develop citizens into intelligent consumers, or at least to make their self-development into emancipated consumers possible. Consumer information in a general sense comprises all data about individual products, brands, and models in the marketplace. The principal aim of education and information policy is to enable consumers to stand up for their rights. Clearly,

⁴This theme is developed in some detail in [12, chapters 12 and 13]. See also [1].

the distinctions between protection, education, and information, while quite useful, are not hard and fast--nor need they be for the purposes at hand.

An overall philosophy of consumer policy is based on some notion of the relative importance of the different consumer rights. (An emphasis on the right to be safe suggests vigorous consumer protection measures, and so on). To arrive at a philosophy of consumer policy appropriate to the LDC our discussion of the ecology of the consumer marketplace and of cryptocapitalism should be kept in mind. It is also useful to consider Figure 2 which capsulizes that discussion in a comparative context including industrially more developed countries. The most urgent need is for consumer protection in a broad sense, ranging from health and safety concerns to product integrity and quality (specifics below). It would make little sense to give consumer information first priority in the LDC environment. Until random and ephemeral elements of the marketplace have been reduced by standards of product integrity and quality there is no real basis for information programs. It is true that in a sense most LDC consumers are information seekers--hence likely a responsive audience. But search perforce is focused on food and basic necessities rather than on the more complex products typical of the MDC marketplace. Pending greater prevalence of such products we would give the second priority in LDC consumer policy to consumer education, including elements thereof necessary to digest intelligently the information programs of the future. This ranking of policy priorities in the LDC is also indicated by the fact that they evidence a high proportion of educationally and economically underprivileged consumers--indeed, when it comes to consumer rights the citizens of most LDC are underprivileged! The first need of the underprivileged is protection.

In the MDC we have recommended a consumer policy based on information, education, and protection, in order of priority [10]. It is true, as indicated in the lower part of Figure 3 that different consumer groups may have different needs. We are proposing an overall policy mix most directly aimed at the Information Seekers, the group of MDC consumer sophisticates who more than fellow consumer groups serve as the watchdogs and opinion leaders of the marketplace. These self-reliant consumers also embody the ideal of consumer emancipation which to us is the self-evident ultimate objective of consumer policy. Thus, measures should aim at "upgrading" average and underprivileged consumers. It must also be remembered that in the MDC most consumers are fairly well aware of their rights, and the marketplace is one where a great deal more can be taken for granted than in the LDC. Most MDC already have a great deal of consumer protection, especially in the health and safety areas. They also have higher educational standards in general, though as yet there is little by way of obligatory consumer education. Consumer information, while available for the digging, is all too fragmented and often buried in a cacophony of background noise. The MDC badly need strengthened independent

FIGURE 2. The Consumer Marketplace in Less Developed (LDC) and Western Industrialized (MDC) Countries

	<u>LDC</u>	<u>MDC</u>
<u>Market Institutions</u>		
System	cryptocapitalism, employment buffer	open market
System reputation	poor	acceptable (or better)
Level of trust	relatively low	relatively high
Infrastructure (transportation, adv. & mkt. res. agencies, etc.)	poor	rich
Credit at all levels	poor, expensive	available, rel. inexpensive
Consumer protection	nonexistent	well-developed
Transactions	bargaining	relatively fixed prices
Food retailing	bazaars, farmers' markets	supermarkets
<u>Consumer</u>		
Standard of living	poor	well-to-do
Values	fatalistic, easily satisfied	self-actualization, hard to satisfy
Nature of shopping	social	functional
Frequency of shopping	many trips	few trips
Shopping criteria	quality, style, product on hand to inspect, location of dealer	reputation of brand, reputation of dealer
Awareness of mkt. functioning	fair	fair
Awareness of consumer rights	poor	relatively good
Mobility	fair	high
<u>Products</u>		
Type	necessities	discretionary
Variety	limited	proliferation
Buying decision	specific (exemplar)	generic (brand)
Imitations, fraud	frequent	occasional
Quality	variable	standardized
Safety	poor	good
<u>Information Search</u>		
Product focus	all goods	"shopping" & "specialty"
Sources	personal	impersonal
Independent info	little or none	obtainable
Nature of info	relatively ephemeral	relatively permanent
Perceived risk	high	low
Time premium	low	high
Effectiveness of search	low	relatively high
<u>Seller Strategies</u>		
Differentiation	personal	functional
Deception	ubiquitous	frequent
Sales volume, market share	don't rock the boat	increase
<u>Shortcut Consumer Decision Rules</u>		
High price equals high quality	widespread	widespread
Foreign product preference	common	common
<u>Market System Performance</u>		
Productivity	low	medium
Complaint handling	poor	medium
Information flow	poor	medium
Competition	weak	strong
Dispersion of benefits	narrow	wide
Contribution to economic growth	none	driving force

information programs, more systematically informative advertising, computerized consumer information banks, and so on. What we have said does not preclude the establishment of consumer advice bureaus in slum areas and other means of assisting the underprivileged.

FIGURE 3. Alternate Philosophies of Consumer Policy

	LDC	MDC	
Protection	1	3	Industrially Less Developed (LDC) and More Developed (MDC) Countries
Education	2	2	
Information	3	1	

	IS	AC	UC	
Protection	3	3	1	Consumer policy needs of the Information Seekers (IS), Average (AC) and Underprivileged (UC) Consumers in the MDC
Education	2	1	2	
Information	1	2	3	

Notes: Numbers indicate relative importance of major consumer policy elements, 1 of greatest importance and 3 the least.

Information Seekers in various MDC have similar demographic and, to some extent, behavioral and attitudinal characteristics [9]. Further research is needed to establish whether this is the case in the LDC.

A policy of indifference to consumers (USSR) needs no illustration.

Outline of a Consumer Emancipation Policy for the LDC

This outline of a consumer policy program for the LDC serves illustrative purposes only; greater detail is available elsewhere [6].

Consumer Protection

Product integrity. When a consumer chooses a product or a brand, he has the right to know that it is authentic, i.e., what any normal consumer would think it is. Imitation, fraud, dilution, and adulteration of products is nefarious to both consumers and honest sellers. Fraudulent behavior should be a public misdemeanor; it is clearly not merely a private matter for the seller whose product is being vandalized. LDC need much tougher trademark laws, and adulteration of products should be a crime.

Product quality. Four policy areas interrelated with product quality are intra-brand quality variation, minimum standards, quality marking, and standardization in a conventional sense. There is no answer to intra-brand quality fluctuations short of major improvements of quality control at the factory level. The LDC would do well to look to Japan here. Minimum standards have their most obvious area of application in assuring health and safety. Such standards on certain export goods may also be a valuable entry wedge to world markets, as in the case of Thai canned pineapples. In the LDC quality marking of consumer products is much more important than quality certification of industrial

products customary in the MDC. To be of value quality marking of consumer goods must take into account all (or most) characteristics salient to the average consumer. Conventional standardization of nuts and bolts, light bulbs, railway gauges, and so on, is, of course, important in all countries. However, in some cases an LDC may wish to go further. The fact that there may be 150 different carburetor models in the MDC does not automatically mean that an LDC would do well having more than 20. Clearly, mandatory standards in a case like this brings excruciating problems of compatibility and fairness vis-a-vis brands excluded by the standards, and so on. Yet immediate and unlimited transfer of all offerings in all product areas from the MDC to an LDC may simply choke its marketing system. Here as in all standards matters it is critical that there is provision for periodic review and ample representation of consumers.

Deceptive practices. This, together with misleading advertising, is an area of gross abuse in the LDC. Here one might well adopt a local version of the British Trade Description Act which, in effect, lays down the simple principle that no vendor shall make a factual claim unless he is prepared to verify it. The Code of Fair Advertising Practice drawn up by the International Chamber of Commerce may be prevailed upon in developing fair advertising standards.

Complaints handling. Before we even get to this heading, infrastructure legislation of two types is needed. The basic right to complain must be made explicit as well as the conditions under which refund, repair, or replacement may be obtained. Warranty legislation needs to define what is understood by implicit and explicit warranties, and may indeed prescribe minimum warranty standards for certain classes of products. In the LDC it is imperative that the retailer be the agent primarily responsible for the handling of complaints, with recourse to wholesaler, manufacturer, and importer as needed and justified. There should be provision for binding arbitration and a central complaints board composed equally of representatives of buyers and sellers.

Health and safety is too large an area to be handled with any degree of adequacy here. It was touched upon in the context of product quality standards. The distribution of authority between the standards body and agencies oriented to such areas as food and drugs is an open question. In many countries, the latter products are subject to special treatment. In cases of product deficiencies endangering health or safety the agencies should have the power to order faulty batches recalled or, when the deficiency is endemic, to ban the product or brand involved. Whether or not appeal may lie to the courts, the agency should have the power to take emergency action on a temporary basis. We do agree with the IOCU that there are indeed cases of inappropriate products, although drawing the line here is certainly a hazardous matter.

Health and safety is the one area of consumer protection where many LDC are already making

substantial progress. It is also one where there is ample international experience to build on.

Consumer Education

Education is bound to play a key role in any program of consumer emancipation. "Consumer civics" includes principally awareness of how the market operates, of budgeting, of the decisionmaking process in buying, and of consumer rights and responsibilities. Special attention should be paid to the rights and responsibilities, as they will largely be new to the audience. Consumers must be made aware that unless a good number of them actually make use of the consumer rights, these rights are doomed not to be respected by sellers. For many topics there are excellent materials already available in the MDC, which may be used after suitable adaptation. Some topics should be given special emphasis, such as issues concerning family planning, corruption, product quality, and health and safety. Similarly, consumer educators should discuss information sources available to consumers and how to evaluate information.

In the area between education and information are buying guides advising consumers what to look for in a certain product (or class of products), what relevant buying and use criteria may be, and so on. It is highly desirable that such guides be prepared by an independent party and distributed freely in schools and stores.

To the extent that general education brings not only literacy and arithmetic but also strengthens the capacity of independent thinking and critical evaluation it is basic to consumer emancipation. However, the experience of the MDC manifestly demonstrates that general education is not enough. Research suggests, for instance, that in the United States over 25 percent of all adults are "functionally illiterate" as consumers. The MDC need obligatory consumer education in the schools, though only a handful have got it. Clearly, this need is even greater in the LDC. Avoiding formalization consumer education should make use of such inexpensive tools as buying guides, comic books, tape cassettes, and games. Special attention must be given to those already out of school and to continuing education. In the LDC the self-evident medium is radio. Many short programs are much to be preferred over few long ones. Short TV spots would doubtless be of great value.

Consumer Information

It is true that we have assigned a lower priority to consumer information than to protection and education in the LDC. But it is still very important, not only for consumer emancipation but also as one of the more powerful means of bringing about open markets in the private sector. Our key recommendation is that the LDC government initiate an independent consumer information program. Such a program has intrinsic merit in an environment where biased and misleading information has held sway only too long. But it is also likely to have an important extra benefit in help-

ing to improve the quality of advertising. This is especially the case when sellers incorporate the labels and quality marks generated by the independent program into their advertisements and sales promotion materials.

The independent information source should take the form of a combined information labeling-quality certification (IL-QC) program. As such a program is described in great detail in [13] there is no need to delve into it here. A combined program is recommended, in that the two elements serve different purposes. The labels will be of primary interest to the IS, and should help materially in converting them into the kind of vigilantes which open markets need to persist. Average consumers would be best served by a two-tiered quality marking scheme (such as a green and gold seal indicating "good for everyday use" and "extra quality," respectively). Though the government should be the sponsor of the IL-QC program, and should reserve the right to decide in what cases it will be mandatory for producers to join it, it is of utmost importance to credibility that it be administered by a pluralistically composed, independent agency--possibly a branch of the standards body. There are great scale economies in a joint IL-QC program; however, if resources are insufficient the place to start is clearly with the QC part.

It is strongly recommended that sellers be obliged to post prices for all their goods, in order to reduce gradually the necessity for bargaining and to facilitate comparative shopping and open competition in the marketplace. Finally, the names of firms not honoring just complaints should be made publicly available.

Consumer Policymakers

By now it should be apparent that in most LDC the main initial burden of making and enforcing consumer policy will fall on governments. Unless government takes the lead role consumer emancipation is not ever likely to come about either under cryptocapitalism or in tightly managed economies. After long years of repression, the level of consumer consciousness is simply too low. However, the makers of consumer policy include consumer associations, women's councils and other citizens groups interested in consumer affairs, business, educational institutions, and the mass media. Influence should be brought to bear on local subsidiaries of multinational corporations to participate in consumer emancipation activity. The MNC have both the talent and the wherewithal to play a constructive role if properly harnessed. Generally, the cooperation of nongovernmental organizations is indispensable from the outset, and the role of these organizations relative to government will grow as the overall framework of the new order of consumer affairs has been established and consumer consciousness is developed.

LDC Consumer Policy: Epilogue

A consumer policy program for the LDC has been proposed, based on protection, education, and information, in that order. The prime purpose of

such a program is to establish the elementary human rights of citizens as consumers. In turn, consumer emancipation will greatly reduce the current high-uncertainty, high-risk market environment. It will save millions of consumers from making many million unnecessary mistakes in allocating their meagre resources. By placing buyers and sellers on an equal footing it will promote an open market system in the private sector. Open markets have amply demonstrated their potential for changing people's motivations and aspiration levels, thereby becoming a driving force in balanced economic development at a pace considerably more rapid than we have seen in the many LDC placing their faith in the received gospel of one-sidedness.

In the LDC the emphasis must be on low-cost policies with modest enforcement requirements. We have had these criteria in mind in developing our recommendations. Arbitration panels, minimum product standards when needed (often adaptable from MDC experience), consumer information programs of the combined labeling-quality certification variety, and a requirement that retail prices be posted are examples of cost-efficient, high impact policies. We might add that modest subsidies to consumers' associations and experimentation with consumer advice bureaus in population centers have high payoff potential [4].

There are many specific features of consumer policy for which the LDC might make good use of the MDC experience. Yet we must warn against indiscriminate technology transfer in this area as well as many others. As has been shown, the environment where consumer policy operates is dramatically different in the MDC and LDC, and the same thing applies as between the many LDC. It would be a great pity if the UN and individual LDC were to become heavily engaged in policy formulation without an adequate research base [5].

A final word of caution: It is inevitable that many consumer protection measures will involve direct regulation of consumption. Such measures typically also express the view that the policymaker (public or private) knows better what is good for consumers than they do for themselves. Education and information, on the other hand, are ultimately based on the view that people as consumers can and should decide for themselves what is best for them. Clearly, this is the more genuinely emancipative view. In the long run, therefore, the consumer policy emphasis should shift to information, education, and protection, that is, the order we have recommended for the MDC.

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IOCU--A NEW FORCE IN INTERNATIONAL CONSUMER POLICY

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ABSTRACT

As an increasing number of consumer issues transcend national boundaries, the International Organization of Consumers Unions (IOCU) has emerged as a growing and forceful voice. IOCU and its offshoots, including Health Action International, the International Baby Food Action Network and the Pesticide Action Network, have advocated the consumer point of view on several major consumer health and safety questions.

I want to tell you about consumers outside of the United States who have taken the offensive over the last several years--about their development, their initial successes and their future. Today, the international consumer movement is a growing force, growing indeed at a time when such a force is sorely needed. More and more consumer issues transcend national boundaries. They become the concerns of consumers and of consumer organizations in many countries and in many parts of the world. Most fortunately, there is an international consumer organization--an organization of which ACCI is a part--that has united consumer organizations everywhere.

The organization is the International Organization of Consumers Unions (IOCU). In June, 1981, during its Tenth World Congress, in The Hague, IOCU celebrated its twenty-first birthday. Founded by five consumer organizations--from the United States, United Kingdom, Australia, Netherlands and Belgium--it has grown to a membership of 115 consumer associations in 47 countries. It includes, in addition, bodies supported by governments, family organizations and labor unions. The first president, and one of the moving forces behind IOCU was CU's own--and ACCI's own--Colston Warne.

I'm pleased to say that both Consumers Union and ACCI are members of IOCU, as are the Consumer Federation of America and other U.S. consumer interest bodies.

The history of this remarkable organization is the history, as well, of the international consumer movement. IOCU, formed in 1960, was a body created largely to promote cooperation in the testing and information work of independent organizations. In recent years, it has transformed itself into an international organization that also speaks in a forceful voice on international consumer issues. Its geographical base--primarily in Europe until 1974--has expanded to include a dynamic regional office in Malaysia, for consumer development in Asia and the Pacific. Its headquarters are in The Hague.

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IOCU today promotes international cooperation in the comparative testing of consumer goods and services. It acts as an information source and clearinghouse, with regular publications. It represents consumer interests in international bodies: it has consultative or liaison status with more than a half dozen international agencies. It promotes the formation and development of new consumer organizations, especially in developing countries. And, most significantly, it fills a new and vital need as a forceful international consumer advocate.

Financial support for IOCU comes from the dues of its members, and occasional foundation, government, or United Nations grants for specific projects.

Since 1974, the Regional Office for Asia and the Pacific, in Penang, Malaysia, has worked assiduously and with great skill to assist the development of consumer organizations in that area. Through newsletters, workshops, seminars, correspondence and personal contact, it has spurred the growth of the consumer movement, providing the necessary support for fledgling organizations. It has also spearheaded consumer advocacy on issues where consumers of developing countries have a particularly vital stake.

A twenty-first birthday is often regarded as a milestone--a coming of age. One may say that about IOCU. In its infancy, it played an absolutely essential role as a clearinghouse and collegial body for the testing organizations. As it matured, it recognized the needs of consumers in the developing nations, and so the Regional Office for Asia and the Pacific was created with funds from the Consumers' Association of the U.K. and Consumers Union of U.S., Inc.

IOCU was born in 1960, but came of age in 1981. By then, there was a dramatic need for a new kind of consumer organization; not only a clearinghouse and coordinator; not only an aid to development; not only for technical assistance and support. By 1981, it was clear that consumer issues had become internationalized, and that an international consumer advocate was needed. Two major threats to consumers everywhere in the world had become top priorities for IOCU: improper marketing practices, and the worldwide trade in hazardous products.

Dangerous products, poorly made products, inappropriate products, and deceptively marketed products were not confined by national boundaries. They traveled beyond those boundaries, so that the acts of one corporation could harm consumers in many distant lands. Marketing practices devised in one country deceived and manipulated consumers who lived continents

away. The needs of poor consumers in developing countries were linked to those in the developed nations as well.

A consumer response was necessary to the production and marketing practices of multinational corporations, and to the new strength of international business organizations and lobbies of all kinds.

In November, 1973, over nine years ago, IOCU had called the attention of the United Nations to the many dangers posed to the consumer interest by multinational corporations. We noted their various impacts on national economies. Such corporations, we said, pursue private interests on a global scale, but were not accountable to any authority which matched their geographical reach or represented the many interests, including consumer interests, that they affected.

By 1981, this had become the major issue of the worldwide consumer movement. IOCU was ready to meet this challenge.

The first major international campaign undertaken by IOCU was the fight for an international code of practice to control the promotion of breast-milk substitutes in the Third World.

For over a decade, health professionals and consumers have protested the way in which manufacturers, such as Nestle, advertise and distribute infant formula.

These practices included aggressive promotion, to mothers of newborn babies, of formula, as a substitute for nursing. Using the most persuasive language, advertisers sought to convince mothers that it was highly desirable to substitute infant formula for breast-feeding. Free samples were distributed by the companies to new mothers, sometimes by sales personnel dressed to look like nurses. The New York Times (May 24, 1981) noted that the need for a code of practice was prompted "by persuasive scientific evidence that bottle feeding is associated with unusually high levels of infant disease and death, particularly in poor, primitive regions where commercial infant formulas are often mixed with polluted water or are diluted to the point that infants are malnourished."

As early as 1971, IOCU called for an international code of practice to control the promotion of such baby foods. In 1979, IOCU participated actively in a Joint World Health Organization (WHO)-UNICEF Conference. IOCU's concern over these unconscionable anti-consumer marketing practices and the concern of other public interest groups present at this meeting led to the launching by IOCU's President, Anwar Fazal, of the International Baby Food Action Network (IBFAN), in which IOCU continues to play a leading role. The 1979 WHO-UNICEF Conference outcome was a set of recommendations calling for the drafting of a Code of Practice regulating the promotion and marketing of breast-milk substitutes. Infant food companies lobbied vigorously against the code. Nevertheless,

representatives of 118 countries, from the very poor to the very rich, capitalist and socialist, joined in Geneva in May of 1981 to approve the voluntary international code. The United States, I regret to say, cast the only vote against the code.

Present at the Geneva meetings, as leading speakers, organizers and fighters for the consumer interest, were IOCU representatives, including our President, Anwar Fazal. IOCU, with IBFAN, provided consistent and effective advocacy of the consumer position, and a consumer hand in the actual drafting of the code. It was a significant event for IOCU, and the forerunner of its program for the 1980's.

Voluntary international codes, as we all know, have great limitations. The international consumer organizations certainly did not rely on the code, but persisted in intense activism on this issue. On the education and information side, IOCU has vigorously promoted a variety of programs on breast-feeding in developing countries. Indeed, members of the cast of the Lou Grant show toured several countries in Asia and the Pacific with staff of the IOCU Penang Office, to help heighten consumer awareness of the benefits of breast milk. And equally important, member organizations in individual countries have maintained pressure on formula manufacturers, especially Nestle, including the sponsorship of boycotts.

The projects announced at the 1981 IOCU Congress all bespoke our intention to extend the force of the international consumer movement. Most notable was a Consumer Interpol, funded by a major grant from the Netherlands government, and announced, to great applause, in the address to the delegates by Prince Claus of the Netherlands. The Consumer Interpol is, quite simply, an international hazardous products warning network, managed by IOCU, and working through member organizations and others in each country.

It is a daring and ambitious effort--and still in the process of being developed. It is one way consumers can protect themselves from the dumping of hazardous products across national boundaries. The Interpol will be an information exchange, an alert system, and a basis for local, national and international campaigns to protect consumers against hazardous products.

The need for such an Interpol has long existed, as IOCU and the Natural Resources Defense Council, a major environmental organization, made clear in a statement to the UN Commission on Transnational Corporations in August, 1981. This is what we said:

"The developed nations still account for a very high percentage of the world's production and export of chemical substances used in agriculture, medicine, and industry, and by the consumer. Particularly since the Second World War, developed countries have acted to reduce domestic dangers to public health and the environment posed by these substances and have removed from

products and substances. Many developed nations, however, permit the manufacturer to ship these same goods overseas to often unsuspecting foreign customers and countries. In addition, there are generally no standards imposed by the developed nations or the international community as to the marketing practices of transnational corporations regarding dangerous products.

"Although no nation alone can adequately protect its citizens and environment from the mounting international commerce in dangerous substances, the developing countries are particularly vulnerable to hazardous exports from developed countries. Developing countries are viewed as a secondary market, where the lack of effective health and environmental laws encourages the dumping of dangerous or ineffective products."

There are many examples. Here are just two:

A 1979 IOCU survey in several Asian countries showed that a number of multinational food companies were marketing their sweetened condensed milk products as infant food. One was a British company, although the use of sweetened condensed milk for infant feeding had been banned in Britain for decades.

And we all remember TRIS. When children's sleepwear treated with TRIS was banned in the U.S., over 2 million pieces were exported for sale to unsuspecting consumers in other countries.

There is, unfortunately, no international system to protect consumers, and no comprehensive international hazard alert system. Just a few months ago, the UN General Assembly adopted a resolution asking that banned products be exported only when the importing country requests it, or permits the specific product to be consumed. The resolution also called for a list of banned, restricted and non-approved products to be compiled. While some international programs provide some information, the consumer is truly vulnerable.

The protection of the consumer from health and environmental hazards is--or should be--a government function. To protect the consumer, we need not only government information, but government control by the exporting and importing nations. We need international codes with teeth to regulate the marketing conduct of producers. We especially need decisive action by the governments of developing countries, to protect their own citizens.

But such programs are not likely to be developed in the near future. Indeed, in the United States, which exports hazardous products, waste and technology, one of President Reagan's first official acts was to repeal the Executive Order on this subject adopted by former President Carter, which would have provided a greater degree of protection to consumers in foreign countries.

In May, 1982, the Departments of State and Commerce issued a report recommending that the U.S. repeal some of the remaining protections,

including the existing export-specific notice for banned toxic substances and pesticides, and that it lift the 44-year-old prohibition against the export of unapproved pharmaceuticals. As a replacement, they advocated that protection against hazardous exports be reduced to a State Department notice to foreign governments of all actions banning or restricting domestic commerce in any hazardous substance, and an annual compilation of this information. The reason: export-specific notification is burdensome and unsuccessful. Industrial nations they say, have little need for such notice, and developing countries lack sufficient scientific or technical capability to use the notes effectively.

I'm proud to say that IOCU member organizations abroad have been mobilized and have written to President Reagan. He has heard from consumer organizations in Australia, Ireland, the Philippines, Zimbabwe, Denmark and Nigeria. We doubt the President has been moved, but the international response is a beginning.

The independent sector, clearly, has a vital role to play, and it must be a forceful one. Through IOCU's Interpol, we are uniting information with action and advocacy. By joining in these efforts, each individual consumer organization, in each country, can help protect consumers in that country far more effectively than if it acted alone. And consumer organizations in different countries, by acting jointly, can compound their strengths.

No one underestimates the difficulties in developing this Interpol. The modest resources of IOCU members and the other Interpol participants will be pitted against the virtually unlimited funds of many multinational corporations and against the indifference or impotence of many governments. Yet, while it is still quite new, there is ample evidence that the Interpol has caused concern on the part of some marketing organizations. Our goal is to cause so much concern that anti-consumer marketing practices will be corrected by the sellers or regulated by the appropriate international bodies and national governments.

While we work to fashion the Interpol into an effective consumer weapon, another IOCU-sponsored activity has also been launched to affect multinational marketing practices.

Health Action International (HAI) was organized in Geneva in May, 1981. An informal cooperating network of more than 50 consumer and other public interest groups, its particular interest is worldwide pharmaceutical issues. The multinational drug companies frequently sell their products without concern or respect for the needs of the consumers. Drugs are sold in less developed countries without the instructions, limitations or labelling which developed countries require as essential for the health of consumers. Drugs banned or restricted as hazardous in the developed nations are sold to Third World markets. Useless drugs are sold, wasting scarce resources. Not only patients, but even doctors,

receive inadequate or misleading information from drug companies. IOCU was a leading organization in the formation of the HAI network, and IOCU resources play a key role in its work. IOCU serves as a central clearinghouse, and publishes a newsletter to serve the HAI network. Grants have been awarded by a Japanese foundation, and Danish and Swiss-based development agencies, to further HAI's work.

We believe HAI will have a significant impact. A U.S. drug industry newsletter, The Food and Drug Letter, on July 17, 1981, seemed to agree. It reported that multinational firms are taking the movement seriously. It noted that WHO's adoption of the infant formula code "has provided an indication of the potential power of the multinational consumer group movement." I believe that, too.

One HAI member has already scored a small, but notable, success. An active United Kingdom public interest group, named Social Audit, had published what it called an "anti-advertisement"--an attractive and strongly worded leaflet--containing counter-information against the anti-diarrhoea drug, Lomotil. Since 1973, it has been contra-indicated in the U.S. for children under the age of two. In spite of this, G.D. Searle, the manufacturer, had been selling it for children as young as three months in Asia and Africa. Searle agreed, after a meeting between its representatives and Social Audit, to revise its labelling to indicate clearly that the product was not recommended for use by children under age two.

Another notable IOCU/HAI success was against CIBA-Geigy, manufacturer and seller of Clloquinal --in the U.S. Entero-vio form--which is reported to have caused severe neurological damage to over 10,000 users. Seven years after IOCU published a survey damning the product, and after a concerted campaign by IOCU, HAI, and activists in Japan, including "anti-advertisements" in many languages, Ciba-Geigy agreed in November, 1982 to progressively recall the product.

While the marketing practices of pharmaceutical companies have attracted the most attention, IOCU plans to focus on the pesticide issue as well.

To address this vast and troublesome problem, IOCU is actively involved in setting up a new network--the Pesticides Action Network. Its objectives are to increase the awareness of independent organizations regarding the structure and practices of the global pesticide industry, to identify key issues, and to stimulate and strengthen joint action.

IOCU's program for the 1980's is ambitious, but achievable. The new international campaigns can be effective in their own right. More than that, they can stimulate and assist the work of local and national consumer organizations within national boundaries. Coupled with IOCU's dedication to service as an information source and clearinghouse, and as an aid to developing consumer organizations throughout the world, they

present a vigorous program for international consumer protection and development.

Underlying all of it is the determination that, as the marketing of consumer products has crossed national boundaries, consumer protection and advocacy must be international as well. National boundaries must not be permitted to become artificial limits to the moral obligations of producers and sellers. A human being's right to life, health and safety is a right every bit as precious as the fight to be free of political oppression.

The consumer movement started within each country as a movement for social and economic justice. IOCU has become a force that seeks that justice for consumers on a worldwide basis. And American consumers can take heart from the fact that the American consumer movement is part of a growing world force--one whose vigor and strength has begun to make its mark. We have lots of important work to do in the years to come, and the conviction and the organization to do it.

THE POLITICS OF CONSUMER REGULATION: THE PUBLIC RESTRAINT
OF PRIVATE GREED

Michael Pertschuk, Federal Trade Commission, Washington D.C.¹

Two years ago, those unofficial coroners of public impulses, the poll takers, pronounced the consumer movement dead on arrival at the threshold of the '80's.

The remnants of the consumer groups recalled Tom Lehrer's sad-sack "Folk Song Army" -- we had all the good songs but we had lost all the battles.

As Ronald Reagan was inaugurated, a contemporaneous Harris Poll indicated that the majority of voters (65-29%) resonated agreeably to Reagan's vow to peel the government from the backs of business. Harris also found that a 54-38% majority -- apparently without regret -- viewed the consumer movement as "running out of steam."

Now -- two years of Reagan and his regulators -- the gang that can't rule straight -- has apparently done for the consumer movement of the '80's what Ralph Nader did two decades earlier, though neither is likely to cherish the comparison.

On the second anniversary of Reagan's inaugural, last January 20, pollster Louis Harris told the annual national Consumer Assembly in Washington that "a clear-cut 55-36% now reject the notion that the consumer movement has run out of steam."

"Indeed," Harris told the reviving delegates "by a sizable and convincing 80-15%, the prevailing view of the American people is that unless they keep fighting, consumer groups may begin to lose what they have achieved."

The American people are right.

A goodly number of Reagan's regulators have now spent two years doing to the public precisely that which in private incarnations (as lawyers, flacks, lobbyists and business cheerleaders) they tried to do to the government. Others are plainly honest, if limited, men and women, who truly believe that business liberated from odious government constraints will follow justice and fair dealing all of its days.

Throughout the breadth of the Federal government, the Reagan administration has brewed a poisonous admixture of crude freemarket ideology and corporate sycophancy.

Consumers were bugs on the Reagan windshield of regulatory removal. (With all the subtlety of Jane Byrne clearing the snowbound streets of Chicago in an election year, the Reagan regulators set to work plowing up the national framework of consumer regulation.)

Laws against deceptive and unsubstantiated advertising, against unsafe and defective products, against retail price-fixing -- are scorned as economically unsound restraints on market innovation. Consumer law enforcement staffs have been dismantled or decimated by budget cuts. Actions against violators are leashed, pending the satisfaction of exotic conservative economic theories about the evils of government intervention in the marketplace.

A modest example: The Federal Trade Commission's Seattle Regional Office was all set to insist upon the recall of potentially defective survival suits worn by oil rig workers and seamen working on rough seas.

"Wait!" cried a Commission economist, whose assigned task it was to forestall precipitous action: Perhaps there will be a few drenchings or drownings, then a few lawsuits. Who knows, the market in survival suits may well be self-correcting. Recall negotiations were halted.

In New York City when the cops in their patrol cars at night pull into a quiet corner, dip their caps down over their eyes, and nap; they call it "cooping." Well, throughout Washington's regulator agencies -- Reagan's cops have been cooping!

And what the Reagan administration left standing, a Congress enthralled with business "Political Action Committees" (PAC's) set to work undoing. The 97th Congress sunk from Nader to nadir with its veto in May 1982 of the FTC's pale shadow of a used car defect disclosure rule. By the fall of 1982, the House of Representatives was poised -- with 219 proud co-sponsors of the American Medical Association's pet amendment -- to perform what Senator Warren Rudman (R-N.H.), protesting, called a "frontal lobotomy" on the FTC, erasing the Commission's authority to prosecute antitrust violations and consumer fraud among any professionals smart enough to earn graduate degrees and politically organized enough to secure a state license.

This was the grim political landscape that the delegates to the Consumer Assembly surveyed as they gathered earlier this year. Yet the theme of this year's Consumer Assembly was bold: "The Consumer Movement Takes the Offensive." Was that a sober charge to a waiting army -- or puffery? To be sure, Louis Harris confirmed that the consumer cause was a truly popular cause. But a cause is not a movement. And how in the cold light of regulatory politics could a rag-taggle coalition of community groups, older Americans, cooperatives, sorely distracted labor

¹Commissioner

unions, consumer advocacy groups and leaders hope to overcome the combined force of a politically mobilized business community basking in the warm embrace of an ideologically attuned -- if not sycophantic President and Congress?

Indeed, there persists a suspicion among business leaders, that the "consumer movement" is a sham. "It may not be absurd to argue," argues Robert Shapiro, president of G. D. Searle's NUTRI-SWEET division, "that the consumer movement exists almost exclusively in the person of Ralph Nader. We had been consuming for some time, and our ancestors before us; but there was no consumer movement until Nader created it in the 1960's; and it is not wholly unreasonable to speculate that it would vanish without him."

It is, of course, true that the notable consumer achievements of the sixties and seventies were largely Washington-focused and centered: new and tougher Federal laws, and unaccustomed vigor in regulatory agencies. Ralph Nader was perceived, both by admirers and critics, as a lone champion of reform rather than a leader of a movement. Yet Nader might have moved some Congressmen to sympathy but not Congress to action, had not a majority of the Congress perceived that the public supported restraints on corporate overreaching and neglect.

Nader tapped smoldering public resentment at a growing list of consumer abuses: defective products backed by evaporating warranties; cigarette commercials that promised bliss and delivered cancer; autos and toys, so casually designed that they neglected elemental safeguards against maiming and killing; phony or distorted advertising claims; the persistent marketing of useless drugs -- or worse, useless and hazardous drugs. These and other accumulating consumer blows converged to evoke the elemental cry of the ripped-off consumer: "There Oughta Be a Law!"

Ralph Nader and other consumer leaders struck a responsive chord among the American public because they spoke for the frustration of the individual who felt buffeted by unresponsive institutions -- government and business.

The consumer impulse of the sixties and seventies -- perhaps not quite a movement, but not just another "special interest" -- can perhaps best be viewed as a stirring of what philosopher William M. Sullivan calls in his book Reconstructing Public Philosophy, the American "civic republican" tradition, the pursuit of the "common good".

To be sure, the objectives of consumer activists -- economic justice and consumer safety -- are broadly self-interested.

And consumer advocates have from time to time indulged a mean spirited, populist animus toward "big business."

But consumer issues have mostly engaged the participants not as narrowly self-interested economic players but as citizens striving for the betterment of community and society.

As Sullivan observes of the kindred civil rights and environmental movements, its participants have been "motivated by a combination of self-interest and a great deal of disinterested civic concern."

The consumer movement is not a revolutionary movement; but it is a disturber of the peace. It is especially disturbing to those now in philosophical high fashion and in power in the Reagan administration, who view all public conflict as the combat of the self-interested, and government as only the inept and corruptible referee of the warring greedy.

The consumer movement has been especially a disturber of those whose material good fortune convinces them of their own virtue and economic entitlement.

"All anyone ever wants," Senate Commerce Committee Chairman Warren Magnuson used to say at the end of a long wearying day listening to the pleas of lobbyists, "is a fair advantage!"

As Sullivan and others have begun to argue, this vision of the individual as bounded by self-interest, and government as broker of last resort for channeling the sum of individual self-interests, represents the exhausted, failing vision of the neo-conservatives:

- Failing, because only an explosively expanding economy could ever hope to satisfy the sum of individual self-seeking;
- Exhausted, because it fails to account or the experience which teaches that humanity finds its most satisfying expression in the pursuit of common needs, through political and civic participation in the larger community.

When Robert Lekachman entitles his indictment of the Reagan administration, Greed is Not Enough, he captures the essence of the consumer movement, as well as the Achilles' heel of Reaganomics.

A strong sense of community values permeates the consumer movement: truth, reciprocity, trust, fair dealing, equity. The antipathy of consumer groups toward such practices as credit discrimination against the elderly or women or non-whites, or toward advertising that exploits or deceives children, is motivated not so much by the drive to increase the consumer's share of the economic pie at the expense of producers as by a sense of moral outrage at the breakdown of ethical norms. Fairness and truthfulness, whether in advertising or in the most intimate of relations, are not merely necessary elements of efficient marketplace transactions; they are the essence of civil relationships in an interdependent society.

But what evidence is there that these sentiments find expression in the political behavior of ordinary citizens? Let's take a look at last November's congressional elections.

On September 23, 1982, voters in the Republican congressional primary, in upstate New York's (33rd) district, got mad at their Congressman, Gary Lee. Now Mr. Lee's name was not exactly a household word, even in his own congressional district. But thanks to Common Cause and Congress Watch, (the Nader affiliated lobby) the voters in Syracuse learned that Gary Lee had become the special interest champion of both the used car dealers and the doctors and cheerily took their Political Action Committee contributions. Lee's defeat (by 354 votes) may not rank as a political convulsion, but it "sends a message," said the New York Times. "Opportunistic congressmen who flack for special economic interests may wind up paying with their jobs."

Meanwhile, out on Long Island, volunteer canvassers for the Citizens/Labor Energy Coalition were knocking on 30,000 doors in Smithtown, Long Island, asking, "Did you know that your Congressman, John LeBoutillier, took campaign contributions from oil companies and voted to take the lid off natural gas prices next winter?"

And conservative Smithtown, which went 60 percent Republican in 1980, went 61 percent for challenger Robert Mrazek, a Democrat and an unabashed consumer advocate, in 1982.

Of eight races targeted by the Citizen/Labor Energy Coalition, six endorsed candidates won.

By contrast, in 1981 and 1982, the National Chamber Alliance for Politics, a part of the United States Chamber of Commerce, riding the crest of its political triumph in the 1980 election, targeted 112 "business opportunity" races. Of those Chamber-backed candidates, only 50 (45%) won, down from 70% in 1980.

In the other corner, of the 94 congressional candidates endorsed by the Consumer Federation of America, 77 won; of the 81 members who are no longer with us, 60 had worse than average consumer voting records, in CFA's judgement; 34 of the 81 defeated House incumbents had poor consumer voting records; 32 of the 34 had vetoed the used car rule.

In 1981, the late Washington Star thought it detected in the Reagan landslide a "public howl" of indignation against consumer regulation. But in 1982, no sitting congressman or senator was perceived to have been ousted for defending consumer, environmental, health or safety regulation and no challenger rode to victory decrying regulation as the chief bane and scourge of our society.

Now it would appear that Congress, if not Reagan, would have received a clear message from the electorate in November. Perhaps it did.

In the closing hours of the 97th Congress, at 5:15 in the morning of December 16, to be precise, Senators James McClure (R-Mont.), and John Melcher (D-Mont.), insisted upon a vote on the AMA's amendment (which they had co-sponsored) to exempt professions from the Federal Trade Commission Act.

For months Senator Howard Metzenbaum, (D-Ohio) the consumer's Horatio-at-the-bridge, had threatened to filibuster any attempt to hang the AMA amendment as a rider on bills passing through the Senate. The AMA's private vote counts, taken before the election, had suffused the AMA lobbyists with optimism. They had invested more than \$3,000,000 in the Congress and here, in the waning hours of the lame duck session, they were pressing for a showdown on their priority objective.

A strong succession of diverse speakers rose to denounce the AMA amendment: Senators Packwood, Gorton, Metzenbaum, Proxmire, Kennedy, Eagleton, Durenberger, Chafee, Heinz, Levin.

Finally, Warren Rudman, the Senator from New Hampshire, who had the day before led a successful fight in the Appropriations Committee against the McClure amendment spoke:

I noticed something very interesting in the last week. For the first time since I was a boy in New Hampshire, doctors are making house calls. They made house calls in the Dirksen Building, they made house calls in the Russell Building. They are so concerned about our health that the reception room is packed with them, and I say we ought to give the American people a break.

As they trudge down the steps, discouraged and disheartened because we did the right thing, as they get into their Mercedes and Porsches and drive back to their suites in the Madison, let us give the American people a break. Let us regulate those things which need regulation. Let us regulate anticompetitive practices.

Rudman wisely refrained from adding that the doctors' defeat would be a bitter pill for the AMA, but a tonic for the consumer movement.

The AMA amendment lost and lost badly, 59-37. That last gasp of the 97th Congress may go down in history as the "Lame-Doc" session.

Where does a renewed consumer movement go from here?

The consumer crusades of the sixties and early seventies were uncomplicated by doubt. The economy was flush and expansive. In demanding minimum auto safety standards and defect recalls, consumer advocates didn't have to worry about GM's entrepreneurial robustness or the livelihood of auto workers and their communities. Indeed the unions -- true to labor's traditions -- were the backbone of the organized consumer movement.

Now, it's not so easy. Consumers may bristle at the efforts of business to lay the effects of its own neglect and shortsightedness at consumerism's door. (Compliance with U.S. safety and air pollution standards hardly inhibited flourishing Japanese enterprise.)

Still, to the extent that the consumer movement truly aspires to both economic well-being and civic justice, its righteous outrage at consumer abuse must now be tempered with genuine concern for failing or thwarted enterprise and attendant high unemployment.

But heightened sensitivity to the pain of workers and the rehabilitative needs of productive enterprise does not dictate the abandonment of principles which have long guided the consumer movement.

Indeed, most often the fundamental interests of consumers and a healthy economy coincide. Ironically, it was stringent, government-enforced, quality control standards that nurtured the growth of Japanese consumer product firms -- to the mutual benefit of both Japanese consumers and the international competitiveness of Japanese products.

While American industry ritualistically resisted all efforts by consumer advocates to insist upon minimal performance standards for products, Japanese industry embraced such standards -- and prospered.

And for those who now grasp as an industrial panacea the "loosening" of the antitrust laws so that united American cartels can go forth to do international combat -- it should at least give pause to note that the Japanese automobile industry honed its competitive edge on the fierce domestic rivalry of no less than nine independent automobile manufacturing firms! This, while our big three, dominating the domestic market, grew sluggish.

Those who have studied European industrial policy with its encouragement of mergers and the anointing of corporate "National Champions" have concluded that, invariably, the national champion fails to penetrate international markets. But it does succeed in exploiting a monopolized domestic market to the detriment of both domestic industry and domestic consumers.

But hard times demand that consumers listen with open minds to the pleas of their friends and allies in labor, as well as to others, for the development of new industrial policies which promise the restoration of a health economy.

It may indeed be prudent and justified to provide narrowly focused, temporary relief for certain industrial segments.

The consumer interest is entitled at least to a place at the bargaining table. The consumer must be heard to argue for the proven virtues of open trade and competition.

Where the case for protection has been made -- or at least politically won -- the consumer must be heard to argue for its least costly forms and to insist upon a quid pro quo from both business and labor: from the businesses benefitted, a contractual commitment to productive reinvestment; from workers, a commitment to enhanced productivity.

It is the role of the consumer movement not only to insist upon a place at the bargaining table, but to keep insisting that the development of national economic policy affecting consumers be open to broad public scrutiny and that the consumer interest be heard and heeded.

For the revived consumer movement, the agenda is full.

The Reagan anti-consumer binge is only half spent. Preserving the fundamental framework of consumer protection and antitrust laws erected over more than fifty years will continue to occupy consumer groups until the Reagan administration ends.

Campaign finance reform must share the top of all citizen group agendas. No citizen interest is more vulnerable to the bureaucratized plutocracy of the PAC's than the consumer interest.

The defeat of the AMA was soul satisfying. But the sad lesson is that the AMA got so far with an effort of so little merit -- and in the face of an ecumenical coalition that encompassed David Stockman and Ralph Nader, the Consumer Federation of America and the American Enterprise Institute, Fortune 500 corporations, the American Association of Retired Persons, the nurse midwives, steelworkers, opticians, and Reagan's FTC Chairman James C. Miller III. In the face of such opposition, can there be any doubt that congressional debts to the AMA for contributions past and the promise of more to come played a major role in making the AMA amendment a credible threat? Consumer's lives and pocketbooks will not be secure until campaign pockets are sewn up.

Finally, consumer leaders must continue to seize back from Mobil Oil and the libertarian economists the symbols of debate. They must make it clear that their concerns are neither narrow nor trivial nor incompatible with a society under economic stress.

The consumer movement is not anti-business. The true creative entrepreneur is as much a consumer hero as the advocate.

The consumer movement does not stand for excessive regulation or centralized bureaucratic excrescences. Consumer leaders have joined and led regulatory reform efforts.

The consumer movement does stand for responsive government intervention in the marketplace: "the public restraint of private greed."

The consumer movement does not stand for a patronizing "consumer protection" to protect consumers against their own informed choices.

It does stand for free choice among enlightened consumers.

Despite the efforts of Reagan's deregulators to convince the American public that government has no legitimacy in enforcing standards of responsibility and fairness, the American public won't buy that lemon.

For indeed the consumer movement has "the good songs." And, in the future, it is not going to lose all the battles.

CONSUMER AND ECONOMIC EDUCATION RECOMMENDATIONS FOR POLICYMAKERS

Janice Holm Lloyd, Michigan Consumer Education Center

ABSTRACT

The U. S. Office of Consumers' Education awarded a contract to the Michigan Consumer Education Center in late 1981 for the preparation of a handbook for state and local school policymakers across the nation to articulate the need for, the status of, and specific recommendations for strengthening consumer and economic education programs. Some 1000 copies of the handbook were distributed, reaching seven members of each state education agency, every state legislative education committee, and numerous education professionals, including the Coalition for Consumer Education and Joint Council on Economic Education networks.

A forty-five member Michigan Task Force helped develop and twenty-one national reviewers suggested improvements for a handbook of commentary and recommendations for state and local policymakers on consumer and economic education. Certain basic assumptions were included in the Executive Summary and Foreword:

- Vast numbers of American youth and adults do not have the knowledge or skills they need to make informed decisions about consumer economic issues.
- Preparing students for responsible participation as producers, consumers and citizens is acknowledged in the Carnegie Foundation high school reform study as a critical component of a sound general education.
- A partnership approach to consumer and economic education is essential, in which educators cooperate among themselves and with interested members of the community.
- No program can prosper without administrative interest and support.

Task force members formulated ten specific recommendations for action by state education agencies, state legislatures and universities. They especially recommend that permanent state and local task forces be organized to set priorities, initiate activities, and monitor progress toward the achievement of significant, effective consumer and economic education programs.

DEFINITIONS

Clearcut definitions are not widely agreed upon in the fields of consumer and economic education. Some of the definitions in use are so broad as to appear interchangeable, while restricted perceptions of each field of study by practitioners in the other field sometimes impede cooperation in curriculum and program development. As of August 1982, forty-one states plus the District of Columbia have established laws, policies or regulations through their legislatures, boards of education or state education agencies which recommend or require some facet of consumer and/or

economic education. Terminology used by the various states in their statutes and policy statements includes consumer education, economics, free-enterprise, consumer economics, personal finance, family law, and "thrift." The definitions used by the states and the content areas singled out for emphasis reflect the multiple meanings of the terms and the differences in focus desired.

Two major curriculum planning tools are available to educators interested in distinguishing between or in integrating certain aspects of consumer education and economic education. The documents and the definitions proved by the sponsoring organizations are:

Classification of Concepts in Consumer Education

Michigan Consumer Education Center, National Consumer Education Development Program Project, South-Western Publishing Company Monograph No. 137, 1982

Consumer education is the process of gaining the knowledge and skills needed in managing consumer resources and taking actions to influence the factors which affect consumer decisions.

Rosella Bannister and Charles Monsma - 1980
Master Curriculum Guide, Part I: A Framework for Teaching Economics: Basic Concepts

Joint Council on Economic Education, 1977

Economic education is the development of the knowledges and skills necessary for making reasoned judgments about various economic questions facing individuals and their society. More specifically, economic education develops the ability to make more objective, analytical, personal choices by using basic economic concepts to make decisions associated with the roles of consumers, producers and citizens and investors.

John Clow and Stowell Symmes - 1982

It should be noted that the term "consumer economics" also has a variety of definitions, ranging from a specialized area of the discipline of economics to the personal application of economics in daily living.

The combined reference to consumer and economic education in the handbook is a conscious decision intended to encompass and recommend for the kindergarten through adult education curriculum the full range of both consumer and economic education concepts, recognizing the value of each, without undue concern for unanimity on how either field is self-defined or defined by others. William Johnston writes from Oklahoma State University's Center for Consumer Services that "the divergence of views about what we are and do is our strength. We all, regardless of our affiliation and persuasion, have an important contribution . . . Let each of us go on doing what we do best."

IMPORTANCE OF CONSUMER AND ECONOMIC EDUCATION

Excerpts are highlighted from a number of national studies and surveys (cited in an appendix). In particular, the handbook singles out certain critical understandings which students must master if representative government is to prosper:

- *The universal fact of limited resources and the necessity for deciding at every level which goods or services to purchase and how to pay for them*
- *The relationship between political and economic systems and the dynamic nature of each*
- *The complex, interrelated impact of actions by the government, business and consumer sectors on each other*
- *The rights of individual citizens as consumers to a reasonable level of safety, information, choice and redress of grievance, and their responsibilities as providers of goods and services to meet reasonable consumer expectations*
- *The responsibility of individual citizens in every setting to promote and practice ethical behavior and a balanced concern for individual and societal rights.*

STATUS OF CONSUMER AND ECONOMIC EDUCATION

Three major studies were analyzed and compared. Additional data for seven states were obtained, and several graphic overviews of state policies were developed which reflect the findings of each source. The Michigan Consumer Education Center's conclusions as of August 1982 indicate:

- Forty-one states plus the District of Columbia have a specific policy regarding consumer and/or economic education
- Twenty-seven of the forty-one states have a legislative or board of education mandate requiring instruction in consumer and/or economic education
- Nine states have no official policy or mandate for consumer and/or economic education, usually in deference to a tradition of strong local autonomy, and not a reflection of lack of state education agency interest or absence of local programs.

Mandates for Teaching Consumer and/or Economic Education -- 27 states require that students receive instruction in consumer and/or economic education

	REQUIRED COURSE		REQUIRED INSTRUCTION	
	<u>Economics</u>	<u>Consumer Education</u> <u>Consumer Economics</u>	<u>K-12</u>	<u>High School</u>
<u>Free Enterprise</u>				
Arizona	Alabama	Idaho	California	Georgia
Louisiana	Oregon ←2 semesters→	Oregon	Connecticut	Illinois
	South Carolina		Delaware	Nevada
	Tennessee		Florida	North Carolina
	Texas		Kentucky	Rhode Island
			Maryland	Utah
			Mississippi	Virginia
			New York	Wisconsin
			Oklahoma	Wyoming
			South Dakota	

The three major studies which were analyzed were:

- Alexander, Robert J. State Consumer Education Policy Manual. Education Commission of the States, Denver, CO 80295. 1979.
- Brennan, Dennis C. and Ronald A. Banaszak. A Study of State Mandates and Competencies for Economics Education. University of the Pacific Center for the Development of Economics Education, Stockton, CA 95211. 1982.
- Yankelovich, Skelly and White, Inc. National Survey of Economic Education 1981: Grades Six through Twelve. Phillips Petroleum Company. 1981. Available from Playback Associates, 708 Third Ave., New York, NY 10017.

Indicators of increased activity in consumer and economic education programs include studies by: Bloom and Greyser; Richardson; Yankelovich, Skelly and White. New and established national networks for promoting such programs include the Coalition for Consumer Education and the Joint Council for Economic Education. The inadequacy of program evaluation is emphasized, both as a weakness in assessing program effectiveness, and as a drawback in promoting the value of expanded programs.

ISSUES IN PROGRAM DEVELOPMENT AND IMPLEMENTATION

Three broad categories of commentary are treated, with extensive references cited for further reading: Community Attitudes, Educational and Curriculum Matters, and Administrative Problems.

APPROPRIATE CONTENT AREAS

Two major curriculum planning documents are recommended and excerpted (already cited in the section on definitions). The number of topics which have consumer and economic implications is endless. There are few subjects in which references to consumer and economic issues cannot be emphasized if teachers are: sensitive to the opportunities; encouraged to incorporate appropriate attitudes, knowledge and skills in their courses; and have the training and resources which enable them to promote consumer economic

competence effectively.

Specific references are made to the linkage between consumer and economic education content and the fields of language arts, math, social studies, home economics and business education. Consumer and economic education is an integral part of all these disciplines, and inservice for teachers who need additional training can be designed and delivered if legislatures and state and local education agencies assert its significance, and cooperate with interested university, business, labor, community and consumer representatives to design and deliver quality programs. It is acknowledged that there is insufficient time in the curriculum to include all that students need to know. Curriculum designers must select from among the multitude of consumer and economic topics and concepts those of universal significance and as many as possible of local and immediate interest.

The recommendation to organize an advisory group of representatives from a variety of organizations must be clearly understood as providing community involvement without relinquishing the school's responsibility for determining the program's educational objectives. It is possible to create a responsible partnership among the different groups interested in consumer and economic education, with advisory group members making recommendations but not determining educational policy.

RECOMMENDATIONS FOR CONSUMER AND ECONOMIC EDUCATION

A broadly based task force has discussed the current status of consumer and economic education across the country, has reaffirmed its belief in the significance of consumer and economic education, and has considered the issues and problems involved in implementing and improving state and local programs. Recognizing that variations among state education agencies and their relationships to local district decision making will necessitate some adaptation or revision, the Task Force on Consumer and Economic Education recommends that state education agencies, state legislatures, and universities:

1. Encourage local school boards and administrators to include consumer and economic education in the elementary, secondary and adult/community education curriculum
2. Promote lifelong consumer and economic education as a responsibility shared by family, school and community groups
3. Demonstrate commitment to the promotion and improvement of consumer and economic education programs by designating a state education agency staff member who will cooperate with grade level, subject area and interdisciplinary specialists, and other interested persons in developing a comprehensive statewide approach to consumer and economic education
4. Encourage state and local agencies to allocate education funds to promote consumer and

economic education programs and for research to determine and disseminate effective teaching and evaluation methods

5. Ensure the availability of trained, qualified teachers by encouraging the development and regular updating of preservice, inservice and continuing professional development programs for elementary, secondary and adult level teachers from the many disciplines which incorporate consumer and economic education attitudes, knowledge and skills
6. Encourage the formation of state and local advisory committees with representatives of business, labor, government, and consumer groups to support and reinforce consumer and economic education in the school and community
7. Assist in development and maintenance of up-to-date methods and materials information exchange systems for consumer and economic educators
8. Encourage the regular evaluation of consumer and economic education programs and materials, and assist local districts and community groups as requested in developing and refining existing assessment processes or instruments
9. Cooperate with non-traditional education programs and organizations to develop and deliver consumer and economic education to specific target audiences with particular consumer problems, such as handicapped persons, adult returning students, single heads of household, older citizens, and unemployed and underemployed workers
10. Establish permanent state and local task forces to set priorities, initiate action, and monitor progress toward the achievement of significant, effective consumer and economic education

No one expects a school district to accomplish an impossible ideal. But our individual students and our society deserve the best which we are capable of providing. It is the hope of the Task Force which developed the handbook that policymakers, educators, and concerned citizens at all levels will set specific priorities, will work toward achievable goals, and will sustain a permanent commitment to up-to-date, high quality consumer and economic education programs.

(Note: The handbook is one of 19 publications selected from 300 products of the U. S. Department of Education grants and contracts for presentation to commercial publishers as meriting wider dissemination under a contract with LINC Resources, Inc., Columbus, Ohio, for the Basic Skills Validation and Marketing Program.)

FINANCIAL PLANNING: STAFF DEVELOPMENT
FOR INSERVICE TEACHER TRAINING

Rosella Bannister, Eastern Michigan University¹
Iris Elfenbein, American Council of Life Insurance²

ABSTRACT

Business and education share common concerns about quality education and the effective utilization of limited resources. This session describes a cooperative effort between educators and the American Council of Life Insurance, a trade association representing America's life and health insurance companies, to produce a needed secondary staff development manual for financial planning education.

THE NEED

The need for teacher training in personal and family financial planning is urgent. Faced with a complex economic environment, including rising unemployment, economic depression, and an increasingly diverse array of financial products and services made possible by changes in government regulations and expanding technology, teachers need to know about recent economic developments affecting family financial stability and be able to help their students understand them.

Though several surveys indicate that state education departments expect secondary school students to receive some instruction in financial planning education and that teachers be prepared to teach the subject, there is a paucity of pre- and inservice courses available to teachers. The need for resources that provide a better understanding of personal and family financial planning (PFFP) both for those who teach and for the students themselves is apparent. The staff development workshop manual described below is intended to meet that need.

FINANCIAL PLANNING IN CONSUMER EDUCATION

Consumer Education is the process of gaining the knowledge and skills needed in managing consumer resources and taking actions to influence the factors which affect consumer decisions.

Financial Planning is a major conceptual strand in the Resource Management area of consumer education. Although financial planning has long been a central focus of consumer education, too often people procrastinate in designing and carrying out a plan, and make needless mistakes regarding their personal financial decisions.

Consumer education teaches that financial planning should be both short-term and long-term

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throughout the life cycle. Those concepts related to financial planning are defined in Monograph 137 Classification of Concepts in Consumer Education by Rosella Bannister and Charles Monsma, available without charge to educators from South-Western Publishing Company, 5101 Madison Road, Cincinnati, Ohio 45227. See Figure 1.

FINANCIAL PLANNING WORKSHOP MANUAL

The manual, Personal and Family Financial Planning: A Workshop for Secondary School Trainers and Teachers, was developed by a team of educators, each with expertise in consumer education, teacher training or curriculum development. The manual contains information and materials necessary to run an 18-hour workshop.

Part A of the Manual is a guide for workshop leaders. It describes personal and family financial planning, and suggests preparation and procedures for each workshop session. Part B provides content outlines and materials for the seven sessions that make up the workshop:

- Session I -- Orientation to Financial Planning
- Session II -- A Personal and Family Financial Plan
- Session III -- Obtaining Financial Resources
- Session IV -- Spending and Borrowing Financial Resources
- Session V -- Saving and Investing Financial Resources
- Session VI -- Protecting and Sharing Financial Resources
- Session VII -- Infusing Financial Planning into the School Curriculum

Competencies and Basic Generalizations

Each session provides experience that leads to attainment of one or more of six financial planning competencies:

1. Analyze personal and family values, goals, and priorities and their relation to decisions in financial planning.
2. Provide an income base that draws upon a wide range of financial resources that can be anticipated to change throughout the life span.
3. Design a comprehensive personal or family financial plan, using that base, to reflect defined values, goals and priorities.
4. Implement the plan to meet short-term and long-term goals by applying principles of effective spending, borrowing, investing, saving and sharing.
5. Evaluate and modify the plan to meet changes in the household situation and in relation to outside social and economic conditions.

- Assess all aspects of the plan in terms of potential financial risk in order to provide for protection of resources and wealth.

Several basic generalizations underlie all of personal and family financial planning. These generalizations form the rationale and illustrate why financial planning has a place in the secondary school curriculum. The generalizations are:

- Financial planning is a lifetime process learned in youth and used throughout life's stages to develop financial plans that reflect changed personal, household and societal conditions.
- A financial plan helps individuals and families utilize a variety of financial resources to meet changing financial needs and responsibilities throughout the life-cycle.
- Individuals and families can plan to maximize financial resources available at different stages of the lifecycle.
- A financial plan periodically reviewed and modified helps individuals and families adapt to changing economic and social conditions.
- Effective financial planning involves communication of values and wants, needs and responsibilities among family members.
- Effective financial planning includes calling upon financial planning professionals in the community for information and advice on available products and services. These professionals include financial planners, insurance agents, bankers, investment counselors and estate planners.

Review and Field Test

The manuscript was reviewed by staff from the Association of Teacher Educators (ATE), as well as the Teacher Education Advisory Committee of the American Council of Life Insurance. The workshop was then field tested in cooperation with ATE in six states:

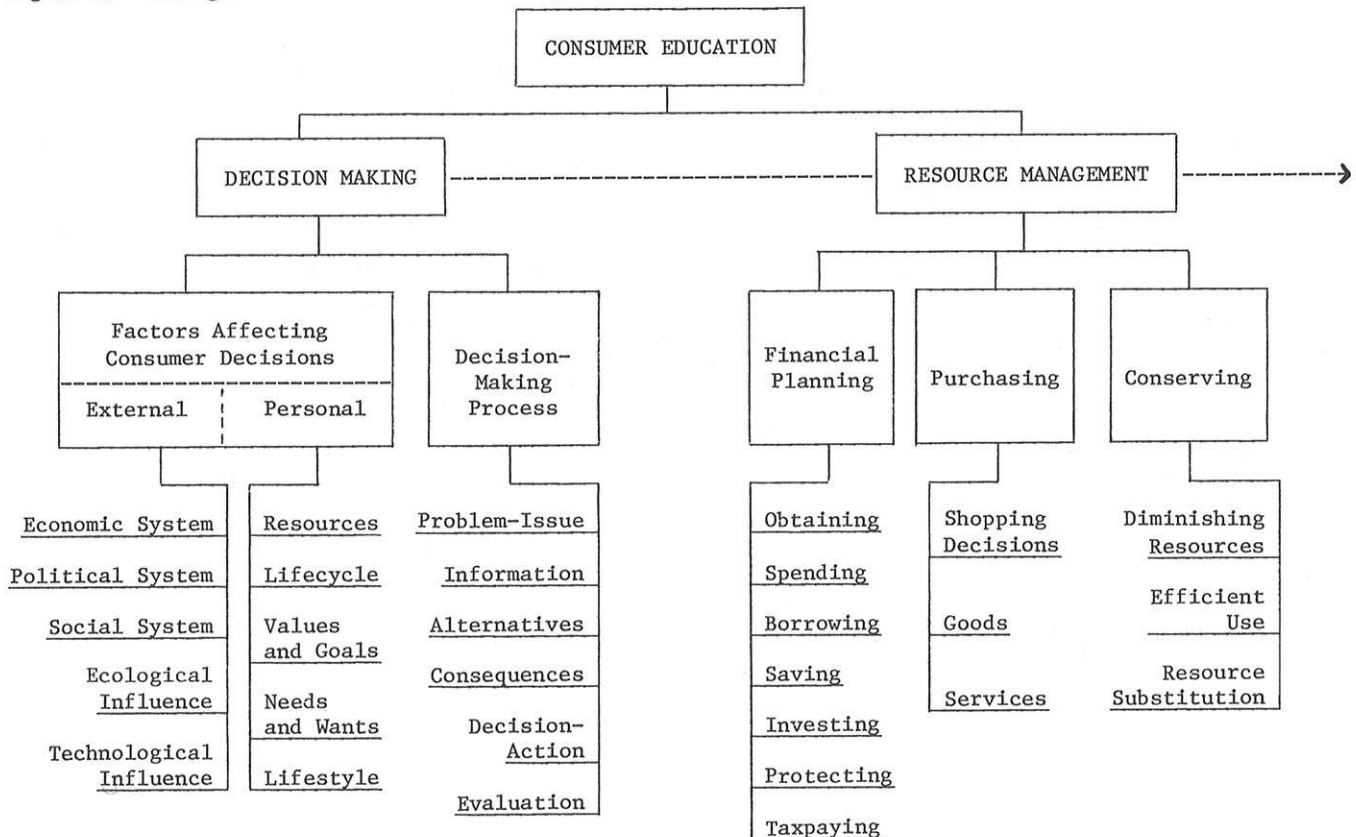
- Indiana State University
- Memphis State University
- Sam Houston State University
- Texarkana Teacher Center
- University of Nebraska-Omaha
- University of Wisconsin-River Falls

The field test results indicated that the materials were effective and useful for teaching financial planning. The revisions recommended were made and the materials were once again reviewed.

Availability

The development of this manual, Personal and Family Financial Planning: A Staff Development Workshop for Secondary School Trainers and Teachers, is an example of how business and education, working together, can provide needed educational resources. The manual, combined with a 15-minute introductory slide-tape, "Decisions- Decisions," provides a comprehensive financial planning training package which may be purchased for \$8 from the Teacher Education Program, American Council of Life Insurance, 1850 K St., NW, Washington, DC 20006.

Figure 1. Abridged Classification of Concepts in Consumer Education



HOUSEHOLD PRODUCTION FUNCTIONS FOR FOOD PREPARATION

Kathryn Stafford, The Ohio State University
Margaret Mietus Sanik, The Ohio State University

ABSTRACT

Household production functions for food preparation were estimated using linear, quadratic and log linear functions. Output was measured by number of meals per day, servings per day and items per day. Inputs were homemakers' and spouses' hours per day, urban residential location, and range top, oven, broiler, microwave, charcoal grill and small appliance use. The nonlinear functions and number of items performed best.

Those of us who are interested in studying household decisions realize that one of the most neglected aspects of American life is the nature of everyday activities. Berk and Berk (1979) make the point that we have little empirical information on households' resource allocations or the mechanisms by which they occur. Of course, there is an enormous body of literature on households generated by a variety of academic disciplines, but the technological input/output relationships which form the underpinning of life within households have been virtually ignored. This paper will examine these technological input/output relations for meal preparation in households.

There are several reasons for wanting to know technological relationships for household activities. Berk and Berk (1979) used the concept of production functions, economists' term for input/output relationships, to examine the sequential nature of household activities. Production functions also allow us to assess the efficiency of household resource use. Once able to assess efficiency we can proceed to recommend ways to improve household resource allocations on something other than a normative basis.

Production functions characterize the means by which inputs such as labor, capital equipment, and raw ingredients are combined to produce outputs. We shall call household outputs commodities. Commodities may include made beds, cleaned baths, dressed children or prepared meals the focus of this paper. Each is the result of production processes that may interact or overlap. For the discussion of production functions which follows we borrow Berk and Berk's (1979) simple example of hamburger preparation.

The production of hamburgers, like any production process, requires inputs. Here the inputs are the labor of one or more cooks; capital equipment such as a knife, a cutting board, a broiler and a toaster; and the raw materials ground meat, buns, onions, and some source of energy such as electricity. Production of burgers or anything else necessarily occurs in a set of related steps.

Assistant Professors, Home Management and Housing

This fact implies several things about the ways in which the steps are related. First, there is a necessary sequence which must be followed. In their example buns must be sliced before burgers can be inserted. Second, the quantities of various inputs and products are related. One burger requires one bun, one onion slice, five minutes of labor and ten minutes broiling time for example. Third, these relations have serious consequences when you want to produce more than one unit of output. If we assume that burger production has what economists call constant returns to scale, two hamburgers would require twice as much of everything as one burger. In other words, the ratio of inputs to output is fixed. Although the assumption of constant returns to scale is common, increasing or decreasing returns are possible. In the hamburger example doubling the cook's labor tenfold might yield only eight burgers. Fourth, failure to provide some minimum amount of inputs brings production to a halt. With no cook there are no hamburgers.

Any particular household commodity can be produced a variety of ways. For any particular commodity the production function is defined as the set of efficient production techniques both for each particular configuration of inputs and across all possible configurations of inputs. Although economics provides us with the concepts we are using it does not provide us with empirical evidence on production functions in households. For that evidence we turn to home economics. The extensive literature on time use growing out of a series of U. S. Department of Agriculture studies focuses only on labor inputs to household productive activities. Two exceptions are two Cornell University Agricultural Experiment Station memoirs on homemaking work units (Warren, 1940; Walker, 1957). A work unit was defined as the average amount of work done in one hour by an average worker under average conditions. Warren (1940) and Walker (1957) studied both inputs and outputs of household activities in order to measure work units.

Warren (1940) found that number of servings was closely related to time spent on meal preparation, but number of items prepared was not. As the number of individual meals served weekly increased the time per individual meal served decreased (figure 1). As the number of articles baked increased, the time input increased at a decreasing rate (figure 2). As the lunch pails packed daily increased so did the time used (figure 3).

Walker (1954) reported meal preparation time and work units by meal type. Quantity of output was never published although it was measured and analyzed. Walker (1954) reported meal preparation time was unrelated to household size. Number of

persons or meals served is not necessarily the same as household size and neither of these measures was related to meal preparation in published sources. Consequently, the more recent research on work units is not as helpful for the purpose of this paper as the first work.

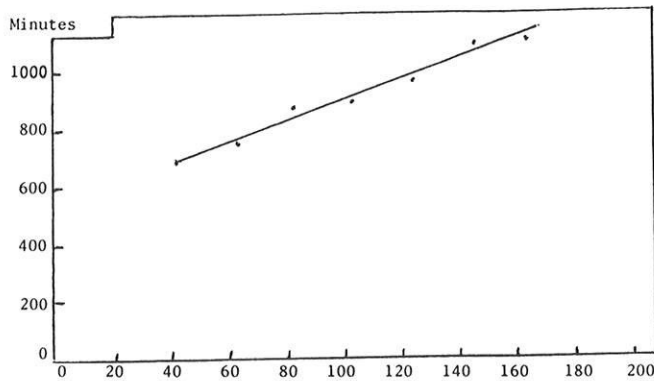


Figure 1. Number of Individual Meals Served and Minutes Used During the Week for Meal Preparation (Warren, 1940)

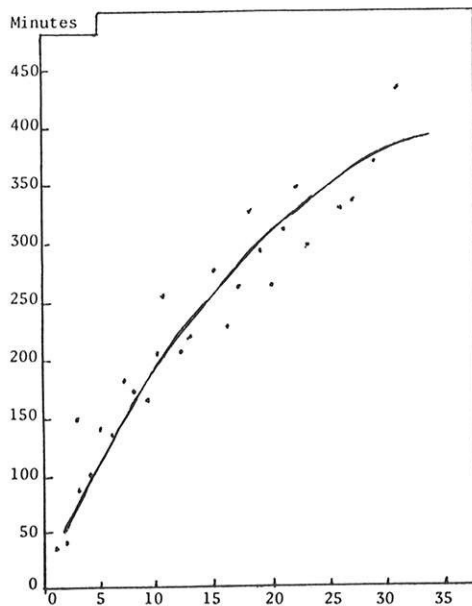


Figure 2. Number of Articles Baked and Minutes Used During the Week for Baking. (Warren, 1940)

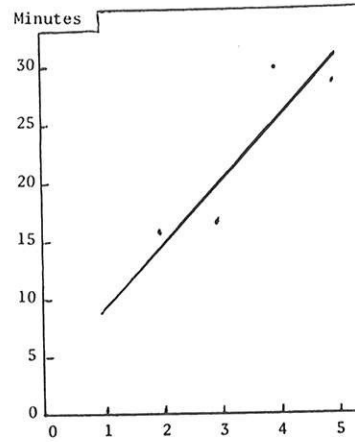


Figure 3. Number of Lunch Pails Packed and Minutes Used During the Week for Packing Lunch (Warren, 1940)

The research reported in this paper builds directly upon the work of Warren (1940) to estimate household production functions for meal preparation using three functional forms and three measures of output. Since Warren (1940) found both constant and increasing returns to scale in meal preparation activities a linear function, a quadratic function and a log-linear function are estimated. Number of meals per day, number of persons per day, and number of servings per day are used as measures of output quantity since Warren (1940) and Walker (1957) reported differing relationships between time inputs and number of persons.

METHOD

The model(s) estimated were:

$$\text{linear } Y_j = a + \sum_{i=1}^8 b_i X_i \quad (1)$$

$$\text{quadratic } Y_j = a + b_1 X_1 + c_1 X_1^2 + b_2 X_2 + c_2 X_2^2 + \sum_{i=3}^8 b_i X_i \quad (2)$$

$$\text{log-linear } \ln Y_j = a + \ln X_1 + \ln X_2 + \sum_{i=3}^8 b_i X_i \quad (3)$$

for every Y_j , $j=1,2,3$

where

- Y_1 = number of meals per day
- Y_2 = number of items per day
- Y_3 = number of servings per day
- X_1 = homemaker's meal preparation hours per day
- X_2 = spouse's meal preparation hours per day
- X_3 = top of the range used
- X_4 = oven used
- X_5 = broiler used
- X_6 = microwave oven used
- X_7 = small appliance used
- X_8 = urban residential location

The output measures selected differ in complexity. Number of meals is the simplest and captures the least information. Meals include snacks for one and dinner parties for eight. No quality variation is captured in this measure. Number of items captures more information about meal quality to