

AN ECONOMIST CONSIDERS THE PROBLEMS IN INFORMING CONSUMERS

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I am quite delighted to have this opportunity to participate in the discussion of the numerous problems that arise relative to the relaying of information to consumers.

As an introduction to a description of the specific difficulties encountered in trying to protect and/or inform consumers, a statement should be made concerning the underlying philosophies of the protective or informative programs themselves. I detect four. First, it is quite clear that the early "consumer movements" were essentially punitive. The regulatory edicts in Ancient Rome pertaining to weights and measures were unquestionably designed to point a guilty finger. H. J. Kenner, writing in the 1920's, established that, likewise, the compulsion placed upon the trade guilds in medieval England to adopt guild hall marks was specifically designed to trace the origin of goods and to determine the responsibility for worthless merchandise.

A strong case could be made for the proposition that the 1906 and 1938 attempts to get food and drug legislation were basically, albeit justly, punitive. To many, the confiscation today of tons of contaminated food products by the Food and Drug Administration simply points up the need for an even expanded program of punitive action. Nevertheless, the entire emphasis underlying programs to inform and protect consumers long ago shifted to a positive note. Instead of dissipating resources by attacking the mendacity of the minority, the new strategy was to enlist the cooperation of the majority of reputable businesses to provide truthful and factual information.

This brings us to the second philosophical approach to providing information to consumers: the consumer-business alliance. Essentially, consumers "sold" business on the idea that consumers were hungry for quality and performance information and that by providing it to them, they, the business firms, would themselves profit. In retrospect, I am somewhat amazed by the excellence of the consumers' selling job. Whether business firms were gullible or, like Pacific Mills, were cautious and acted only after conducting extensive surveys to determine the extent of consumer starvation for knowledge, their conclusions were the same: Consumers wanted to know! The resulting cooperation of business with consumers, particularly in the fifteen year period following 1927, was overwhelming.

Within five years (1927-31) a number of testing laboratories were established by major department stores, mail order firms, launderers, dry cleaners, as well as one by consumers themselves. During the following decade, large numbers of certification and labeling programs

sponsored by trade associations were launched. Lumber, leather glove, mirror, broom, hosiery, and other manufacturers developed such programs. In addition, citric fruit and apple producers, ice makers, soap guilds, textile fabric finishers, and buyers of boys apparel, all entered the act to label and certify their products for "consumer guidance." The National Bureau of Standards, in conducting investigations for the Temporary National Economic Committee, compiled data indicating that by the late 1930's, fully 700 of the 1300 trade associations were conducting some kind of labeling or consumer standards program.

Finally, advertising media prepared to enter this alliance in mass. Radio stations and periodicals (such as McCall's) were about to launch consumer information seals of approval when quite abruptly, the whole movement collapsed. The long drawn out hearings of the Federal Trade Commission, directed against the old established Good Housekeeping seals, simply lent drama to the culmination of a movement which would inevitably have collapsed of its own weight. In having business interests provide them with information, consumers were faced with such an amazing conglomeration of symbols, seals, and labels -- many of which were meaningless -- that they were more bewildered and confused than ever.

It should be stressed that consumers must work with, reason with, and co-operate with business interests to some degree. Long ago the American Standards Association attempted through consumer-business negotiations to correct deceptive certification programs by developing a valid certification procedure. The L22 standards were developed with partial consumer representation. The National Retail Merchants Association, in developing the washability symbols that were recently released, developed them with consumer representation. The National Institute of Dry Cleaners, in drawing up its Life Expectancy Table for textiles which has just been released, worked under the guidance of a distinguished consumer leader. Consumers can not fully isolate themselves from business. Nevertheless, to go to the other extreme and ally themselves with business is to establish an unholy alliance. I am fully sympathetic with the extreme caution of the Canadian Association of Consumers and of Consumers Union in this respect.

The third philosophical concept underlying programs for providing information to consumers is that the government should ally itself with consumers to get quality and performance facts from business. If one reads the historic 1926 New Republic articles of Stuart Chase and Frederick Schlink, in which they voiced their pleas for the development of a "science of buying and consuming," one is struck by the fact that from its very inception, the consumer testing movement aspired for a consumer-government alliance against business. As a matter of fact, the National Bureau of Standards did actually conduct tests for Consumers' Research during the latter part of the 1920's. This activity, however, was short-lived.

I have elsewhere alluded to the fiasco that consumers encountered in attempting to get government-sponsored information through the Consumers Advisory Board of the National Recovery Administration. Later, the intensely bitter struggle between consumer and business groups as a result of the innocent and routine proposal of the Office of Price Administration to require the grade labeling of canned goods during the first half of 1943 culminated in another setback for consumers.

Consumer groups continue to push for consumer representation in government. Indeed, a trend for increasing representation in state governments is observable. Likewise, it appears certain that some type of consumer representation in the executive branch of the Federal Government is imminent. Such representation, however, is likely to take the form of enlightening policy makers on the possible impact of executive and legislative action on the economic well-being of consumers. Gone are the days when consumers pushed for a government bureau to buy competitive brands on the open market, test them, and report the comparable qualities by brand names.

This now brings me to the fourth concept concerning getting information to consumers: Consumers should do it themselves. It would be trite to recite all of the arguments purporting to prove that consumers are not a unified cohesive vocal group. The fact is that we have failed. Yet, I am convinced that this is the only way: We, as consumers, must ourselves promote the consumer interest. It might be more fruitful, then, to use my remaining minutes to point out the glimpses of success that I detect, to indicate the obstacles that stand in our way, and to suggest a possible course of action.

The name Consumers Union stands out in bold relief when we seek to catch glimpses of successful attempts of consumers to inform themselves. It is obviously the most important consumer testing organization extant. In addition, what organization is quietly but consistently behind many of the attempts to effect consumer representation in government? Consumers Union! What organization undergirds and supports some of our important summer institutes in consumer economics? What organization provides the pecuniary lifeblood of some vital research being conducted on consumer problems at the National Bureau of Economic Research, Columbia University, and other college centers? In each case, the answer is Consumers Union.

Some of the difficulties encountered by CU, however, point up the obstacles that consumers must surmount. Any of you who are group leaders with non-captive members will undoubtedly have come face to face with these difficulties. The marginal receipts resulting from buying increments of durable goods with advice from CU far outweigh the slight marginal cost of \$3.50. Yet how difficult it is to extract that small subscription fee from those who are not immediately facing a buying stimulus! Or, if they do subscribe, they tend to let their subscription lapse when their buying activity subsides. I have had more success by appealing to broad altruistic and humanitarian motives than to those of the economic man!

I am convinced that Consumers Union exerts a favorable impact on the economy far out of proportion to its size. Nevertheless, pilot studies that we have conducted at Morgan State College suggest that for small items (with the possible exception of such dramatic items as Crest toothpaste), subscribers buy what they want in spite of CU's ratings. Indeed, CU may even have the effect of stimulating the sale of low rated convenience goods. I should like to stress that this, however, is at present only an hypothesis.

Much more important, however, is the fact that there is a glaring gap in the area of providing information to the poor. Everyone knows that Consumers Union is an organization of the elite. This is borne out by many studies. Dr. Colston Warne told me about the Low Income Consumer Study being conducted at Columbia. Also, David Caplovitz, who is directing that study, gave me a "sneak prevue" of the findings which are scheduled to be presented in August. His study reveals that 81% of the 464 families interviewed had never seen the magazine called Consumer Reports. Only 18. or about 4%, had ever checked Consumer Reports before buying.

It is not the fact that these low income people are inactive buyers that causes them to restrict their use of Consumer Reports. Indeed, I believe that one of Mr. Caplovitz's major conclusions will be that low income families are much more active buyers than is assumed in current theory. However, they buy even durables out of compulsion. One statistic from the Columbia study that impressed me was that 76% of these low income families felt that they should own certain things that they did not own. Among these the chief items mentioned first were labor saving appliances such as washing machines, vacuum cleaners, and the like.

Yet these families feel cheated. Forty-three per cent of the families in the Columbia study felt that they had been cheated by merchants. In another study of low income families in Baltimore, we found that about seventeen per cent of the white families living in a low rent housing project and approximately thirty-three per cent of the Negro families living in the same project felt that they had been cheated during the preceding year.

What is the solution to this problem? Elsewhere I have argued for the development of a consumer interest viewpoint in government. However, as I have indicated in this paper, I hold out little hope of offering through governmental channels the specific kind of information that the masses need. Likewise, I have stressed the necessity of continued research in consumer economics and of consumer education. These, however, are long range. The low level of literacy of the general populace most heavily in need of guidance precludes the use of mass printed media such as the excellent monographs of the Council on Consumer Information. What is needed, I am convinced, is a more personalized counseling approach.

Indeed, as I look at the marketing structure, going from manufacturers, functional middlemen, wholesalers, and retailers to the consumer, I see a vast void between retailers and consumers. I am fully convinced that this void will someday be filled by a new type of institution that, for lack of better nomenclature, I shall call "Better Consumer Bureaus." These would be non-profit specialists who would be in a position to interpret for the layman the vast amount of research data becoming increasingly available about consumers. These would not be testing technicians; therefore, they would supplement, or even promote, existing consumer testing organizations. Indeed they would use the test findings of existing organizations to conduct comparative shopping and thus readily make this valuable information available to untold masses.

How frequently do complex mechanisms function improperly because of the absence of a small operational part! A relatively minor institutional innovation in the marketing structure could conceivably give guidance to countless consumers and concomitantly improve the performance of our entire complex economy.