

ADVANCING CONSUMER INTERESTS IN THE STATE OF CALIFORNIA

by

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It is now approximately four and a half years since the establishment of the Consumer Counsel office in California. In his inaugural message to the 1959 Legislature, Governor Brown said, "We are all consumers. Yet we have never been able to speak in a single voice because we are disorganized and our needs are so diverse. Without a forceful spokesman in government, we have little defense against highly organized special interests. I therefore recommend the appointment of a Consumers' Advocate."

The Legislature responded favorably, and the office created by the statute they enacted is patterned in the main after the office held by Dr. Persia Campbell when she served as Governor Averill Harriman's Consumer Counsel. The law creating the office in California spells out the responsibilities of the office as follows:

1. To advise the Governor on all matters affecting the interest of the people as consumers.
2. To recommend to the Governor and the Legislature legislation deemed necessary to protect and promote the interest of the people as consumers.
3. To make studies and report thereon to the people.
4. To appear before governmental commissions, departments and agencies to represent and be heard on behalf of consumers' interests--in other words, be the official "voice of the consumer" in California.

Immediately following the creation of the office of Consumer Counsel, Attorney General Stanley Mosk backed it up with the establishment in his office of a new unit--The Consumer Fraud Section of the Attorney General's office. This office now has four attorneys, and has taken bold and decisive action against fraudulent and deceptive selling practices, including health and dance studio rackets; deceptive selling practices by trade schools and "liquidators" of merchandise; food freezer frauds, and so-called referral selling to mention only a few. The Consumer Counsel in the Governor's office and the Consumer Fraud Section of the Attorney General's office have worked in close collaboration with each other and with many of the district attorneys in California's 58 counties, several of whom have now created Consumer Fraud Units within their own offices.

For example, to stimulate enforcement of existing laws against fraud and deception, the Consumer Counsel office organized and co-sponsored with the Attorney General two institutes on consumer fraud for local law enforcement officials. One was held in southern and one in northern California. These are believed to be the first training sessions in the United States in the detection and prosecution of frauds against consumers.

As understanding among law enforcement agencies of the need for stepped-up law enforcement against consumer fraud increases, the proportion of time devoted to it by the staff of the Consumer Counsel office will hopefully decline. We shall continue, of course, under our statutory mandate, to investigate problems consumers have, and call them to the attention of law enforcement officials as necessary; to go before the people with information to help them avoid entrapment in unscrupulous sales schemes; and to work with industry groups, business and financial leaders, and Better Business Bureaus, seeking ways to curb abusive selling practices and to uphold high standards of business ethics; and to recommend legislation where necessary to give law enforcement agencies the tools they need to deal with specific abuses.

The staff of the office, besides the Consumer Counsel, consists of an attorney, an information officer, a field representative, and four clerical employees. The budget for the current fiscal year is about \$123,000 - well under a penny per person per year for the eighteen million California consumers the office is responsible for representing. A Program Advisory Committee of fifteen persons, appointed by the Governor, meets at least quarterly to advise upon program. The committee works under the direction of the Consumer Counsel. They may report directly to the Governor as well as to the Consumer Counsel.

Within the executive branch of state government, the Consumer Counsel presently serves, at the request of the Governor, as a member of an inter-agency committee to develop state policy on the use and control of pesticides. At the request of the Director of Agriculture, she serves as a consultant to a committee he has constituted on milk quality standards. The Consumer Counsel attends, as an invited participant, the monthly meetings of the Department of Investment, which is comprised of the Real Estate Commissioner, Savings & Loan Commissioner, Banking Commissioner, and Insurance Commissioner.

Advice to the Governor

Reports prepared for Governor Brown formed the basis of his recommendations on consumer credit to the 1963 Legislature. These recommendations are contained in his "Consumer Policy for California"--the first message by a California Governor to the Legislature dealing exclusively with consumer issues.

In the closing months of the 1963 legislative session, the Consumer Counsel Office analyzed and advised the Governor, at his request, on more than one hundred bills which concerned the consumer interest, passed by the Legislature and submitted for his signature.

Action in Recommending Legislation

Official representation of the consumer in California State government has stimulated the passage of much needed legislation. In his "Consumer Policy for California," Governor Brown submitted to the 1963 Legislature recommendations for action in four major areas: credit, packaging and

labeling, services consumers buy, and deceptive selling practices. The Consumer Counsel and staff made more than thirty presentations before legislative committees during that year's session.

Over the past four and a half years, the Consumer Counsel's advice and recommendations to the Governor and the Legislature and efforts to focus attention on consumer needs and rights have led to enactment of the following legislation:

1. The first official state sales tax collection schedule was established and the method of collecting sales tax from consumers reformed, saving consumers millions of dollars each year.
2. Abuses in health and dance studio contracts were curbed by outlawing lifetime contracts and limiting amount of contract to \$500.
3. Hazardous household substances were required to display warning signs on the label and to list the product ingredients and the most effective antidote in case of poisoning.
4. California laws regarding color additives in foods and drugs were put on a par with federal regulations.
5. Children's stuffed and padded toys were brought under surveillance of the state to assure that stuffing materials are clean, sanitary, and free from contamination.
6. TV and radio repair frauds were prohibited and a state unit established to enforce the law.
7. Abuses in household moving were curbed by bringing household goods carriers under closer surveillance of the State Public Utilities Commission and requiring the PUC to adopt regulations about moving cost estimates and shipping delays.
8. Deficiency judgments were outlawed on installment purchases of goods, except automobiles.
9. Consumer rights were improved when a creditor seeks to attach wages.
10. A type of deceptive selling was curtailed by prohibiting sellers from misrepresenting that they are manufacturers, wholesalers, importers, etc., or otherwise misleading customers as to the nature, extent, and volume of their business.
11. Installment purchases under \$50 were brought under regulation of the Retail Installment Sales Act and buyers of such goods given the right to get a written contract.
12. Clauses in installment contracts which penalize consumers for lawfully exercising their right to cancel the contract were outlawed.
13. Package labeling was improved by banning the use of adjectives that tend to exaggerate the statement of quantity on a package, such as "jumbo pound" and "giant pint."

Legislation Currently Being Studied by Legislative Committees:

1. A state truth-in-lending bill.
2. A bill to regulate more precisely revolving charge accounts.
3. A bill to require that meat once frozen and offered for sale after thawing be labeled "thawed."

4. A study of the need for some regulation to police persons who hold themselves out for hiring as income tax preparers.
5. A bill to terminate the temporary authorization granted in 1947 to reduce the pound loaf of bread to 15 ounces.
6. A study of possible deception in the packaging and labeling of the "balloon" loaf of bread.
7. A study of the difficulty of comparing the price of packaged foods, and of the need either to require the packaging of food in specified quantities or to require the posting, along with the shelf price of the package, the price per pound.

Action Before Governmental Bodies

As the "voice of the consumer," the Consumer Counsel has gone before government boards, departments and agencies to advocate the consumer's cause on many issues. Among them:

Short-weighting - Successfully opposed a proposed regulation which would have permitted over thirty common frozen foods to be sold short-weight in California.

Pesticides - Appeared at hearings by the State Department of Agriculture to urge tightening of controls on pesticide residues on food and feed.

Credit life insurance - Opposed a proposal to increase the cost to the consumer of credit life insurance, a cost which the lender may legally add to his finance charges. As a result of this opposition, the proposed increase was revised downward. The savings to consumers who borrow money will amount to hundreds of thousands of dollars annually.

Milk pricing - Testified at a state hearing in opposition to an increase in the price of milk based on more expensive packaging.

Lamb grading - Helped fight successfully to maintain the federal grading system on lamb so consumers would have a reliable guide to quality when buying this meat.

Packaging - Testified at hearings by a U. S. Senate subcommittee on packaging and labeling practices. The Consumer Counsel's testimony included results of a supermarket shopping test illustrating the difficulty of comparing prices due to packaging in odd weights and fractional quantities. This testimony contributed materially to formulation of the "truth in packaging" bill introduced in Congress.

Watered ham - Joined consumer groups throughout the country to help reverse a federal regulation which permitted water to be added to smoked ham. Now if water is added to ham, the label must say so, or the product must be labeled "imitation ham."

Health insurance policies - Appeared at a hearing by the State Insurance Commissioner to urge adoption of regulations which would put a schedule of benefits on the face of health, hospital and surgical insurance policies.

Currently we are committed to securing the adoption of effective regulations to carry out the enabling legislation concerning stuffed toys, household moving, labeling of packaged goods, and television and other electronics repair. Toward this end we propose specific language, appear before the regulatory body at public hearings, counsel with consumer witnesses, and in any other way possible try to make meaningful in the consumer's behalf the legislative mandate.

Studying Problems of Consumers and Providing Information

Six conferences conducted around the state gave consumers the opportunity to voice their problems with credit practices. Ten consumer information conferences on supermarket shopping have been held.

Studies of consumer credit problems made by the Consumer Counsel included: methods of quoting credit terms; variations in the way service charges are levied on revolving charge accounts; deficiency judgments; wage garnishments; and inequities in conditional sales contracts.

In developing testimony before governmental bodies on behalf of the consumer interest and in compiling information for consumers, the Consumer Counsel office has been most grateful for factual data on consumer buying provided by teachers, research workers, consumer cooperatives and credit unions, and individual consumers.

For example, we and several others have cited again and again information about interest rates paid for automobile credit developed by Lois S. Hoskins for her Master's thesis at the University of California, Berkeley. We have used this information in reports to the Governor and the Legislature. We are also distributing to consumers reprints of a paper based on her thesis which Mrs. Hoskins and Dr. Jessie V. Coles, at that time professor of home economics at the University of California, prepared for the Journal of Home Economics.

Dr. Richard L. D. Morse, head of the Department of Home Economics at Kansas State University, has made available to us valuable data from a survey conducted by his students on methods of quoting credit terms practiced by banks, finance companies, used car dealers and credit unions.

Home economists at the Consumers Cooperative of Berkeley, under the direction of Mrs. Elizabeth Wood, did some excellent research on labeling of frozen meats and poultry which helped us greatly in testimony we were called upon to present before a legislative committee recently.

We are also most pleased to have the recently-issued study of consumer credit made under the direction of Dr. Roy Cave, head of the Department of Economics at San Francisco State College. Among its many uses, one of the most valuable to us is its discussion of lender costs on consumer loans compared with the legal maxima permitted under California State law.

The value to our program of such research data cannot be overstated. We are called upon to provide information to consumers and to supply data and advice to government officials concerned with the consumer interest, but the store of data on which we can draw is limited, both in quantity and in scope. Especially in view of the changes that have occurred in consumer spending over the last 20 years and the expanded range of consumer buying responsibilities, it is fair to say that there is little illumination by which we can examine conditions of consumption today. Compared with the body of knowledge that has accumulated about

other aspects of our economy--production capacity, conditions of employment, earning rates, etc.--the territory of consumer research is a new frontier. It needs exploring.

Informing Consumers

These are some of the publications prepared and distributed by the Consumer Counsel office for the information of consumers:

Credit Costs Money - Know How Much It Costs You

How Much Consumers Can Be Charged For Credit Under California Law

How to Use The Small Claims Court

Cash vs. Credit

(Comparison of family purchasing with cash and with credit)

Consumer Information Guide

(Reference guide to sources of information)

Packages and Prices

(Results of a test of shoppers' ability to compare package prices in a supermarket)

New Consumer Laws

(Digest of consumer-interest measures enacted by the Legislature)

Consumer Counsel News Exchange

(Information of interest to consumers, published periodically)

Crackdown

(A compilation of newspaper reports on consumer law enforcement action, published periodically)