COMMON INTEREST IN CONSUMER EDUCATION

This seems reasonable, does it not? A measure such as this would be a tremendous step forward. We have common interest in this for cooperatives are committed to the idea of informative labeling; but yet we must have competitive advertising.

And I am sure we have a common interest in consumer education. I have already mentioned that I think that where the war on poverty begins is in lifting the burden of unpayable debts from the hands of poor people who fall prey to financing schemes. Consumer education must begin here. We have a common interest in trying to get this taught in public schools to a considerably greater extent than has ever been the case.

And I believe we have to concern ourselves jointly not only with what I might term protective or defensive legislation, but also with what I would call positive legislation; by this I mean legislation that says that groups have the same right to form a profit-making business. We are going to continuously fight for that right because it is taken for granted you can form a business to make a profit, but it is not accepted that you can do it in order to serve people's needs.

Effective enabling acts for credit unions, free payment group health plans, protection of the rural electric cooperatives and their right to maintain generation and transmission programs should exist. The enforcement of anti-trust and housing legislation makes it very clear that one solution to the housing problem for middle and lower income people is cooperative housing. It should have the same chance to develop as do other types of housing, and it does have that chance now.

We can also say, with regard to positive legislation, that anti-monopoly measures are fundamentally in the interest of the consumer. The main enemy of the people's interest as consumers is monopoly, the reason being that monopoly is not interested in abundance and it is not interested in quite meeting the needs of the people. To do so defeats its aim of being able to protect price cuts.

A REAL WORLD OF ABUNDANCE . . .

This is where enterprises belonging to the people as consumers, and aiming to meet their needs as consumers, come into the picture. They can compel, by their competitive impact, the coming of a real world of abundance or potential abundance where it did not exist before.

There is little profit to be made out of draining the slums and replacing them with good housing, but there is a great human need to be filled and the limit of the number of houses that are going to be built in the country ought to be the limit of human need; it ought to be possible to build the houses at prices that people can afford, except for some exceptional cases. With your cooperation we can come a lot closer to this than we can otherwise.

I am talking about what I like to call "consumer-directed production." By that I mean production which exists in the hands of the same people who are going to use the product and, therefore, which is geared to the meeting of a definite consumer need. This is where the economist now come into their own as practical economists and where the only limit to economic activity is the limit of human want and need. Once you get monoplistic bottlenecks in the economy, the real issue comes in. This is why the consumer movement needs the consumer cooperatives to give it strength. The job of the cooperatives is to restore healthy competition.

Finally, there are two ideas that are disturbing me. We talk a lot about racial integration, and this must come in our country and it must come now; but I think we need also to think about economic integration. This penetrates even a little deeper.

I do not think we are going to win the war on poverty unless we make our people who have been suffering from low incomes actual participants in the ownership of general consumer goods. I do not think we are going to solve that problem by creating special institutions for the poor. We are only going to solve it as we integrate them into the private economic life of our country. Let us get them into membership in consumers' organizations and let us get them into ownership of cooperatives, one way or another.

OTHER ENTERPRISES ARE BENEFICIAL

Credit unions are being organized very successfully with this particular view in mind, and we have seen examples of other types of enterprises with similar beneficial results. I think that in these times of change and conflict we need to think about the integration of our whole country, for the common interest of everybody.

If we think about the common interest of people as consumers, and relate back to the meaning of human needs of all our population, think about trying to do this the hard, but right way, by integrating everybody into active participation, we can make a great contribution to the sense of national unity in a very logical, sensible and necessary way.

You have heard the proposal of Mr. Voorhis for the marriage of Miss Consumer and Mr. Cooperative. Now we shall have our discussion.

Mrs. Angela Little: I am here this afternoon as Miss Consumer. One of the impressions I received from Mr. Voorhis' speech was that perhaps in the minds of some of us
consumer and cooperative movements are somewhat separate, but both as a member of the Berkeley consumers' cooperative and as a consumer I feel very much involved in the total aspect.

I am involved in this both through partial ownership of the consumers' cooperative, by shopping in the supermarket complex, and as a participant in the program, as a member of a committee that I feel is a very important one in our cooperative, the Consumer Information and Protection Committee. I have been a member of this committee for quite some time and recently I was appointed chairman of it.

The committee disseminates information for the use of our members as an educational program, and we actually participate very actively in consumer affairs. We are exceedingly interested in the legislation that is being proposed that affects consumers and cooperatives. We urge our members to write to the legislatures. We often participate in hearings and at times propose to our congressmen legislation that we feel is of importance to the consumer.

We are exceedingly involved in the safety and protection aspect, such as quality control, and explicit information on the quality of products, and have become very interested in legislation to regulate cosmetics and beauty aids that are not involved in interstate commerce and therefore are not under the Federal Food & Drug Administration. Thus, I feel that we are very much part of the consumer movement as well as the cooperative movement.

Mr. Neptune: My comments relate from the standpoint of the consumers' goods co-operatives looking at the consumer movement in order to understand it. I am not sure that I completely understand all that the consumer movement represents. I feel a consumer movement is concerned with persuasion, with seeking legislation, with pressuring, with education, with picketing, with whatever techniques are available to accomplish the ends of the legislation that is sought by the Consumer Counsel.

The logical extension of that is the consumer cooperatives. From the standpoint of the buying with which I am associated, our buyers are instructed to try to seek consumer values as we evaluate presentations that are made by salesmen. We frequently have the comment made to us that the salesmen enjoy coming in to our office because they get the type of questions they never get anywhere else. We ask about package size, shape and consumer value.

The other thing which we do as a consumer organization is the control of the products that are under our own label. For these we can determine not only what we would like, but what we are going to have in the product. We can determine prices, shapes, quality, labeling. We do not have to ask someone else what should be put in the package; we do not have to seek legislation to assure this; we can do it ourselves.

We do not always succeed in doing what we try to do. But what is important is that we are trying to do these things and we are trying to do them in the interest of our employers, who are the consumers. We are not subservient to pressure from others, because if we do not do the kind of a job that should be done for the owners of the business, we are not going to be doing the job very long.

Mr. Sekerak: I would like to say that not only is there no conflict of interest, as far as I can see, between what we do in the Berkeley cooperative and what the consumers' movement is doing in California or elsewhere, but there is a high degree of integration. When the cooperative gets to the right size and quality there can be a strong force for helping the consumer movement and for implementing it. Our cooperative is involved in the consumer movement in various ways. I like to think of the consumers associations and councils which are member organizations, largely dues paying and largely concerned with legislation. I like to think of the universities, colleges, schools and government agencies as those that do research and education and enforce legislation, and then I think of the Coops as those that are involved in what I think of as direct economic action. Until cooperatives become large enough and sufficiently widespread, they cannot accomplish all of the objectives that consumers would like to see achieved through economic action.

It takes a good deal of strength operating with a variety of thoughts and different industries to be able to do that. But we are involved in all of these. We are the main supporters of the Association of California Consumers. I suspect that we push Consumers Union and even Consumers Research as hard as anybody does. And we are also moving on another front now.

A large part of the war on poverty is going to be strictly consumer education. What we intend to do is to co-ordinate consumer education and direct consumer action in approximately the same place.

Mr. Norton: Having worked in a cooperative organization most of my life, I find it very difficult to distinguish between a consumer interest and a cooperative interest. I cannot conceive of a consumer organization which will not support, either in theory or practice, a cooperative economy. Nor can I conceive of a cooperative organization in any way divorcing itself from the consumer interest. They are parallel and one, and within the cooperative movement there is a very strong place for the consumer influence.

Those people who are most concerned with quality control, with advertising, with packaging, labels and products, have a voice within the cooperatives to make
our cooperatives better for the very people they serve, the consumers.

What concerns me more than anything else, however, is the fact that both the consumer interest and the cooperatives throughout this country do not have more influence in our economy. I notice that Mr. Voorhis felt that within the future of our own economy and society there would be a growing consumer orientation. I must not quite so optimistic, more in relation to time, than in the final result.

But I can only say that if this does come true in the decades to come, it will only be by efforts of such people as you, by the efforts of the consumer cooperatives throughout the country on behalf of the type of work which the leaders of our group here today have indicated. It is far easier for us to exert some influence through our own self-ownership in cooperatives than it is to persuade other people to do what we want, in the way in which we think it should be done.

I am also concerned that we have been unable to broaden our appeal. We are still isolated within a very small area of the economy. And if we find it so difficult to pass these bills which seem to be so basic, there is a good deal of work ahead for all of us. And I suggest again, that the cooperative organization and the consumer interest must merge both in theory and in practice. But first we must broaden their base and create a much more effective force for the economy.

**THE CONSUMER’S STAKE IN UTILITY REGULATION**

*By Nathan S. Paven*

Former Assistant Attorney General in charge of Consumers Council Division in Massachusetts

Consumers and consumer-oriented groups have, in the recent past, been concerned with such obvious every day abuses of the market place as packaging, interest costs, false advertising and the like. We have, in recent years, paid too little attention to the problem of public utility regulation. This has not always been so. At one time consumers were very much concerned with the problem. We helped to create the regulatory agencies. Why this apathy?

One answer is that we have abdicated our concern to weak, inefficient, under-staffed and, in too many instances, timid regulatory agencies in the hope that they would do the job for us.

At the same time, legislatures and courts have erected a legal maze for the protection of the property rights of the investor, with no corresponding protection for the property rights of the consumer.

It is to the issue of the protection of the property rights of the consumer to which I wish to address myself.

**TO INSURE BEST SERVICE TO CUSTOMER**

Public utility regulation is, at its best, a process wherein the state sits as the impartial judge in awarding adequate earnings to an investor in a state-granted monopoly, in return for controlled earnings and regulated rates, so as to insure the best service to the customer.

When the scale tips in either direction, either too much in favor of the company or too much in favor of the customer, the system has failed. There is good reason to believe that in the last 20 years we have witnessed a breakdown in the system in favor of the utilities at the expense of the consumer.

Recently, the National Rural Electric Cooperative Association (NRECA) aroused spirited debate when it declared that private electric utility companies had overcharged their customers some $3.4 billion in a seven-year period.

Naturally, the companies and several utility commissioners responded with vehement denials and an issue was brought to the fore which has troubled many of us who have been concerned with how well the regulated public utilities are being regulated.

The NRECA based its charges upon three assumptions:

**First** — That 6% is a fair and reasonable rate of return to be earned on investment.

**Second** — That the rate base or investment is the plant dedicated to the service, less depreciation and amortization reserves.

**Third** — That, the amounts classified as deferred taxes resulting from use of accelerated and investment credit depreciation should be treated as tax savings.

If these assumptions are correct, then all companies which are earning a return in excess of 6% are exceeding the permissible limits.

**FAIL TO AGREE ON BASIC ASSUMPTIONS**

Unfortunately, most state regulatory agencies fail to agree on these basic assumptions.

In Massachusetts, we have had a telephone rate case which went to our state Supreme Court, in which a return of 6.25% was deemed proper. (1) Other states have said that rates varying between 6% and 7% are proper and permissible.