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The Consumer Movement in the United States

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THE INITIAL PHASE The Early 1900s

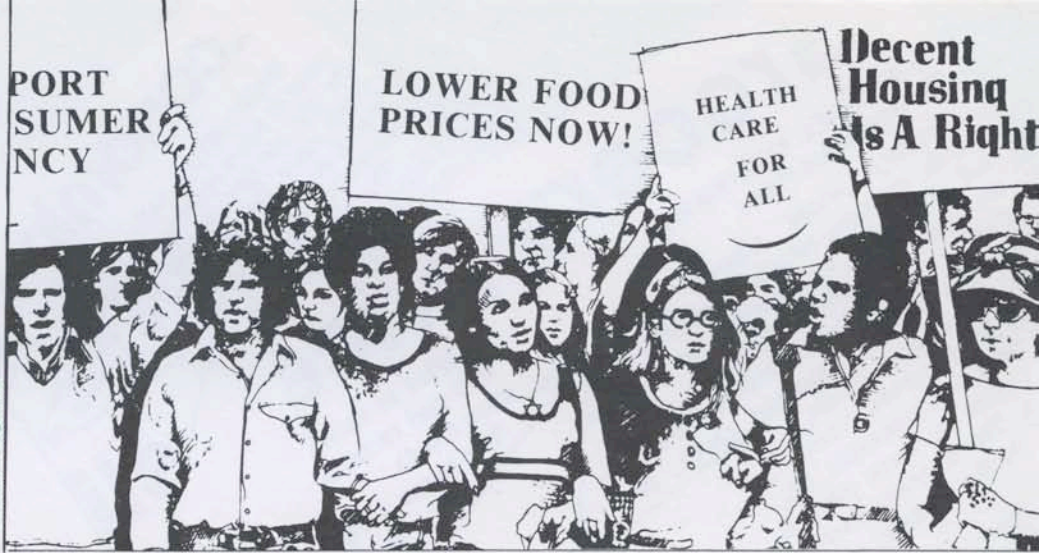
During this period there was a great interest in a variety of consumer protection laws and regulations, including weights and measures standards, usury laws, rudimentary pure food and drug regulations, meat inspection laws and laws against misbranding.

The initial pressure for these laws, however, did not come from consumers but from business interests attempting to protect themselves and their industries from the escalating bad publicity being generated by less scrupulous competitors.

A look at some of the events surrounding the passage of the Pure Food and Drug Act of 1906 provides some insight into forces operating to improve consumer welfare at the beginning of this century. In this period, the advent of both refrigeration and new chemical preservatives fostered the development of a centralized food industry and a national food distribution system. As the industry expanded there were increasing complaints of adulterated foods. The most common problem seemed to be the use of chemicals to make rancid food salable in interstate commerce. State regulations governing the local food supply became increasingly ineffective in the face of the burgeoning national food market. Initial pressure for the law came from organized farmers interested in protecting their reputations as quality food producers. However, the most publicity was generated by the chief chemist of the U.S. Department of Agriculture, Harvey W. Wiley, and his "poison squad" through a series of experiments designed to show the effects of preservatives in the diet on human development. In addition, the timely publication of Upton Sinclair's exposé on the unhealthy conditions in the meat packing plants, *The Jungle*, served as the final catalyst for the passage of the bill. Throughout the campaign for passage of the



Prolific socialist author Upton Sinclair



Fortune Magazine

Pure Food and Drug Bill many citizen groups, although not primarily consumer organizations, became involved. These groups included the Federated Women's Clubs of America and the National Consumers League. Belying what its name might imply and despite its support of such pro-consumer legislation, the main thrust of the National Consumers League was improving the working conditions and wage policies of the garment and food industries.

As a result of the passage of the Pure Food and Drug Act, however, several consumer organizations did form in an attempt to see that the law was enforced, and to lobby for additional consumer legislation. These short-lived organizations consisted mainly of housewives; in Chicago, for example, the group was called the Housewives League. Their primary concern was the "sanitary conditions of food stores" but their concern expanded to include excessive pricing practices. Their activities in 1912 to break the high price of storage eggs provides an example of their method of action. To break the price of storage eggs which were being sold as fresh at thirty-four cents a dozen, they sold eggs on street corners at ten cents below the prevailing price.

Interest in consumer issues dissipated during the period that included World War I, the soaring inflation of the twenties, and the Great Depression. Family energy was focused first on the war effort and subsequently on economic survival.

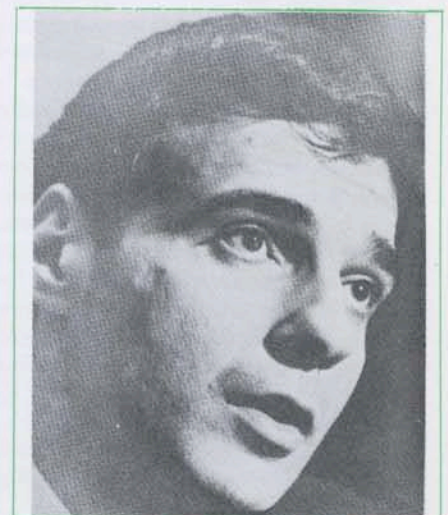
THE SECOND CONSUMER MOVEMENT

Thirty years after the birth of the consumer movement, it experienced a resurgence that was fueled by the New Deal. The policies of President Franklin D. Roosevelt included the first federal government attempts to

institutionalize consumer representation and passage of a stronger Pure Food and Drug Act.

Apart from government activities there were several other significant developments that took place in the private sector that had a positive influence on consumer welfare.

Consumers Research was formed in 1929 by F. J. Schlink and Stuart Chase following the publication of their book, *Your Money's Worth*, which attacked advertising and high-pressure salesmanship and called for scientific testing and product standards to provide consumers with technical information they needed to make decisions. Schlink and Chase also formed Consumers Research to carry out this needed testing work. Then in 1935 after a bitter struggle between Consumers Research and its employees during which the Consumers Research management refused to acknowledge a National Labor Relations Board or engage in collective bargaining, a group of subscribers broke off and formed a new organization called Consumers Union. Consumers Union concerned itself with both consumer and related social problems. In three years it was bigger than Consumers Research and was able to help other new consumer organizations including the Milk Consumers Protective Committee of



Consumer rights crusader Ralph Nader

New York, High Cost of Living Conferences, and the Consumers National Federation, an information clearinghouse on consumer issues.

Consumer groups oriented to local problems were also organized during this period. Such an organization originated in Detroit in 1935 in response to the rising price of meat. Housewives organized a meat-buying strike which involved picketing to demand a twenty percent cut in meat prices. Although their twenty percent demand was not met, meat supplies increased, prices stabilized, and the idea spread to other major cities.

The growing influence of the consumer movement was temporarily stunted by another war, World War II, and the subsequent recovery period. The consumer had occasional representation in the federal government through the Council of Economic Advisors which had a Consumer Advisory Committee intermittently between 1947 and 1956.

- 1 **The Right to Safety** - to be protected against the marketing of goods which are hazardous to health of life;
- 2 **The Right to Be Informed** - to be protected against fraudulent, deceitful, or grossly misleading information, advertising, labeling or other practices, and to be given the facts he needs to make an informed choice;
- 3 **The Right to Choose** - to be assured, wherever possible, access to a variety of products and services at competitive prices; and in those industries where competition is not workable and government regulation is substituted, an assurance of satisfactory quality and service at fair prices.
- 4 **The Right to Be Heard** - to be assured that consumer interests will receive full and sympathetic consideration in the formulation of government policy, and fair and expeditious treatment in its administrative tribunals.

Secondly, he required twenty-two agency heads whose actions could affect consumer welfare to appoint a special assistant "to insure adequate and effective attention to consumer interests in the work of the agency. . . ."

The Consumer Advisory Council was assigned the task of translating Kennedy's consumer message into action. To do this they selected six topics mentioned in the message for priority. These were:

- 1 Consumer standards, grades and labels.
- 2 Two-way flow of information and opinion between government and consumer.
- 3 Effective consumer representation in government.
- 4 Consumer credit.
- 5 Interrelation among federal agencies and between federal and state agencies in areas of consumer protection.
- 6 Acceleration of economic growth.



"DECADE OF THE CONSUMER"

It wasn't until March 15, 1962, that consumer representation received attention from a President of the United States. On that date John F. Kennedy sent a message to Congress entitled *Consumers' Protection and Interest Program*. The message pointed out some of the problems facing the American consumer including our rapidly changing technology and modern marketing practices.

As part of this message to Congress, Kennedy presented a statement listing four rights of consumers. These rights have been widely quoted since and include:

Of particular relevance to this study are Kennedy's remarks emphasizing the need for consumers to be organized and also to participate in government decision-making processes. His message pointed out that consumers "are the only important group in the economy who are not effectively organized, whose views are not often heard."

Kennedy's response to the problems of consumers was initially in two areas. First, he ordered the formation in The Council of Economic Advisors of a Consumer Advisory Council to "... provide advice to the government on issues of broad economic policy, on governmental programs protecting consumer needs, and on needed improvements in the flow of consumer research materials to the public. . . ."

After Kennedy's assassination, the administration of President Lyndon B. Johnson had the responsibility of designing legislation that would begin to address some of the major consumer concerns. These efforts were further augmented by Johnson's "War on Poverty" which emphasized community organization and education. This made federal funding available for many programs with consumer organization and consumer education components.

President Johnson also established the President's Committee on Consumer Interests and created a new post at the executive level, Special Assistant for Consumer Affairs in January, 1964. Esther Peterson was appointed to fill this position and proved to be a very effective

spokeswoman for the consumer. One of her first assignments was to promote Johnson's twelve-law package of consumer legislation. The laws included "truth-in-lending, meat inspection, drug inspection and pesticide control."

In the private sector in the Sixties, the number and size of consumer organizations increased at a very rapid rate particularly at the state and local level where consumers organized for a variety of reasons. Some lobbied for legislation and others protested rising food prices. Ralph Nader became a household word. In 1965, after publishing *Unsafe at Any Speed* because of his concern with the poor engineering design and construction of automobiles and their relationship to automobile accidents and injuries, Nader's book was instrumental in the passage of the Highway Safety Act of 1966. While continuing to monitor automobile safety, Nader has applied his technique of researching and documenting through industrial and governmental sources, enlisting Congressional support, publicizing the findings through the press, book-length reports and public appearances. At the beginning Nader was doing much of the research himself, but in

The new Congress was not receptive to consumer legislation . . .

the late Sixties he expanded his activities to include the supervision of "Nader's Raiders," a group of young law students and graduate students who used his model of research to investigate many areas of consumer concern including the regulatory agencies: the Federal Trade Commission, the Food and Drug Administration and the Interstate Commerce Commission. As the size of his organization as well as the scope of its research into abuses of the public

interest by business and governmental groups continued to grow, Nader formed the Center for Study of Responsive Law as the main umbrella group.

While Ralph Nader's influence spread the Consumers Union also began to flourish. It expanded its consumer education program which supplements the product testing operation and increased the readership of *Consumer Reports* to four million subscribers. It also developed a program to educate consumers about life insurance, drugs, medical care, guarantees and warranties, and product safety. Consumers Union continued to organize local consumer groups as well as an international federation of consumer testing agencies, International Organization of Consumers Unions. In addition, Consumers Union frequently presented expert testimony in the consumer interest at government hearings on consumer legislation.

The Decade of the Consumer came to a close with the election of President Richard Nixon. Few consumer advocates believed that any progress in federal consumer protection would be made during his administration. Many were, therefore, surprised when it was Nixon who finally raised the status of consumer affairs within the federal government to an official executive rank by creating a new Office of Consumer Affairs in the Executive Office of the President. It appears that this was done to help defeat legislation for establishment of an independent Consumer Agency. Because the Democrats controlled Congress, however, some important consumer legislation was enacted. The most important legislation passed at this time was the law establishing the Consumer Product Safety Commission.

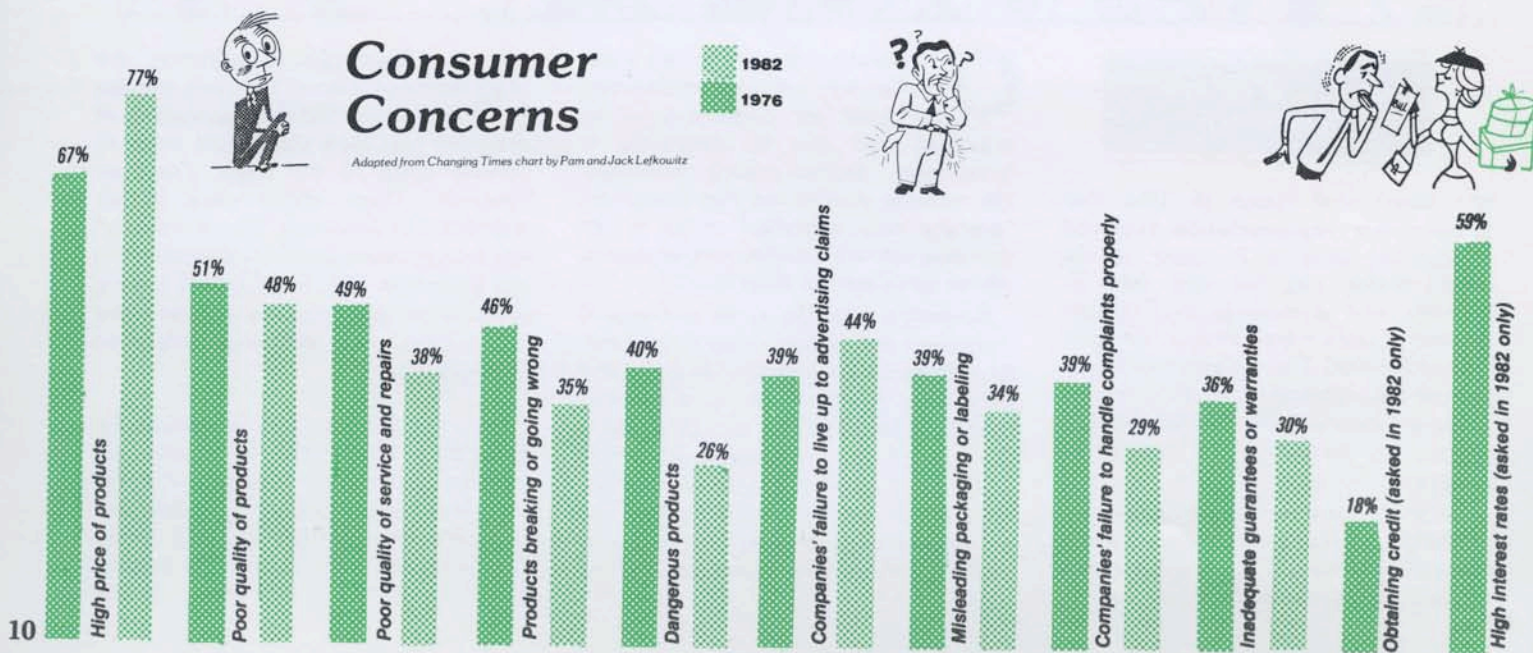
THE OPEC RECESSION YEARS

The last decade, *The OPEC Recession Decade*, has been a difficult one for consumers. More of their attention has been focused again on the issue of economic survival. The consumer focus has been learning to cope with the widespread inflation brought about largely by the OPEC orchestrated rise in oil prices. As in earlier downturns in the business cycle, overt consumer activism was weakened.

While consumers were concentrating on day-to-day survival, corporate lobbyists mounted a massive assault on "big government." Paralleling President Carter's call for deregulation in the business sector, organized corporate interests lobbied strongly for deregulation of the newly acquired health, safety and economic rights of Americans. The basic business message was that Americans could not afford consumer protection in a period of economic difficulty. The Carter Administration was pro-consumer and appointed a number of consumer leaders to important posts but little was accomplished. The new Congress was not receptive to consumer legislation and consumer organizations seemed to be temporarily weakened by the government skimming off their leadership.

For example, Carole Tucker Foreman, Executive Director of the Consumer Federation of America, was appointed to a high-ranking post in the U.S. Department of Agriculture, and Joan Claybrook resigned her position heading Nader's Congress Watch to head the National Highway Traffic Safety Administration.

Source: Louis Harris and Associates



THE CONSUMER MOVEMENT IN THE EIGHTIES

A national survey of consumer attitudes conducted by Lou Harris in October 1982, and sponsored by Atlantic Richfield Company (ARCO) revealed that the Americans have confidence in the consumer movement and two-thirds of those polled say they believe the movement has grown stronger in the past five years. Despite this, consumer organizations have not been hopeful about the passage of new consumer legislation during the Reagan Administration. The focus is instead on holding the line but some slippage is occurring.

A current case in point is the issue of tire grading. In 1966, Congress mandated that a comparative grading system of tires be developed. Finally, fourteen years later in 1980, during the Carter Administration, the National Highway Traffic and Safety Administration issued the regulation. Tire manufacturers were required to test their tires and assign grades to them in three performance areas: traction, heat resistance, and tread life. This allowed consumers to compare types and brands of tires more easily.

This grading system came under the attack of the Reagan Administration almost immediately. The Reagan Administration views were surprisingly similar to two of the largest tire advertisers, Goodyear and Michelin, who were opposed to tire grading and tread-life grading, in particular. Smaller tire manufacturers such as Uniroyal and Kelly-Springfield favor tire grading and used it successfully to expand their market share. Consumer groups have actively supported tire grading. In a recent article *Consumer Reports* chided the Reagan Administration for on the one hand defending its free market philosophy that frequently states, "consumers should be provided information and left to make their own choices," while at the same time defying a Congressional mandate, "is taking away one of the most important pieces of information consumers have had in their shopping for tires." As capsulized by a *New York Times* editorial: "The Reagan Administration would evidently prefer our shopping for this technically complex product to be guided solely by advice from authorities such as the Blimp and Michelin Man."

Seven national consumer groups led by the National Consumer League (NCL) organized a coalition and in January 1982 and 1983, issued analyses of the Reagan Administration's impact on consumer policies and programs. The report's introduction states, "Almost every area of

vital concern to consumers was adversely affected by the Administration's relentless drive to deny the role of government in protecting citizens." Highlights of the study include the following anti-consumer actions taken by the Reagan Administration during 1982:

HEALTH

- Increased the proportion of health care costs that elderly Medicare beneficiaries must pay; hospital coverage deductibles rose twenty-seven percent from 1981 levels, and out-patient deductibles rose twenty-five percent.
- Denied Medicaid benefits to nearly seven million people as a result of cuts in welfare programs.
- Sharply reduced workplace safety and health inspections and enforcement activities; the total number of inspections fell twenty-five percent, citations for willful violations declined eighty-nine percent, and the number of backlogged complaints rose 189 percent.

FOOD

- Eliminated three million children, forty percent of whom were from low-income families, and 2,700 schools from the school lunch program.
- Dropped almost one million low-income people from the Food Stamp Program through eligibility changes.

TRANSPORTATION

- Rescinded NHTSA rules to require air bags in 1983 cars, a proposal that could save 100,000 lives and prevent 600,000 injuries over a ten-year span.

ENERGY

- Caused steep price hikes in natural gas because of revisions in pricing policies.
- Proposed to cut over thirty percent from an energy assistance program to help the poor pay energy bills.

CONSUMER INFORMATION

- Eliminated more than two thousand government publications and reduced availability of many previously free government publications.
- Drastically reduced funding for consumer education programs in every agency.

Barbara Warden, NCL's executive director and coordinator of the coalition, asserted, "The Reagan Administration is clearly turning back the clock on nearly a century of progress in consumer rights, damaging our economy and the welfare of the American people."

THE FUTURE OF CONSUMERISM

Futurist John Naisbitt has predicted in his popular book, *Magatrends*, that "Consumerism will increase during the 1980s with the distinct possibility that it will become extremely militant late in the decade." Harris also concluded from the ARCO poll that, "There is every sign of yet another explosion of consumer concern."

For the last century consumer movement activism has waxed and waned in response to the business cycle. In periods that the economy has been expanding the consumer movement has flourished, and in periods of economic downturn, as consumers have had to focus their energy on the economic survival of their families, the consumer movement has experienced some retrenchment. The current recession has been no exception.

As the economy recovers, the consumer movement will revive along with it. When it does, the focus is likely to be on the areas attracting a high level of consumer concern such as those identified by the Harris Poll including poor quality products, poor quality service and repairs, products breaking or going wrong, and dangerous products.



Photo by Robert Ward

Dr. Kathleen Browne Ittig, Associate Professor of Economics, received her Ph.D. and M.S. from Cornell University and her B.S.Ed. from Framingham State College. The author of over twenty publications in Consumer Economics, Dr. Ittig has been an invited participant in many national and international conferences and has frequently served as a consultant to business and government agencies including the National Science Foundation and the U. S. Office of Consumer Education. She is currently completing a study of Consumer Health Insurance Choices.