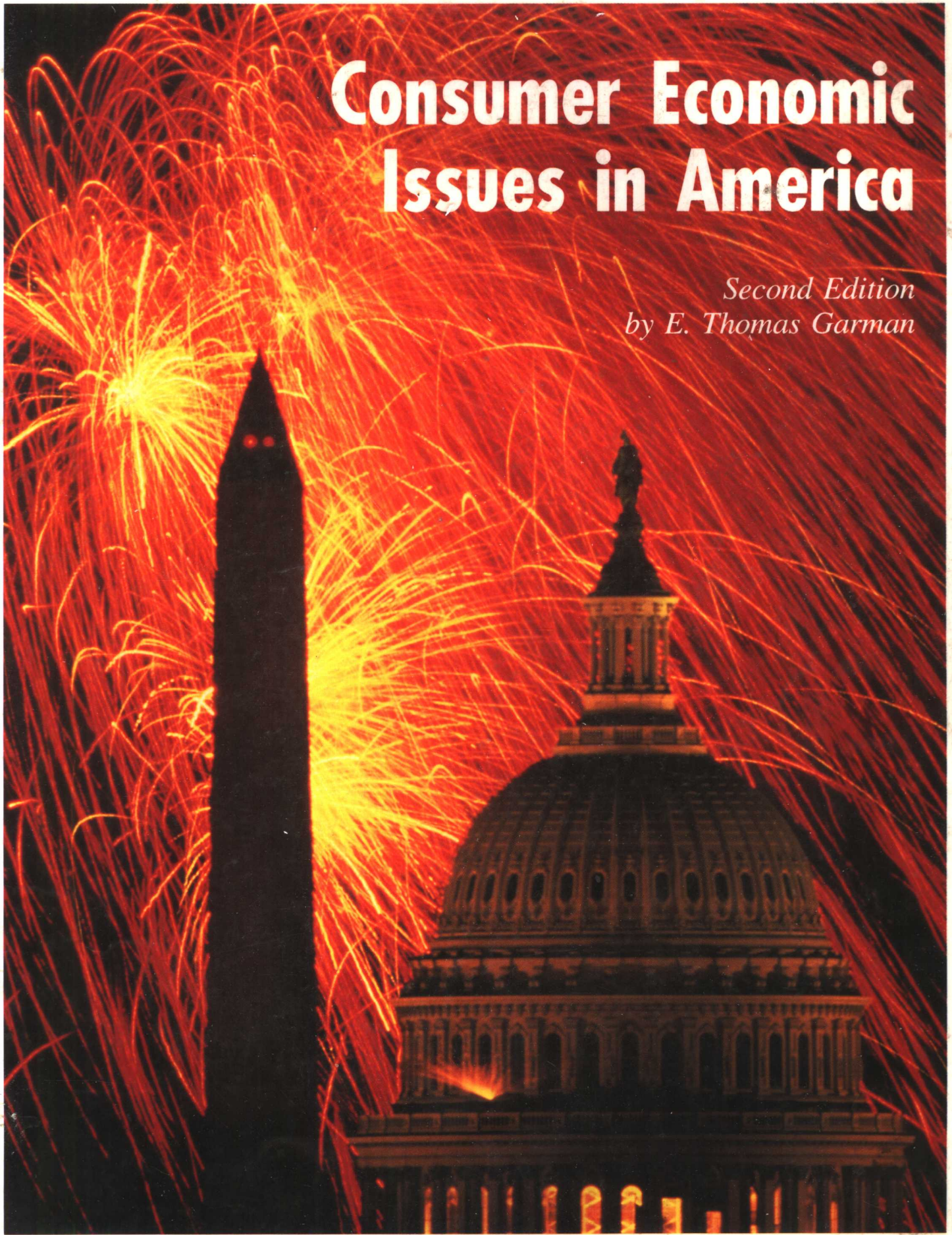


# Consumer Economic Issues in America

*Second Edition*  
by E. Thomas Garman



# Preface

Thanks to the support of many instructors and students around the United States, the second edition of *Consumer Economic Issues in America* is now a reality. You must share the belief that consumer issues are important and that all consumers must be empowered with sufficient knowledge about consumer economics. Such information helps consumers clarify their values, goals, interests, and priorities about how the world works, what needs to be done to improve it, and how they can do their part to help make it better.

The 1990s are continuing to bring change to the consumer's world. While the consumer movement has long been interested in strengthening the power of consumers in the seller-consumer relationship, this emphasis is gathering steam. The decade of the 1990s is already experiencing increased citizen activism. Energetic and informed participation by consumers in the issues of the day is increasingly accepted as a form of patriotism.

In the years ahead, the consumer movement will address such issues as increasing (or decreasing) government regulation, breaking up large corporate monopolies, demanding more fairness in advertising, increasing the availability of useful purchasing information, preventing frauds and misrepresentations, keeping unsafe foods and drugs out of the marketplace, banning dangerous consumer products, improving automobile safety, making more remedies available for consumers with problems, and providing consumers with a greater voice in government and corporate policy matters.

While the consumer movement continues to broaden and mature, individual consumers keep asking such questions as, "How can I get my money's worth?" "How can I live the good life?" "How can I personally help improve the world in which I live?"

Your students already possess considerable experience in answering these questions. Each student is now probably in the first part of what is expected to be a long life of making consumer decisions. Most decisions will be good, but some might not be so good. A sound understanding of the principles and concepts of consumer economics is absolutely vital if students are to avoid the pitfalls of poor consumer decision making and deal effectively with the marketplace. At the very least, students need to know what questions to ask.

Accordingly, I believe it is essential to provide much more than a simplistic "how to" approach to consumer economics. I want students to learn enough to become knowledgeable and assertive consumers who are able to efficiently and effectively satisfy personal needs and wants, as well as be prepared to help improve the functioning of the American economic marketplace for all consumers. What students learn should be



practical and have a favorable impact on the resources, health, and safety of consumers. In the words of actor and comedian Bill Cosby when talking about education, "It doesn't mean anything if you can't take what you know and make America a better place."

Students today have the academic training, maturity, and freedom in America to find out who they are. In all likelihood, they will do well in life. The field of consumer economics demands that they become involved in societal issues, and in addition to doing well in life, they also do some good. Consumer economics is a subject that encourages students to calculate the benefits and costs of alternatives. Some will argue that it also has to do with honor, kindness, decency, fairness, and compassion.

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## Approach

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Experts agree that consumer economics must include emphasis on buying skills, money management, and consumer-citizenship responsibilities. I strongly agree! One cannot become an effective citizen-consumer without being aware of the facts, understanding and applying principles and concepts, developing favorable attitudes and a personal code of ethics, and making a commitment to helping create positive changes in the American marketplace.

This book argues on a theoretical base of critical theory that rejects the assumption that consumer economics should be value-free knowledge. There are no correct answers; both knowledge and truth are qualitative. Society was created by humans and is subject to change by them.

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## Develops informed Citizen-Consumers

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This book seeks to develop informed citizen-consumers who have a right and a duty to protect their own interests as well as those of other consumers. Informed citizen-consumers who make wise decisions in the marketplace ultimately help raise the level of living for all consumers while also contributing to improvement in the morality of the marketplace. Consumers must learn that they have many important responsibilities, as well as rights. Such empowerment permits consumers to foment change as well as create forces for change.

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## Promotes the Consumer interest

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In order to think systematically and properly function as a consumer, one first needs to understand the concept of consumer interest. Therefore, broadly defined, the **consumer interest** involves efforts to secure, protect, and assert consumer rights in the marketplace in order that consumers receive an acceptable quality of goods and services at fair or low prices. Note that the consumer interest is first and foremost concerned with price and quality. It is also concerned with questions of equity. Accordingly, this book emphasizes fundamental, real-life consumer issues and problems while recognizing the diversity of consumers in the marketplace, such as young adults, just newlyweds, single parents, middle-age parents, and older Americans.

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## Takes a Pro-Consumer Viewpoint

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The viewpoint taken in *Consumer Economic Issues in America* is pro-consumer and normative in that it reveals the vested economic interests of businesses, governments, and consumers. This book also is appropriately critical of each interest, and this perspective becomes apparent as the book pursues, illuminates, and illustrates the consumer interest in over 100 consumer issues. A special effort is made to introduce key economic concepts as they apply to consumer decision making situations, as well as to the analysis of issues. This requires only a very basic appreciation of fundamental concepts that anyone can comprehend.

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## Uses Economic Concepts to Develop Higher-Order Thinking

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This book depends heavily on economics--presented in an uncomplicated manner--because applying economic concepts is a form of **higher-order thinking**. The term describes the process of learning how to learn. One's success in life depends less on what is learned in school and more on learning how to apply what is known in a world that is constantly changing. Thus, to help develop higher order thinking skills in consumer economics, it is important for students to find structure in what appears to be disorder. That mode of thinking assists the students to analyze consumer issues, deal effectively with complex public policy proposals, recognize different approaches to thinking and problem solving, and be able to develop multiple solutions when appropriate.

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## Uses an Issues Approach

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*Consumer Economic Issues in America* examines basic issues that have arisen between consumers and sellers. Although the short-run interests of consumers and sellers are different, and often very much at odds, they are interdependent. Consumers and sellers have to cooperate for long-run satisfaction and economic survival. In effect, the consumer movement desires to maintain a "creative friction" between consumers and sellers where both accept certain responsibilities to effectively resolve consumer issues for the betterment of all.

This book focuses on many important and fundamental consumer issues. It also tries to go beyond concern about today's "issue of the moment." An attempt is made to expose the underlying forces, interests, and problems among consumers, sellers, and governments. This book tries to clarify the scope and depth of consumer issues, and to suggest what direction the future likely holds for resolution of the concerns.

The approach is to provide a book that contains adequate treatment of virtually all consumer interest topics in order that students be properly informed. The book examines issues in economics, consumer economics, family economics, decision making, and money management. Problems are examined in these fields as well as in the areas of resource management, marketing, psychology, sociology, and political science. Students need to be familiar with a breadth of consumer concerns in order to develop a full understanding of how to effectively protect and promote the consumer interest. Also included is an

in-depth discussion of the analysis and resolution of consumer issues so that students can appreciate and learn the process of constructive cooperation, rather than resort to a confrontational approach.

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## Includes Chapters Plus Appendices

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As part of an important conceptual approach, a number of chapters have one or more appendices. This allows enormous flexibility. The reader can simply read each chapter as presented and gain the essentials in consumer economics. The appendices then supply a collection of supplementary materials that offer more depth in subject matter, provide additional practical advice, or examine public-interest concerns.

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## Utilizes a Multi-Disciplinary Approach

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For greater effectiveness, *Consumer Economic Issues in America* takes a multi-disciplinary approach. This strategy can be effective in such courses as consumer economics, consumer education, consumer problems, consumer issues, consumer finance, money management, and consumer protection. Many instructors will find that there is sufficient information in this revised edition for two courses.

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## Goals of This Text

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Two broad goals defined the efforts in writing *Consumer Economic Issues in America*: (1) to develop competence in understanding consumer economic issues, and (2) to develop confidence in dealing with consumer economic concerns.

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### To Become Competent

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To **become competent** in understanding consumer economic issues, the reader must be provided wide scope. I have endeavored to make this the most comprehensive textbook available by including all traditional topics and some of particular importance (such as health and product safety issues). The book attempts to make clear the nature of the issues as well as solutions, both present and proposed.

A unique learning feature called "Consumer Update" appears throughout the text. These are brief inserts, typically two to three paragraphs in length, that provide **up-to-date information** on approximately eighty new consumer problems, issues, or laws. Sometimes these offer relevant asides or additional details that add depth to the topics examined.

Competence also requires an **in-depth examination** of a subject. Students need to understand how the economic marketplace is designed to serve consumers as well as how it sometimes fails to serve consumers; students must comprehend the nature of the economic system and its impact on them as consumers. Supportive of this understanding is an underpinning of **technically correct legal information** on dozens of federal, state, and

local consumer protection laws and regulations. Further, this book helps **bridge the differences in viewpoints** between consumers and sellers. After completing this book, readers should **be prepared to dialogue intelligently** on the issues with government personnel, businesspersons, consumer activists, and "real" everyday consumers.

To help readers become competent in understanding consumer economic issues, this book **provides some perspectives** on the changing economic marketplace and some **useful tools** for success as consumers. Students need to know what personal economic goals they have and how to achieve them. Thus, students have to come face to face with their values, goals, and dreams and then give them priorities so that they can manage their choicemaking in those directions. This book encourages more rational decision making. *Consumer Economic Issues in America* helps students learn how to manage their resources to reach their goals. It also can serve as a useful reference or resource book.

## **To Become Confident**

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To become confident in dealing with consumer economic concerns, the reader needs to be led **through**, not simply **to**, the material. This book attempts to acquaint the reader with the subject matter **logically** and to offer no unanticipated surprises. Assuming that most students in consumer economics have little background in economics, family economics, and sociology, the book **provides appropriate background knowledge** when necessary. **Numerical examples** are always explained parenthetically, and I have endeavored to discuss the **benefits and costs** of different consumer decisions.

**Key words and concepts**--which are printed in bold type--are clearly and completely defined when they first occur in the text and again in later chapters, in case the chapters are read out of sequence. Many standard terms are defined too, in recognition of the fact that American English is not the native tongue of many college students. This book emphasizes the importance of understanding **new vocabulary and basic concepts**, since these are the tools used to confidently master the principles of consumer economics.

Throughout the text there are a number of **tables, charts, and illustrations** to aid understanding. These make the text more **enjoyable to read** and provide visual clarification of important concepts. Objectives open each chapter to bolster student confidence in the subject matter of consumer economics by focusing on what is important. The "Review and Summary of Key Terms and Concepts" questions at the end of each chapter emphasize **applying** the concepts and principles to **everyday real-life** consumer decision making situations. **Principles** that are well learned, particularly in applied situations, have long lives. "One Minute Learning Checkup" questions permit quick identification of trouble spots so the student learner and the instructor can resolve any misunderstandings. Confidence is also enhanced as students respond to "What Do You Think" questions which **demand critical thinking**. As students **better understand themselves**, they develop more expertise in dealing with consumer economic concerns. Thus, the student becomes a more **informed citizen-consumer** who is better able to become involved in advocating the consumer interest.

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## **Organization and Topical Coverage**

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You may be surprised to know that the most widely used textbook in consumer economics is *no textbook*. My research shows that about half of all consumer economics

instructors use handout materials instead of some textbook that does not fill their needs. I surveyed over 100 instructors across the country and conducted focus groups to discover what they wanted in a quality textbook on this subject. The clearest message I heard was that instructors wanted a straightforward book to **return to the basics: the fundamental consumer economic issues affecting all consumers.**

*Consumer Economic Issues in America* has a bias toward consumer economic issues that help keep the American marketplace **competitive, free, and fair** for the benefit of sellers and consumers alike. I believe in supporting **the self-regulatory efforts** of business and at the same time looking carefully at what government is doing and can do for consumers. This book emphasizes **understanding our American economic system, the concepts of consumer sovereignty and the consumer interest, evaluative criteria** by which products and services are judged, tools for living, how to analyze issues, money management, and the factors that affect buying decisions. This book includes consideration of **environmental issues**--there is a whole chapter on the subject--because many consumer decisions in the marketplace have environmental aspects which are thought by some to be important. Since many teachers also emphasize these concerns, a number of **environmental issues are also included** in chapter appendices. This book provides in-depth coverage of the **consumer protection efforts by federal, state, and local governments.** I think the topical coverage in *Consumer Economic Issues in America* is what consumer economics instructors will want for their students.

As can be seen in the table of contents, this book approaches topical coverage in a manner that provides a **full explanation of the fundamentals** of a topic before commencing further study. For example, the first eight chapters provide some "perspectives" on the subject of consumer economics. Then four additional chapters provide the "tools" needed to improve consumer satisfaction. Five chapters follow which examine the "challenges" of consumer buying. The text concludes with eight specific chapters on "consumer economic issues." In addition, while each of the twenty-five chapters has a place in the overall sequence, **each chapter also is complete in itself.** Thus, the chapters can be rearranged to be read in another developmental sequence with minimal loss of comprehension.

Part One provides an introduction to consumer economics by offering some **perspectives.** Chapter 1 focuses on the question "What is the consumer interest?" Surprisingly, no textbook addresses this question in a meaningful way. Chapter 2 provides an appreciation of why the consumer movement has changed and how the role of consumers will continue to evolve; the chapter reviews the problems, concerns, and issues faced by the consumer movement over the past 100 years and suggests future directions. Chapter 3 examines capitalism and how resources are allocated in the American marketplace. Chapter 4 details a number of economic concepts critical to consumer success. Both chapters 3 and 4 are especially useful for readers who may not have completed a course in economics. Chapter 5 examines consumers in a global economic marketplace, and reviews such concepts as free trade, industrial policy, regional trading agreements, and the international consumer movement. Chapter 6 delves into the role of consumers in an environmentally conscious society. Chapter 7 examines the enormous function of government in regulating economic interests while Chapter 8 overviews government regulation of the interests of consumers.

Part Two, containing four chapters, discusses **tools to improve consumer satisfaction.** Chapter 9 presents an introduction to the breadth of current concerns of consumer interest and a framework useful in analyzing and resolving consumer issues. Chapter 10 focuses on rational decision making and how this process is affected by ones values, goals, lifestyles, customs, ceremonies, general buying behaviors, and use of key economic

concepts. Chapter 11 discusses the rights and responsibilities of consumers as well as the remedies available to consumers when seeking to correct any wrongs encountered. Chapter 12 offers an "appendix format" of all the key laws and regulations that protect consumers and help them obtain redress.

Part Three includes five chapters emphasizing the **challenges of consumer buying**. Chapter 13 provides a virtual encyclopedia of information on avoiding the most popular fraudulent and misrepresentations in the American marketplace. Chapter 14 details most of the remaining schemes and scams. Together, these two chapters offer the most comprehensive coverage in any textbook. Chapter 15 offers a compendium of information and suggestions on how to be a better buyer. Chapter 16 provides a detailed illustration of planned buying for major expenditures, using an automobile purchase as an example. (This topic is also discussed in Chapter 10 from the theoretical perspective of rational consumer decision making.) The topic examined in Chapter 17 is money management, and this chapter illustrates a six-step budgeting process that can easily be applied to real-life situations to help students gain competence and confidence in managing their financial affairs.

Part Four, consisting of eight chapters, focuses on the **broad areas where consumer interest issues are of primary concern to the American people**. Chapter 18 is aimed at helping students better understand the food issues affecting consumers and how they can deal with them. It emphasizes the laws, regulations, and agencies protecting the consumer interest in the area of food. The important and controversial subject of health care issues is examined in Chapter 19, including using alternative health care services and understanding the effects of using tobacco and alcohol.

No consumer economics book would be complete without a chapter focusing on product safety issues, the subject of Chapter 20. In this chapter, the effectiveness of two government agencies is scrutinized: the Consumer Product Safety Commission and the National Highway Traffic Safety Commission. Chapter 21 focuses on banking issues and the revolutionary changes occurring in that industry. This chapter also discusses the greatest ripoff of consumers in American history, the savings and loan scandal. Chapter 22 examines the key concepts in using credit cards and borrowing, as well as a number of controversial consumer problems and issues, such as basic banking. Chapter 23 discusses housing issues, including renting and discrimination.

Chapter 24 provides an overview of risk-management issues, including the major topics of buying automobile insurance, health insurance, disability insurance, and life insurance, as well as such current issues as consumer insurance rights, new ideas to confront overpricing of automobile insurance, and what happens when insurance companies go bankrupt. Chapter 25 examines the concerns of the consumer as an investor, including utilizing a five-step process on how to invest, reviewing the advantages and disadvantages of investing in common stocks, bonds, and mutual funds, and a look at some current topics, such as pension reform and leveraged buyouts (LBOs).

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## **Major Revisions for the Second Edition**

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Two entirely new chapters have been added for the second edition. Chapter 5, Consumers in a Global Marketplace, gives proper importance to the "globalization" of economic activity, as well as the consumer movement. Chapter 6, Consumers in an Environmentally Conscious Society, offers a thorough overview of consumer rights and responsibilities on environmental issues.



Substantive additional new material on the key economic concepts appears in chapters 3 and 4; some of this content formerly was in a single chapter. Supplementary treatment of economic concepts is provided in a unique manner throughout the book using boxed inserts titled "An Economic Focus On..." A number of well-known professors and consumer leaders contributed these largely non-technical explanations of economic concepts important to consumer economics. Over 100 boxed inserts were also added to spotlight some of the new material and present it in a readable manner. In addition, **updates were made to every chapter** to reflect changes over the past 24 months, including many of the proposals by President Bill Clinton.

Overall, there are now 25 chapters. Many were shortened (consumer rights, planned buying, and insurance) and some were divided (economics, regulation, and frauds) to provide more flexibility to instructors when selecting subject matter most appropriate for their courses.

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## Learning Aids

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This book offers a number of learning aids for each student:

**Objectives** beginning each chapter.

**Narrative Introductions** that give a rationale for study and summarize the contents of each chapter.

**End-of-Chapter Review of Key Terms and Concepts** that allow the student to **apply** the concepts presented and gain confidence in using the knowledge outside the classroom. Students responding to these questions will have reviewed **all** important concepts in each chapter. Since it is not just a simple listing, these are appropriate for instructors to use in class when orally reviewing the material.

**"One-Minute Learning Checkup"** questions encourage students to identify the **single most important concept learned** from reading each chapter and make **note of any remaining question(s)**. These questions help develop a student's ability to think independently and critically. In addition, instructors can ask students to anonymously respond to these questions to obtain excellent quality feedback.<sup>1</sup>

**"What Do You Think"** questions help students **think critically** by applying some of the key concepts from each chapter to their own lives. These questions ask students to evaluate, analyze and propose constructs in an effort to move the concepts from the text to the lives of students while reinforcing the importance of the citizen-consumer role in society.

**Consumer Update Boxed Inserts**, more than 100 of them, spotlight important information and present it in a concise manner. They add emphasis and stimulate interest as they illustrate additional relevant concepts, problems, issues, and controversies that underscore the practical aspects of consumer economics. Examples include:

"Gray Market Products Are in the Consumer Interest"

"Who is Ralph Nader, the Nation's Consumer Spokesperson?"

"Ameristroika: The Future of Capitalism? Managers and Workers Own Part of the Company"

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<sup>1</sup>The idea for this useful form of learning assessment is explained in detail in Cameron, B. (1990), *Accent on improving college teaching and learning* (The University of Michigan, National Center for Research to Improve Postsecondary Teaching and Learning), 1-3.

"Monitoring Consumer Attitudes: Indicators of Economic Confidence,"  
 "The Prospects of Zero Inflation"  
 "Capital Flight Damages the Economies of Less Developed Countries"  
 "Population Growth and Ethnicity in the United States"  
 "On the Difference Between an Environmentalist and a Consumer Advocate"  
 "Yes, the Poor are Disadvantaged in the Marketplace"  
 "Do Consumers Value Style or Substance?"  
 "High Skills or Low Wages: America's Choice."  
 "Anger at the Political System is Motivating Commitment to Helping Others"  
 "Advertising Foods to Kids"  
 "Food Biotechnology: A Brave New World"  
 "Privacy (!) at the Checkout Counter"  
 "Direct-to-Consumer Advertising of Prescription Drugs"  
 "Court Secrecy Masks Safety Issues"  
 "The Poor Pay More to Cash Checks"  
 "Automatic Overdraft Loans--Ripoff Charges"  
 "Restructuring the Nation's Banking Industry"

**An Economic Focus On...** is a series of special boxed inserts that carefully describes and illustrates a **single economic concept** which is related to the content of each chapter. These explanations--written by experts around the country--are presented in a **non-technical manner** so that all students can understand the essence being presented. Examples include:

"The Effects of Protectionistic Trade Quotas"  
 "Standard and Level of Consumption and Living"  
 "The Propensity to Consume"  
 "How the Supply of and Demand for Labor Affects Wage Rates in Developing Countries"  
 "Indifference Curve and Budget Line Analysis"  
 "Externalities and Air Pollution"  
 "Large-Scale Production and Price Regulation"  
 "Information Search in the Buying Process"  
 "Usury Laws and the Supply and Demand for Consumer Credit"

**Key Terms and Concepts** are reinforced in several ways. All key terms--over 1400--are highlighted in bold type the first time they are used, then they are clearly defined! In the index, we have used the descriptor "defined" to identify key words and the numbers of the pages on which they are defined and discussed.

**An Index** appears at the end of the book and it is the most thorough of all books on the market--over 5000 entries in all numbering 67 pages.

**Headings and Subheadings** in bold print, four levels in all, are used to improve readability and reinforce the organization of the topics.

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## **Supplement to Text**

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Accompanying this text is an **Instructor's Manual with Test Bank**. This manual contains six components:

**Suggested course outlines** to emphasize a consumer protection, a buying skills, a money management, or a consumer issues approach to the subject  
**Sample course syllabus** which explains the rationale for such a course  
**Suggested readings** for further study from a variety of both popular and academic sources  
**Suggestions on teaching/learning methods and techniques**  
**Outside research class assignments**  
**Computerized Test Bank** of the 1800 questions from the Instructor's manual with Test Bank available to adopters.

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## Acknowledgments

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I realize that an instructional text of this breadth and depth could not be created without the assistance of many people. I should, of course, mention my reviewers, who offered helpful suggestions and criticisms of the text while it was being developed. Some also participated in focus groups. The text has unquestionably been strengthened by their contributions to the first and second editions. I am deeply appreciative of the generous assistance given by

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William Bailey, Assistant Professor, University of Arkansas  
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Jane Kolodinsky, Assistant Professor, University of Vermont  
Virginia H. Knauer, Special Assistant to Presidents Nixon, Ford, and Reagan  
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Carole J. Makela, Professor, Colorado State University  
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Raymond E. Forgue, Associate Professor, University of Kentucky  
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 Mohamed Abdel Ghanny, Professor, University of Alabama  
 Sherman Hanna, Professor, Ohio State University  
 Barbara Heinzerling, Professor, University of Akron  
 Carole J. Makela, Professor, Colorado State University  
 E. Scott Maynes, Professor Emeritus, Cornell University  
 Tamra Minor, Assistant Professor, University of Kentucky  
 Tony Schiano, Associate Professor, Syracuse University  
 Mark Silbergeld, Director, Consumers Union, Washington Office  
 Jing-jian Xiao, Assistant Professor, The University of Rhode Island  
 Zhiming Zhang, Assistant Professor, Virginia Polytechnic Institute and State University

In addition, I wish to thank the thousands of students who had the opportunity to read, critique, and provide research inputs for various components of *Consumer Economic Issues in America*. Some have written letters offering suggestions, and I deeply appreciate each communication. Also, valuable research and editorial assistance was provided by Virginia Tech students Jennifer Tavacol and Shane Crofts. Josetta McLaughlin, Associate Professor, Radford University was kind enough to revise, update and expand the Instructor's Manual with Test Bank.

Similarly deserving of thanks are the more than 100 instructors of consumer economics who have been generous enough to share their views on what should and should not be included in a high-quality textbook. Some also have participated in focus groups held in Columbus (OH), Denver (CO), Charleston (SC), and Lexington (KY). I have attempted to meet these needs in every way possible.

A note of appreciation is also due the mentors of my academic and professional life: William Boast, Ronald West, and John Binnion. By their examples and instruction, they have given me motivation, direction, and the tools to seek excellence. Ray Forgue similarly deserves my thanks for both his friendship and his brilliant questions that get my mind thinking at a higher level.

Finally, Lucy S. Garman has helped me clarify my thoughts on many consumer issues (especially in nutrition and health) over our candlelit, evening meals together. She has added to the quality of this book. As my partner in life, she has been wonderful in her total support of my passion for writing *Consumer Economic Issues in America*.

*Consumer Economic Issues in America* is a challenge. It is controversial. It is informative. It is factual. It is honest. It is a book to be selected by teachers who care deeply about their students and want them to read newspapers, watch public television specials, listen to public radio news, and become involved in truly understanding issues of concern. I believe that the approach of this book will make the reader a far better informed consumer who in turn will help shape a continually improving world for consumers. I believe that this is an interesting text that students will enjoy reading and will read thoroughly. I hope I have succeeded because I have the strong bias that students need to learn consumer economic concepts and principles thoroughly so that they may apply them effectively and successfully in their personal lives. This will improve their personal levels of living and the lives of other consumers.

E.T.G.

P.S. Dear Students: If you are going to save any of your college textbooks, be certain to save this one. Especially valuable are the numerous illustrations, laws and regulations on how to remedy wrongs against consumers. Also, you may want to present the book as a gift to a spouse or a parent.



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## Foreward by Virginia H. Knauer\*

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We are a nation of more than 255 million consumers. Whatever type of work we do, wherever our homes may stand, whoever we are, we are all consumers. Although our needs and desires are diverse, this common role causes us to share many interests. Underlying these is the sincere belief that our moral and ethical consumer rights are as important as our legal rights. We expect equal standing with sellers in marketplace transactions. And we hope for a marketplace that is guided by principles, rules, and standards of good conduct, whether fashioned by business or government. In short, we want to shop in a marketplace that knows right from wrong.

We are also realists. We recognize a natural tension between consumers, who want the best value for their money, and sellers, who want to make as much profit as they can and stay in business. Yet we know that without consumers to buy products and services, there is no market for the products and services that manufacturers and sellers promote. So we can see that if we become informed consumers, if we learn and exercise our marketplace rights, then we can help shape the competitive marketplace to meet our needs. This, then, is how we pursue our consumer interest.

*Consumer Economic Issues in America* represents a breakthrough in communicating to the public perspectives of what the consumer interest is truly about. It looks broadly at the important responsibilities of business, government, private voluntary groups, and individual consumers in helping to promote and protect the consumer interest. It provides insights into the essence of consumerism and presents both its history and a glimpse of its future. It explains the government decision making process so that consumers can become more involved in the formation of public policy. It provides useful everyday tools consumers can use to help analyze consumer issues and better understand their own rational (and sometimes irrational) decision making. And it details many key consumer responsibilities that accompany consumer rights in the marketplace.

The overwhelming majority of businesses in America are trying honestly and diligently to meet the needs of consumers today. Increasing competition from foreign marketers, better-informed consumers, and rapid developments in advanced technology--in short, the realities of the modern marketplace dictate this posture. Evidence of this long-term trend is found in the increased emphasis on customer service, proactive complaint-handling, better-quality products, and the development of partnerships between consumers, business, and government aimed at searching out and meeting consumers needs.

When fraud does occur, however, the consumer must be well prepared to spot it, avoid it, and help prevent it from victimizing others. The material in the chapters on frauds and mispresentations is frightening upon first reading. The staggering number and variety of fraudulent schemes are limited only by the creativity of the scam artists behind them. However, the purpose is not to frighten, but to enlighten; to boost consumers' awareness of the signs of fraud so that they will do a little checking before they believe an offer that sounds too good to be true. This will reduce the number of people who fall victim to these scams and, in turn, the number of scams out there.

Another important element of this book is its detailed attention to the many current consumer issues. No book of this type would be complete without a detailed discussion of food and health issues. American consumers want to know about such topics as how to acquire good eating habits, how to use nutritional and diet-food labeling, where to learn

about additives in food, which government agencies and programs are designed to help consumers, how to find information about the services of alternative health care providers, when to buy generic drugs, and how tobacco and alcohol products affect the body. *Consumer Economic Issues in America* addresses these and many other topics.

Indeed, dozens of important issues are examined in this book. It is not necessarily a neutral presentation, and perhaps not all would subscribe to the author's endorsements. But this book strives to offer all sides of the issues. For instance, the importance of self-regulation in product safety and effectiveness is made clear along with suggested appropriate roles for governments and consumers. This book also carefully examines the issues of benefit-cost analysis, product liability laws, disclosure laws, and warnings, and ingredient labeling; it discusses criticisms of product safety efforts. The same degree of depth is seen in every chapter of *Consumer Economic Issues in America*.

This book plays an important role in advancing the consumer interest. It can be a major contribution to our universal goal of a competitive marketplace that works, a nation of businesses and governments that are able to satisfy consumers, and a country of consumers who are able and willing to cooperate with businesses and governments in positive partnership efforts where consumer interests are paramount in the marketplace.

If you are a student, I recommend this book to you. And when you have finished reading it, I urge you to further your studies with a look at consumerism in other nations. Our marketplace is increasingly global in nature, and the decisions and issues affecting governments in far corners of the world-whether they concern trade policy, agricultural policy, safety regulations, or whatever-have everyday implications for the marketplace choices we enjoy in America. Once this becomes clear, you will begin to see that consumerism changes and matures as economies develop. And you will recognize that an adequate consumer education requires more than one course. It is a lifelong process. This excellent book is but a strong beginning for your own consumer education.

Virginia H. Knauer

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## About the Author

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E. Thomas Garman is a successful writer, lecturer, consultant, and teacher. He is a professor of consumer affairs at Virginia Polytechnic Institute and State University, where he teaches undergraduate and graduate classes. He has taught consumer economics and family finance for thirty years at the high school, college, and university levels in Colorado, Illinois, Maryland, New York, Ontario, South Dakota, Texas, Utah, The Gambia (Africa), and Virginia. He holds bachelors and masters degrees from the University of Denver and a doctorate from Texas Tech University.

Dr. Garman has served as president of three professional associations: American Council on Consumer Interests, Consumer Education and Information Association of Virginia, and Association for Financial Counseling and Planning Education. He is senior author of *Personal Finance* (Houghton Mifflin Company) and *The Consumers World* (McGraw-Hill Company). He has published articles in the *Journal of Consumer Affairs*, *Advancing the Consumer Interest*, *Mobius* (the journal of the Society for Consumer Affairs Professionals in Business), *Proceedings of the American Council on Consumer Interests*, *Journal of Retailing*, *Journal of Business Communications*, *Business Education World*, *Journal of Home Economics*, *Death Education*, *Delta Pi Epsilon Journal*, *The Balance Sheet*, *Journal of Business Education*, *College Student Journal*, *Financial Planning and Counseling*, and *Journal of Home Economics and Consumer Studies*.

Dr. Garman has been a consumer affairs consultant for United States Senator Charles H. Percy; White House Office of Consumer Affairs; U.S. Office of Consumers Education; Conoco Incorporated; Kraft Incorporated; Department of the Army; Department of the Navy, Scholastic Testing Service; American Association of Community and Junior Colleges; and Consumers Union. He is an arbitrator for the Better Business Bureau, the New York Stock Exchange, and the Municipal Securities Rulemaking Board. He is a public member of the National Advertising Review Board and serves as a consumer advisory council member for the Chesapeake and Potomac Telephone Company of Virginia. He recently completed a term on the Consumer Advisory Council of the Board of Governors of the Federal Reserve Board. He is active in pursuing the consumer interest.

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