

CONSUMER ECONOMIC

ISSUES IN AMERICA
FIFTH EDITION



E. THOMAS GARMAN

CONSUMER ECONOMIC ISSUES IN AMERICA

FIFTH EDITION

by

E. THOMAS GARMAN

DAME
Publications, Inc.
Houston, TX

Artist & Proofreader: Pamela S. Porter
Computer Graphics: Amanda Austin
Cover Design: Amanda Austin
Cover Photos: © Corel Professional Photos. Images
may have been combined and/or modified
to produce final cover art.

© DAME PUBLICATIONS, INC.—1997

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

ISBN 0-87393-671-X
Library of Congress Catalog No. 97-67094

Printed in the United States of America

Preface

Thanks to the support of many instructors and students around the United States, as well as from several other countries, the fifth 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.

These times are bringing 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 late 1990s is experiencing increased citizen activism, especially by students. 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.

Approach is Normative

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.

Consumer economics demands that consumers become involved in the quality of lives of the people in society. The normative approach in consumer economics asks that students respond to the high expectations that the best of America holds for them.

Develops informed Citizen-Consumers

Knowledge and information is power. Consumers need to get that knowledge and information, and use it to their advantage. Accordingly, 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 also 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.

Promotes the Consumer interest

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 all 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.

Takes a Pro-Consumer Viewpoint

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 basic appreciation of economic concepts that anyone can comprehend.

Uses Economic Concepts to Develop Higher-Order Thinking

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. Models to assist in analyzing problems and issues are provided.

Uses an Issues Approach

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.

Includes Chapters Plus Appendices

As part of an important conceptual approach, some chapters have one or more appendices. This allows flexibility. The reader can simply read each chapter as presented and gain the essentials in consumer economics. The appendices then supply supplementary

materials that offer more depth in subject matter, provide additional practical advice, or examine public-interest concerns.

Utilizes a Multi-Disciplinary Approach

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. Some instructors will find that there is sufficient information in this fifth edition for two courses.

Goals of This Text

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.

To Become Competent

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 appears throughout the text to help build competence is called **“Consumer Update.”** These are brief inserts, typically two to three paragraphs in length, that provide **up-to-date information** on approximately one hundred consumer problems, issues, or laws. Sometimes these offer relevant asides or additional details that add depth to the topics examined. Another competence building feature is called **Did You Know?...** which is a series of boxed inserts that offers interesting data related to consumer topics.

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.

WHAT IS THE MOST IMPORTANT THING A CONSUMER SHOULD KNOW?

In the collective words of some consumer economics students: "I don't have to accept less than adequate products, services, or business/government inattention to the interests of consumers. That goes for me and everyone else out there. I demand better quality and prices, and my fellow consumers deserve the same. The status quo is unacceptable. Together, we can make the institutions of society better attend to the interests of consumers."

To Become Confident

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.

To help build personal understandings of the material, a new feature appears in this fifth edition called **Issue for Debate...** a boxed insert on a controversial consumer issue. Information is provided to help the student better comprehend the topic, and each debate issue is concisely framed for analysis.

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.

Organization and Topical Coverage

I surveyed over 100 instructors across the country and conducted two 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 **emphasize 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** because many consumer decisions in the marketplace have environmental aspects which are thought by some to be important. 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. While each of the eighteen 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.

Part Two, Facing Consumer Problems Successfully, contains three chapters. Chapter 3 discusses the rights and responsibilities of consumers as well as the remedies available to consumers when seeking to correct any wrongs encountered. Chapter 4 provides a virtual encyclopedia of information on avoiding the most popular ripoffs and frauds in the American marketplace. Chapter 5 offers an "appendix format" of about 60 key laws and regulations that protect consumers and help them obtain redress.

Part Three, The Challenging Marketplace, contains five chapters. Chapter 6 examines capitalism and how resources are allocated in the American marketplace. Chapter 7 details a number of economic concepts critical to consumer success. Both chapters 6 and 7 are especially useful for readers who may not have completed a course in economics. Chapter 8 examines consumers in a global economic marketplace, and surveys the related topics of free trade, industrial policy, regional trading agreements, and the international consumer movement. Chapter 9 examines the enormous function of government in regulating economic interests while Chapter 10 overviews government regulation of the interests of consumers.

Part Four, Information Processing, has three chapters. Chapter 11 presents an introduction to the breadth of current concerns of consumer interest plus a model and a framework useful in analyzing and resolving consumer issues. Chapter 12 focuses on rational decision making and how this process is affected by factors such as concerns about the environment and advertising. Chapter 13 provides a detailed illustration of the planned buying process for major expenditures, using an automobile purchase as an example.

Part Five, consisting of five chapters, focuses on **Consumer Economic Issues**. Chapter 14 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 15, 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 16. In this chapter, the effectiveness of two government agencies is scrutinized: the Consumer Product Safety Commission and the National Highway Traffic Safety Commission. Chapter 17 focuses on consumer problems

and issues in banking, credit and housing, such as basic banking, the infamous savings and loan scandal, redlining and other forms of discrimination in access to credit, and the high costs of housing. Chapter 18 examines consumer problems and issues in insurance and investments. Examples include new ideas to confront overpricing of automobile insurance, what happens when insurance companies go bankrupt, and some dangers to consumers' personal pension plans.

Major Revisions for the Fifth Edition

Numerous changes were made to the fifth to make the book more up-to-date, to more tightly focus on consumer issues, to facilitate student readability, and to maintain an appropriate length. To update this book, over 600 pieces of print information (over 60 each on health care reform and finding truth in the tobacco industry) were carefully reviewed and over 400 changes were made.

A new feature for this fifth edition is called **Issue for Debate...** which is a boxed insert on a controversial consumer issue. Information is provided to help the student better understanding the topic, and each debate issue is concisely framed for analysis.

One feature new to the last edition, **Useful Resources for Consumers**, has been greatly expanded. In addition to providing the interested student with addresses to write and telephone numbers to call, lots of **Internet addresses** are listed to search. This fifth edition has over a dozen new **Consumer Update** boxes as well as several new **Did You Know?** boxed inserts. **Updates were made to every chapter** to reflect changes over the past year, including many of the proposals and actions by President Bill Clinton. More updates are identified below.

Learning Aids

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 allows 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.
- **More web sites** is a **newly expanded** feature within the “**Useful Resources for Consumers**” which provides addresses to write, telephone numbers to call, and Internet addresses to search.
- A **new** feature is called **Issue for Debate...** which is a boxed insert on a controversial consumer issue. Information is provided to help the student better understanding the topic, and each debate issue is concisely framed for analysis. Examples of the 20 new ones include:

“Why Do Consumers Accept the False Promises of Television Commercials?”
 “Students Should Not Have the Right to Quality Indicators at Their Schools”
 “The Consumer Price Index Should be Revised Downward”
 “Consumers Should Oppose a Flat Tax”
 “Consumers Should Not be Forced to Accept Non-binding Arbitration”
 “Advertising to Children Ought to be Prohibited”
 “Americans Today Should Reject Materialism”
 “Genetically Engineered Food Should be Labeled as Such”
 “Government Should Encourage Americans to Have Better Diets and Less Smoking and Drinking”
 “Government Should Raise Taxes on Cigarettes to Discourage Consumption”
 “Alcoholic Beverages Should Have Ingredient Labeling”
 “Motorcycle Safety Helmets Should be Mandatory”

- **“Consumer Update” Boxed Inserts**, nearly 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:

“Who is Ralph Nader, the Nation’s Consumer Spokesperson?”
 “Ameristroika: The Future of Capitalism? Managers and Workers Own Part of the Company”
 “On the Difference Between an Environmentalist and a Consumer Advocate”
 “Yes, the Poor are Disadvantaged in the Marketplace”
 “Privacy (!) at the Checkout Counter”
 “How to Organize a Boycott”
 “Teenage Shoppers Are Discriminated Against”
 “Theater Popcorn, Healthy or Not?”
 “The Real Bogeyman is Productivity Not Foreign Competition”
 “How to Identify Discrimination: Examples”
 “Classified Ads Are Full of Lies”
 “The Dishonor Roll of Unfair Competitors”
 “Which Deal is Better: The Auto Dealer’s Cash Rebate or a Low Interest Rate?”
 “Yes! You Can Get Out Of Many Contracts”
 “Some Things That Government Does Right!”
 “P.J. O’Rourke on Democrats and Republicans”
 “Top Ten Reasons NOT to Take a Consumer Economics Course”

- **New “Consumer Update” Boxed Inserts**, more than a dozen of them, are included in the fifth edition, such as:

“The Five Biggest Lies Told to Consumers”
 “Don’t Hang Up on Telemarketers”
 “The Myth and Reality of a Balanced Budget”
 “Economic Inequality in the United States”
 “Money, Power and the Status Quo”
 “*Consumer Reports* Finds Some Household Products Not Acceptable”
 “Scumball Greed/Ripoff Awards in the Credit Card Industry”
 “Credit Tips for College Students”

- **“Did You Know?...”** is a series of boxed inserts that offer interesting data related to consumer topics. Examples include:

“The United States Saves Less Than It Invests”
 “What is Most Favored Nation Trade Status?”
 “The Gifts and Prizes... What They Really Are”

- **“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”
 - “How the Supply of and Demand for Labor Affects Wage Rates in Developing Countries”
 - “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”
 - “The Economics of Discrimination Are Against the Consumer Interest”
 - “The International Consumer Movement and the Consumer Interest”
 - “The Uniqueness of the Medical Care Market Makes It Difficult to Reform”
 - “The Geistfeld Model of Consumer Decision-Making”
- **Key Terms and Concepts** are reinforced in several ways. All key terms—over 1200—are highlighted in bold type the first time they are used, then they are clearly defined! In the index, the key words and the numbers of the pages on which they are defined and discussed are in **bold** in the index.
- **An Index** appears at the end of the book and it is the most thorough of all books on the market—over 3000 entries in all—numbering 16 pages.
- **Headings and Subheadings** in bold print, four levels in all, are used to improve readability and reinforce the organization of the topics.

Supplements to Text

Accompanying this text is an **Instructor’s Manual with Test Bank and Multi-media PowerPoint¹ Presentations** for *All* Textbook Chapters.

The **Instructor’s Manual with Test Bank** contains several components:

- **Organizing the Course** Suggested course syllabi and outlines are offered to emphasize a consumer protection, a buying skills, a money management, or a consumer issues approach to the subject
- **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**

¹Microsoft® PowerPoint® Presentation Graphics Program is a registered trademark of Microsoft Corporation. Hereafter, this proprietary trademark is indicated by following the capitalization style used by the manufacturer.

- **Computerized Test Bank** of the 2500 questions from the **Instructor's Manual** with Test Bank available to adopters.
- **Transparency masters** of all the pertinent graphics from the text

The **Multi-media PowerPoint Presentations for All Textbook Chapters** contains a series of 18 multi-media presentations designed for classroom use to overview the material contained in every chapter of *Consumer Economic Issues in America* (see following box for more information).

FREE POWERPOINT MULTI-MEDIA PRESENTATIONS AVAILABLE FOR ADOPTERS

Adopters of *Consumer Economic Issues in America* will be pleased to know that two PowerPoint multi-media presentations are available for free:

- **Ripoffs and Frauds** A 28-frame multi-media presentation suitable for showing to all types of groups, such as student organizations, business clubs, community groups, and elderly associations. Based on the content of three chapters in *Consumer Economic Issues in America*, as well as what is contained in *Ripoffs and Frauds* (Dame Publications), the presentation is totally generic. It does no selling. Includes addresses and telephone numbers to inquire about one's credit report and to check on the quality of solicitations from charities. Approximately 20 minutes; information is contained on one computer disk. Authored by E. Thomas Garman (telephone: 540-231-6677; fax: 540-231-3250; e-mail: tgarman@vt.edu). Free to adopters of bulk order sales; \$19.95 for others.
- **Multi-media PowerPoint Presentations for All Textbook Chapters** A series of 18 multi-media presentations designed for classroom use to overview the material contained in every chapter of *Consumer Economic Issues in America*. Authored by Virginia Junk, University of Idaho (telephone: 208-885-7264; fax: 208-885-5751; e-mail: gjunk@uidahoedu). Information is contained on several computer disks. Free to adopters of bulk order sales; \$45 for others.

Student Classnotes Packet

Student Classnotes (ISBN: 0-87393-643-4), an inexpensive printed version of the Teacher's multi-media PowerPoint presentation, is available for your students. This product allows your students to follow along with your PowerPoint presentation and take notes. This supplement can be ordered through your university bookstore when you place your textbook order.

For the above products, contact:

Dame Publications, Inc.

Telephone: 713-995-1000

Fax: 713-995-9637

E-mail: dame.publications@worldnet.att.net

Acknowledgments

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 and

revised. The text has unquestionably been strengthened by their contributions. I am deeply appreciative of the generous assistance for the previous editions given by:

Ralph H. Alexander, Jr., Executive Director, National Advertising Review Board
William Bailey, Assistant Professor, University of Arkansas
D. Douglas Blanke, Office of the Attorney General of Minnesota
Stephen J. Brobeck, Executive Director, Consumer Federation of America
James Brown, Director, Center for Consumer Affairs, University of Wisconsin
John R. Burton, Professor, University of Utah
Patrick Butler, Director, Insurance Project, National Organization for Women
Elizabeth Dolan, Associate Professor, University of New Hampshire
Joye J. Dillman, Associate Professor, Washington State University
Sidney W. Eckert, Professor, Appalachian State University
Stephen Gold, Editor, Tax Foundation
Meredith M. Layer, Senior Vice President, American Express
Mary Ellen Fise, Product Safety Specialist, Consumer Federation of America
Vicki Schram Fitzsimmons, Associate Professor, University of Illinois
Paul S. Forbes, President, The Forbes Group
Raymond E. Forgue, Associate Professor and Department Head, University of Kentucky
Steve Hamm, Administrator, Department of Consumer Affairs, South Carolina
Barbara Heinzerling, Professor, University of Akron
Donna Iams, Associate Professor, University of Arizona
Jane Kolodinsky, Assistant Professor, University of Vermont
Virginia H. Knauer, Special Assistant to Presidents Nixon, Ford, and Reagan
Jeffrey H. Krasnow, Attorney at Law
Fran C. Lawrence, Professor, Louisiana State University
Carole J. Makela, Professor, Colorado State University
Richard L.D. Morse, Professor Emeritus, Kansas State University
Jeffrey O'Connell, Professor, University of Virginia
Joseph G. Painter, Jr., Attorney at Law, Blacksburg, Virginia
Claudia Peck, Professor and Associate Dean, University of Kentucky
Esther Peterson, Special Assistant and Consumer Affairs Advisor to Presidents Kennedy, Johnson, and Carter
R. David Pittle, Technical Director, Consumers Union
Mary E. Pritchard, Professor, Northern Illinois University
Warren J. Prunella, Chief Economist, Consumer Product Safety Commission
S. Lee Richardson, Jr., Professor and G. Maxwell Armor Eminent Scholar, University of Baltimore
Mary Ellen Rider, Associate Professor, University of Nebraska
Margaret Sanik, Professor, The Ohio State University
David Schmeltzer, Associate Director of Compliance and Administrative Litigation, Consumer Product Safety Commission
Jane Schuchardt, Program Director, United States Department of Agriculture Cooperative Extension Service
William B. Schultz, Public Citizen Litigation Group
Mark Silbergeld, Director of the Washington Office, Consumers Union of the United States
Mary Frances Stephanz, Executive Director, Better Business Bureau of Western Virginia
James S. Turner, Attorney, Swankin and Turner
Clinton Warne, Professor, Cleveland State University
Dorothy West, Professor, Michigan State University
Richard Widdows, Professor, Purdue University

Over thirty reviewers made specific suggestions. Their advice was largely accepted. Some who helped include:

Anne W. Bailey, Miami University
Peggy S. Berger, Colorado State University
Mary Ann Block, Tarleton State University
Jan Bowman, Louisiana State University
Gregory E. Brown, Central Missouri State University
Marilyn L. Cantwell, Louisiana State University
Nina Collins, Bradley University
Ellen Daniel, Harding University
Judith Durrand, University of Houston
Judy A. Farris, South Dakota State University
Linda Kirk Fox, University of Idaho
Victoria Marie Gribschaw, Seton Hill College
Gong-Soog Hong, Purdue University
Virginia Junk, University of Idaho
Patricia Luvano, University of Michigan, National Election Studies Center for Political Research
Lauren Leach, State University of New York College at Oneonta
Carole J. Makela, Colorado State University
Drew E. Mattson, Anoka-Ramsey Community College
Martin Machowsky, Issue Dynamics Incorporated
Carol B. Meeks, University of Georgia
James L. Morrison, University of Delaware
Kathleen Morrow, Syracuse University
Aimee D. Prawitz, Northern Illinois University
Sue Unger, Pittsburgh State University
Margaret Sanik, The Ohio State University
Lynn B. White, The Texas A&M University System
Jing-jian Xiao, The University of Rhode Island

A number of friends around the country have taken the time to generously contribute to this text by writing boxed inserts titled “An Appendix Issue,” “A Consumer Update On...” or “An Economic Focus On...” Each has strengthened the text. The contributors include:

Raymond E. Forgue, Associate Professor, University of Kentucky
Helen Foster, Assistant Professor, State University of New York at Oneonta
Lucy S. Garman, Nutritional Counselor, Newport, Virginia
Mohamed Abdel Ghany, Professor, University of Alabama
Sherman Hanna, Professor, Ohio State University
Gong-Soog Hong, Assistant Professor, Purdue University
Robert Kerton, Professor, University of Waterloo
Joan Kinney, Lecturer, University of Wisconsin-Madison
Carole J. Makela, Professor, Colorado State University
Julia Marlowe, Associate Professor, and **Joan Koonce Lewis**, Associate Professor, The University of Georgia
Robert N. Mayer, Professor, The University of Utah
E. Scott Maynes, Professor Emeritus, Cornell University
Tamra Minor, Assistant to the Vice President, The Ohio State University
Greg O'Donoghue, Manager, Personal Financial Management Program, Seymour Johnson Air Force Base, North Carolina
Mark Silbergeld, Director, Consumers Union, Washington Office
Sheila Stogdale, Graduate Student, Virginia Tech
Carol Ann Walker, Personal Finance Manager/Air Force Aid Officer, Peterson Air Force Base, Colorado
Jing-jian Xiao, Assistant Professor, The University of Rhode Island

A special note of appreciation is given to **Loren V. Geistfeld**, Professor, The Ohio State University, for writing “The Geistfeld Model of Consumer Choice” and to Virginia Junk, Associate Professor, University of Idaho, for contributing the multi-media Powerpoint presentations for use by instructors.

In addition, I wish to thank the thousands of students who had the opportunity to read, critique, and provide research inputs for *Consumer Economic Issues in America*. Some have written letters offering suggestions as well as criticism, and I deeply appreciate each communication. Special thanks go to **Paul Camp**, Purdue University and **W. Kurt Schumacher**, Board of Governors of the Federal Reserve System for their especially helpful suggestions. **Proofreading assistance came from University of Delaware student Katherine Lee** and Virginia Tech students Michael D. Cox, So-hyun Joo, **Sheila Stogdale** and Kevin Kemerer.

Also deserving of thanks are the more than 50 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. In addition, a number of suggestions have come from directors of Centers for Economic Education, directors of State Offices of Consumer Affairs, and Media Consumer Affairs Experts, especially **News 5 reporter Elizabeth Owen in Nashville, Tennessee**. I have attempted to meet the collective needs in every way possible.

A note of appreciation is 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. Thanks are due also to **William McDivitt** for allowing me to register for college with less than a dollar in my pocket on two separate occasions. **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 regularly added to the quality of this book. As my partner in life, she has been wonderful in her total support of my passion for the labor of love it takes to write *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 National Public Radio news, and become involved in truly understanding issues of concern to consumers. I believe that the approach of this book will make the reader an informed consumer who in turn will help shape a continually improving world for others. I believe that this is an interesting text that students will enjoy reading. 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 chapters on laws and regulations and how to remedy wrongs against consumers. Also, you may want to present the book as a gift to a spouse or a parent. My e-mail address is tgarman@vt.edu for those who wish to communicate electronically.

Foreword by Virginia H. Knauer*

We are a nation of more than 268 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 misrepresentations 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