

THE MEDDLESOME SEVENTIES - A TALK ON CONSUMERISM

By

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In America today people work fewer hours, have more security and real wealth than ever before and yet we are an unhappy people involved in much social dissent. We are frustrated over poverty, equal rights, changing social mores, campus revolt, pollution and our environment. It is no longer fashionable to talk or worry about our productive capacity either as a nation or as individuals. Farmers and our business institutions are taken for granted. We are not so much concerned with the source of our wealth as we are with its appropriate disposal.

The things we worry about today were, of course, problems years ago but we were too busy, too insecure, too poor to do much about them. Perhaps we should be thankful for the affluence that has made it possible for us to move these "old problems" upward on our scale of priorities and to be able financially to try to do something about them. At the same time we should recognize that while affluence provides the means it does not necessarily provide the wisdom for instantly coping with the complex social problems now concerning us. We are wealthy enough to bus school kids in crazy quilt patterns all over the countryside but will this really solve anything? When you have wealth but not wisdom resources are spent foolishly.

But affluence has provided us with an abundance of people who are economically free to concern themselves about the affairs of others. Man hours no longer thought to be needed in the physical world of production are in no small degree the source of our social discontent.

We have been so busy growing in an industrial sense and we have enjoyed the fruits of our labor so much, that we have had little time or resources to devote to those broad social problems created by our rapidly advancing technology. No small part of this technological advance has been in agriculture. Those of you left in agriculture today are the economic survivors of the greatest mass migration in the history of man. Had there been no out migration from agriculture over the past 35 years our present farm population would be 65 million rather than the present 10 million. Out of this sudden displacement there are many who have neither the capacity nor yen to learn and master a new profession...many who find it disagreeable to work by the clock and calendar. Many of these are the technological dropouts who are in trouble -- who are both a burden and responsibility of our modern society -- who are a source of discontent in this time of affluence.

Other than agricultural dropouts there are many other sources of technological misfits not the least of which are our youth, who

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supported by affluent parents, have not had to worry much about becoming productive citizens. Our colleges are crowded with those who have little or no idea of the professions they ultimately seek to follow. Many, in their bewilderment, seek immediate changes in our social structures amounting to an instant social security designed to perpetuate their dole.

Suddenly we are aware of a large and growing group living on the leavings of a highly productive society. Earlier societies have had their leisure classes but never before in history have so large a proportion of a society been free of the worries of seeking the bare essentials of food, shelter and clothing. The perplexing problem facing us is how to absorb these technological dropouts and make them productive. Perhaps only in this way can we destroy much of our national negativism and get on with the job of building a happy and content society. In the meantime this growing hoard of economic parasites takes on a very serious meaning in a one member-one vote democratic society. Still in the minority, their presence is largely manifested in social meddling -- in contemplation about the welfare of their fellow man. One is a movement we vaguely call consumerism -- a term still too young for the dictionary. I should like to explore this particular movement with you for it not only impinges on your rights as a consumer but also is symbolic of the social meddling destined to spill over into agriculture.

Consumerism is a movement of activists who champion issues which appear to be beneficial to consumers. My very carefully worded statement that consumerism is a movement of activists who champion issues which appear to be beneficial to consumers is blunt and to the point. It will not make the consumerist happy for it exposes the spurious inference that there is, outside the marketplace, a bona fide movement of consumers who join in common cause on their own behalf. Nevertheless, in order to understand the growth, strength and power of consumerism one must realize that it is not a movement of consumers themselves. The term implies protection of the consumer but the flood of proposals for ways and means of protecting the consumer are not generally traceable to those seeking protection for themselves. To the contrary the specific issues of consumerism are initiated by those, who for assorted reasons, seek to protect others from harm. It is this third party involvement in a buyer-seller relationship that gives consumerism its uniqueness. The consumer activist, regardless of motive, is indeed a crusader.

Time will not permit an exploration of all the motives of the consumerist. They obviously range from selfish to unselfish, from dishonest to honest, from ignorant to the well informed. Regardless of motive the consumer activist contends that consumers should be protected from physical and economic harm, that consumers should be informed and educated in product knowledge, that consumers should have a choice in the marketplace, and finally that consumers should have proper legal redress for wrongs. On the surface one can scarcely argue with such virtuous aims until one realizes that under consumerism they are subjected to third party interpretation and in this sense may or may not be in the consumer interest. It is this third party involvement that is the key to understanding consumerism.

In a normal market relationship the buyers right to accept or reject in the marketplace imparts a very forceful economic meaning to these aims consistent with each individual's particular set of values. But competitive enterprise is rejected by the consumerist who identifies protection in terms of third party values. And because such values can always be made to appear rational they are condoned and often vigorously supported by the general public. As a result an endless myriad of laws, regulations, and coercions are rapidly displacing the free decision of the individual in the marketplace and the right of the consumer to choose increasingly becomes a mockery.

Without much doubt I reveal my personal convictions on consumerism. I think most of all I resent the hypocrisy of the politics behind consumerism...the illusion that someone is doing something for me when in fact he is only doing something, at my expense, to serve his own selfish political interests.

I hear business leaders today claiming that consumerism is anti-business...antiproducer...antiagriculture. They too have fallen victims to the hypocrisy of consumerism. They are mistaken. Consumerism is aimed at the consumer. Business can adjust and endure under consumerism much better than consumers. To business, consumerism merely closes the doors to certain opportunities, redirects effort or alters the competitive advantage one business might have over another. But look what it does to the consumer who pays the cost and loses the benefits that a prohibited product or service could have provided.

I reject the popular contention that the consumer is ignorant, stupid or uninformed merely because her actions are not consistent with either my beliefs or the beliefs of any professional consumerist. In my opinion consumers with dollars in their pockets are not by any stretch of the imagination weak. To the contrary they are the most merciless, meanest, toughest market disciplinarians I know. I reject the thesis that there is any one universal value in marketing that can be made applicable and acceptable to all 200 million American consumers. Any businessman trying to capture the favor of the consumer knows this. He knows that the value and needs of different consumers change with almost every purchasing decision. Surely we need to distinguish between the proper role of government in protecting consumers from deceptive practices and the inappropriate role of serving as intermediary between buyers and sellers in making value judgements.

In our zeal to protect the "innocent" consumer we need recognize that each protective step puts an added limit on our productive capacity as a nation. It may be argued that a wealthy nation can afford such luxury and, though this is true, we need also to take into account the price we are paying for consumerism.

Risk is inherent in every consumer purchase...in every consumer act and man can do nothing to alter that fact. The efforts of man to eliminate risk in the marketplace contain much political appeal but are nonetheless futile because the reduction of one kind of risk must always be accompanied by a compensating increase in another kind of

risk. The cost of protection is deprivation. The proper balance between these two risks is a judgement value for society to determine. We can, if we desire, achieve a high degree of auto safety by reducing speed but society rejects the sacrifice and instead with the safety belt accepts a lower safety level requiring less sacrifice. Some of the most protected members of our society are the inmates of our prisons. The distinguishing characteristic of these unfortunates is that they know the personal cost of their protection by having an acute awareness of their deprivations. But the cost of consumer protection is not so apparent. We have no way of putting a value on the sacrifice in foregone products and services that a free market could provide. We would not have the violence on our campuses or streets today if the disruptors bore greater risks of being penalized. The increased violence we tolerate is the price we pay for reducing the risk of penalizing the innocent. The jurist who said that it is better to let a hundred guilty persons go free than convict an innocent man either did not understand the nature of risk or had little respect for social order. In 1747 Voltaire wrote "It is better to risk saving a guilty person than to condemn an innocent one." Later Blackstone wrote "It is better that ten guilty persons escape than one innocent suffer." Now, once again, our odds are up and I'm beginning to wonder what par really is for the innocent man.

So far I have identified the consumerist only as a kind of self appointed, omnipotent guardian of the consumer. Who is the consumerist? Where do his ideas come from? What gives him motive? To some degree I think we are all consumerists at one time or another. We all have ideas about how other people should behave or be made to behave. When we get worked up about some issue we may even become activists and try to force our opinions on others. However, the most potent and dangerous consumerists are found in the ranks of elected public officials, career public workers, authors and writers, college professors, school teachers, preachers....people who have time on their hands to worry about others....people whose status depends on publicity and popularity....and perhaps above all those technological dropouts who have yet to find a place in society. It is interesting to observe that the consumerist sometimes has as much difficulty convincing the consumer of her need for protection as in convincing a regulatory body to do something about it. This is what they call education. But in final analysis the consumerist with the real punch is the elected official who champions laws, the appointed official who establishes regulations, or the self appointed meddler who needs only to demonstrate, to release a report or make a speech to hit the headlines. I doubt that my Congressman is responsible for the eight sets of seat belts that came in my last car but I got them and I paid for them. While some Congressmen deem it expedient to play on the political opportunities of consumerism we can be thankful that most of our public representatives, perhaps much better than the general public, understand the shams of consumerism. In a very real sense these responsible representatives often protect the consumer from the consumerist.

So far I have talked in broad generalities. Perhaps a specific illustration can do more to expose consumerism in its true light. I have heard it said that if strawberries were a manufactured product they would be restricted from the market today because so many people are allergic to them! Indeed the long arm of consumerism will soon reach back to the products of

the farm as it already has in its intense concern with antibiotics, insecticides, herbicides and fertilizers.

Anyway my little story has to do with unit pricing and I approach it with no misgivings. From past mail I have received I've learned the danger of commenting on any consumer issue because someone, some self appointed consumerist, always stands ready to defend such issues. A few years ago someone had the thought that if all products in the retail store were marked as to price in equivalent units of pounds, quarts, square feet and the like then the consumer could better identify the best buy. There was an implied assumption that the variety of package sizes on the market were a calculated attempt to deceive the consumer.

Gradually the idea began to catch on and more and more people began to accept and champion it. I know of no strong bona fide consumer support for the idea but I do know of a lot of passionate pleas made by consumerists who thought the idea had merit especially for people on a tight budget. Finally the proposal gathered enough steam to be ordered into effect by the Department of Consumer Affairs in New York City. But before it could be invoked the courts ruled that the Department had no authority to require conformance. The matter currently rests there while steps are being taken to establish the needed authority.

But as in any fight charges and countercharges flew around rather wildly. The merchants claimed that the costs of so marking products would be prohibitively expensive...that the net increase in cost would be borne by the consumer. The consumerists claimed that such marking would enable some consumers, and particularly those who needed it most, to save up to ten percent on their grocery bill. No one really had any facts though the idea sounded plausible and workable. This is the typical way consumerist issues arise and generate support, first among those who would like to do something for the consumer and then among consumers who innocently become effective consumerists without really knowing it. It also reveals the typical negative reaction of the business community which serves only to add the fire of certainty to the consumerist's eyes.

Fortunately this is one idea that could be tested with a reasonable degree of preciseness and one of my colleagues at Cornell, Professor Daniel Padberg, undertook to do just that with a midwestern chain. The most interesting of his conclusions is that both the costs and benefits were grossly overstated. The costs in the smallest stores ran to over 4 percent of the sales value but in large supermarkets they amounted to less than a tenth of one percent of sales. But a check of product movement over time indicated no significant shift in purchases by the consumer. In two broad food categories the consumer actually traded up to the higher cost per unit item, in the cereal category she traded down and there was no change in the others. Surveys of consumers shopping these test stores revealed that awareness of the availability of the information was greatest among the high income, well educated consumers. Despite these findings, the only real facts on the issue

available, it is my prediction that the consumerist will continue to champion unit pricing, will continue to talk about how it will benefit the poor and eventually succeed in getting widespread regulations making unit pricing mandatory.

The issue of unit pricing did not originate from any factual base and accordingly facts are not likely to alter the decisions of those who champion its cause. It makes no difference that the theory of unit pricing is based on a false and strictly materialistic premise. It makes no difference that it gives the large merchant a competitive advantage over the small. It makes no difference that the wealthy take greater advantage of the information than the poor. Even if the benefits are not very great it may be argued that the costs are insignificant. At least the consumer doesn't need a computer when she shops and she gained a notch in her right to be informed. But is the cost really insignificant if we add this to the hundreds of other laws and regulations that have been so forced on the consumer within the last several years? Once again I would make it abundantly clear that I neither advocate or oppose the idea of unit pricing. I am only saying that if indeed it has merit, if truly enough people want it, the competitive pressure of the market is sufficient to bring it into being without the aid of third party meddlers. In a democratic society we can, if we desire, force its cost on the public by either legislation or regulations. But no amount of legislation or regulation can force its use on an unwilling, uninterested consumer.

In today's sensitive market the producer of any product or service needs to keep an eye on both the consumer and the consumerist. The activities of the consumerist is causing the consumer increasingly to rationalize her actions in the marketplace and this verbal justification is in turn affecting her behavior. Shrewd marketers in the past have always responded more to the actions of the consumer than to her talk. The literature of market research is full of examples in which the consumer said one thing but did another. This is nothing more than the inability of one to always sound rational in explaining actions. In fact none of us like the thought of being unable to explain our actions in some logical way to a second party. Consumerism is creating a self-consciousness in consumers and developing a vocal response based on third party rationalization that can be grossly misleading to those bearing the responsibility of serving her needs.

For example we are likely to witness a very serious and noisy consumer reaction to the prices of pork, broilers, and turkeys next Fall. As you know, hog prices are now severely depressed. Simultaneously, live broiler prices in Atlanta last week were but 9 cents a pound and turkeys are in excessive supply. Without much doubt current liquidations will lead to high prices next Fall. Do you think the consumer understands this? Next Fall they will be looking for scapegoats and you members of the agricultural community will be one of them. Neither your nor the retailers' explanations will pacify her. I will not be so bold to predict the form of the consumerist reaction but I will venture that there will be charges, investigations and much agitation for governmental intervention. Perhaps this experience will give you a direct taste of what consumerism means to the American farmer.

In considering the impact of consumerism on marketing any industry should recognize that consumerism breeds on suspicion of the motives of business. Something has to be wrong, someone has to be unhappy for consumerism to exist. The consumerist sees different sized packages on the market not as an attempt to meet the differing requirements of people but rather as a deliberate effort to confuse the consumer. In the consumerist's mind fractional ounce contents have nothing to do with efficiency or cost savings but is used to make comparative pricing difficult. Codes are put on packages to hide vital information from the consumer. Colors and printing are used to deceive. Packaging is used to cover faulty merchandise and advertising is designed to make people act impulsively against their better judgment. The list is endless, and it always will be, for this is the nature of consumerism. However, I believe this observation tells us that the more business conducts its affairs in the open -- lives in a goldfish bowl so to speak -- the less it will be subject to the whims of the consumerist.

My little example on unit pricing may sound trivial to you but I assure you it is not so considered by the industries involved. It's not at all unlike the truth-in-lending law. How many consumers do you think wanted this law for their own protection? How many thought it might be a good idea for someone else? How much more do you now know about interest rates and carrying charges than before the law was passed? How many dollars has it saved the consumer? Regardless of how you choose to answer, the truth-in-lending law is now safely tucked away on the books where it can be forgotten. The few mills of marketing margin that it will permanently cost may even be worth the silencing of the consumerist on this issue. I only regret that it has freed the consumerist to dream up some other regulation that might hurt me more.

Consumerism is made up of little issues each affecting either relatively few consumers or businesses. It thrives on the importance of being unimportant. It enlists the passive support of the majority against the vigorous opposition of the few and in this way it grows on our economy like a cancer. There is a common belief that consumerism has grown out of the malpractices of business. This is false but certain malpractices of business have been effectively used by the consumerist to give credence to specific consumer issues. The characteristic approach of the professional consumerist is to find several flagrant violations of good faith which can be substantiated. These are pocketed while a broadside charge is made against an industry. When the charges are met with denial the specific cases are brought forth from the pocket to legitimize the general charges. The repetition of this time worn legal trick seems never to be recognized by the little American who believes he is being wronged by big business. The whole idea of the giant-killer has a certain romantic appeal to him.

There is one other timely concern and that has to do with current efforts to create one governmental agency, office, bureau or department to serve as spokesman for the consumer. Provision for such an office

came out of Senate Committee hearings this month and the House has already acted on a somewhat different version of the same measure.

How effective a spokesman for the consumer such an agency might be is demonstrated by the past activities of the President's Special Assistant for Consumer Affairs. During its eight-year gestation period much effort has been made to gain consumer, business, and labor support for the program. Many talks have been given, press conferences held, and consumer meetings scheduled. Although the Office of Special Assistant has carried the identity and prestige of the White House and has been served by three different, highly respected and competent ladies, the general public has never really taken the Office very seriously. Any mention of the Office will usually bring forth a knowing twinkle of the eye or a sympathetic smile. It should be apparent to the most ardent supporter of the program that bona fide consumer interest has failed to develop. It should be apparent that our responsible public officials should be doing more important things than writing specifications for panty hose or the size of lettering on a can of sardines.

Apparently, the consumer already knows that any remedial action he deems necessary is most directly accomplished as a result of his actions in the marketplace. He also knows that the marketplace respects his actions either when he is in the minority or with the majority. He does not expect to impose his consumption values on his neighbor anymore than he expects his neighbor's values to be imposed on him.

The Office of Consumer Affairs, in order to demonstrate public concern, claims the receipt of over 40,000 consumer complaints a year. That sounds like a lot of unhappy people but how significant is it when you consider that it amounts to one complaint per 15 million dollars of consumer expenditure per year? Anyway it is my guess that bona fide complaints far, far exceed this number but that they are sent to those who can do something constructive about it -- not to places where only punitive action can be anticipated.

All of us have had dissatisfactory experiences with products. Not only have we all been misled at sometime or other but many times products have failed to perform or come up to our expectations. But thinking people must recognize that this is part of the price we pay for being the wealthiest and most productive nation in the world, part of the price we pay for progress, development and improvement. We learn by making mistakes. Every year thousands of new products and services reach the market and for every new one thousands are withdrawn -- rejected by the consumer. We can, if we desire, avoid these costly and wasteful errors. We can protect the consumer but do we really want to substitute administrative dictate from Capitol Hill for individual buyer decision?

Regardless of any new agency that might be created to represent the consumer and regardless of the growth of consumerism the only true reading of the consumer is to be obtained from her actions in the marketplace. There can be no true spokesman for the consumer other than the actions of the consumer herself. She can rationalize her actions but try as she might she cannot explain them in full. That is why she cannot tell you what new

or modified goods and services would better serve her needs. In marketing research I have spent the better part of my life ringing consumer doorbells in a futile effort to get them to tell me how some product or market service can be improved or what new products or services they want only to find that in response they failed either to visualize their alternatives or identify the true values to which they in final analysis respond. The consumer, in her mute but effective way, can only bring all her value considerations to bear in response to what is offered her. She has her own built-in protective device. If you displease her...if you do not offer her the best alternative...if indeed you deceive her in terms of her own values, she simply and quickly votes "no" in the marketplace. That is the miracle of the free market...the miracle the consumerist refuses to recognize.