

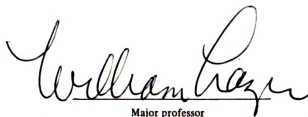


This is to certify that the
thesis entitled
An Empirical Investigation of Consumer Participants
In Federal Trade Commission Consumer Protection
Rule Making Procedures
presented by

Priscilla Ann La Barbera

has been accepted towards fulfillment
of the requirements for

Ph. D. degree in Marketing

A handwritten signature in cursive script, reading "William Hager". The signature is written in dark ink and is positioned above a horizontal line.

Major professor

Date August 23, 1976

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ABSTRACT

AN EMPIRICAL INVESTIGATION OF CONSUMER PARTICIPANTS IN FEDERAL TRADE COMMISSION CONSUMER PROTECTION RULE MAKING PROCEDURES

By

Priscilla Ann La Barbera

Purpose

Throughout the 1970's consumer participation in the rule making procedures of the Federal agencies has become more widespread. Federal agency decision-makers have been and will continue to be presented with the views of involved consumers as well as those of business. Yet prior to this study, research focused on consumer participation in Federal agency decision-making was nonexistent. This study, therefore, concentrated on selected demographics, attitudes and activities which would serve to identify the nature of consumers who had commented on Federal Trade Commission (FTC) consumer protection rule proposals.

Data Collection

The research instrument used was a mail questionnaire which consisted of three major sections. The first comprised several Likert-type items designed to measure respondent attitudes toward dimensions of government

regulation, marketing, consumerism and consumer participation in FTC rule making. The statements dealing with government regulation, marketing and consumerism were those constructed by other researchers for use in a 1975 national survey of consumer attitudes. Replication of such items in the present study made it possible to compare the attitudes of respondents with the attitudes of the general public as represented by members of the national sample.

The second section of the questionnaire was constructed to measure the extent to which respondents were engaged in activities related to consumer protection. The third and final section comprised questions to gather demographic data. To make a comparative analysis possible, response categories adopted for the demographic items were patterned after those utilized in the latest U.S. Bureau of Census surveys.

Copies of the research instrument were sent to a random sample of 420 consumers who had participated in the rule making procedures of the Federal Trade Commission. The sample was derived from the Commission's files of all letters of comment received for consumer protection rules proposed during the period November 1, 1974 to October 31, 1975. Nearly 85% of the FTC sample, or 350 consumers, returned completed questionnaires within a one-month period.

Major Findings and Conclusions

The data revealed that, in general, the views of a particular segment of consumers are being presented to the FTC. The profile of the typical consumer involved in FTC rule making is as follows:

1. a white married female,
2. residence in the Northeast or North Central regions of the United States,
3. 45 years of age or older,
4. with at least some college education,
5. both she and her spouse are employed in professional occupations,
6. with a total family income of \$15,000 or more.

This profile characterized over 50% of the respondents. The demographic findings revealed that comments on FTC consumer protection rule proposals have not been submitted by a representative cross section of the United States population.

Moreover, it was found that respondents also presented their views on consumer protection issues to Federal agencies other than the FTC and to Congress. Most respondents, however, indicated that they were uncertain about the actual consideration given to consumer comments in the development of the Commission's consumer protection rules.

In addition, the data revealed that consumers who participated in FTC rule making were highly dissatisfied with marketing practices. A comparative analysis showed that, in most cases, the respondents were even more critical of marketing than those consumers who comprised the national sample.

Furthermore, when compared with members of the national sample, more respondents believed that consumer activism has been and will continue to be an important force in changing the practices of business. Similarly, the data revealed that, in comparison with members of the national sample, respondents advocated more extensive government activity and increased government regulation to alleviate the problems of consumers.

AN EMPIRICAL INVESTIGATION OF CONSUMER PARTICIPANTS
IN FEDERAL TRADE COMMISSION CONSUMER PROTECTION
RULE MAKING PROCEDURES

By

Priscilla Ann La Barbera

A DISSERTATION

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With infinite gratitude

to

Dr. and Mrs. William Lazer

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the Office of Consumer Affairs. It was during an internship in the Office of Consumer Affairs when this candidate first became intrigued with the phenomenon of consumer participation in Federal agency rule making. Research conducted with the guidance of Mr. McLaughlin was the initial impetus under which this study was conceived. Since the internship the continued encouragement and support of my interest in consumerism by Mrs. Knauer and Mr. McLaughlin have been inspiring and deeply appreciated.

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CHAPTER I

IMPORTANCE, PURPOSE AND SCOPE OF THE STUDY

Introduction

The direct day-to-day legal impact on marketing of the many Federal administrative agencies is far greater than the effect of the legislative bodies and courts.¹ Administrative agencies, such as the Federal Trade Commission, Food and Drug Administration and Consumer Product Safety Commission, create and enforce the bulk of regulations which comprise the legal environment of marketing.

Regulation making, in the administrative process, is essentially legislative in character. Administrative agencies are usually created by enactments of the legislature. Congress delegates to the agency the responsibility of filling in the details of a law to carry out the underlying legislative purpose. In 1975, for example, Congress assigned to the Federal Trade Commission (FTC) the responsibility of implementing the Magnuson-Moss Warranty-Federal Trade Commission Improvement Act. FTC

¹Robert N. Corley and Robert L. Black, The Legal Environment of Business (New York: McGraw-Hill Book Co., 1973), pp. 187-190.

administrators, therefore, proceeded to issue detailed regulations necessary to execute the provisions of the Act.

According to the Federal Administrative Procedure Act of 1946,¹ the administrator in adopting his or her regulations must follow a procedure of notice, hearing and inquiry similar to that followed by a legislative body. The Act requires that general notices of proposed rules and regulations be published in the Federal Register. Subsequent to notice, the Federal agent must, according to the law, allow interested parties an opportunity to participate in the rule making process through submission of written and/or oral data, views or arguments. After consideration of all relevant matter presented to him or her, the administrator then proceeds to write the final rule.

Industry members, therefore, have an opportunity to shape regulations which will affect them if they participate in Federal rule making procedures. Indeed, historically, Federal agency rule making tended to be a process in which industry was the major participant. A comfortable relationship often existed between the regulators and the regulated industries.² Prior to the

¹Ronald A. Anderson, Government and Business (Cincinnati, O.: South Western Publishing Co., 1966) pp. 438-445.

²Thomas K. McCraw, "Regulation in America: A Review Article," Business History Review 49 (Summer 1975): 162-164.

1970's, files of proposed rules reflected extensive inputs from industry. In contrast, consumer input into Federal agency decision-making was essentially nonexistent.¹

Since 1970, however, consumer participation in Federal agency rule making has increased rapidly. Consumer protection advocates recognize that regulatory agencies make a far greater number of decisions affecting individual citizens than legislatures, chief executives, or courts. While Congress enacted the Traffic and Motor Vehicle Safety Act of 1966, Federal agency administrators were responsible for the thousands of specific regulations which served to implement the law. In the words of one consumer protection advocate: "U.S. drivers will live or die, not because of the original law, but because of auto safety regulations"² promulgated by the Department of Transportation.

Thus, in recent years, the quest for consumer representation has centered primarily on Federal administrative agencies. Consumer protection advocates have undertaken efforts to broaden the base of Federal administrative rule making. As a result, submission of comments

¹Priscilla La Barbera, Alvin Katzman, Richard Rose and Morris Shapero, "Decisions That Affect Your Future," working paper, White House Office of Consumer Affairs, August 1971.

²William Hoffer, "Smokescreen for Bureaucrats," Prism, December 1974, p. 56.

by individual consumer-citizens to the Federal agencies has become a more widespread activity. According to an official of the Food and Drug Administration, a proposed consumer protection rule which may have generated two or three public comments in the 1960's now results in two or three hundred comments from citizens.¹

In recognition of the trend toward greater consumer participation in Federal rule making, representatives of business may no longer have the greatest influence in Federal decision-making. Consumer-citizen views are now competing with those of industry for the attention of Federal administrators. If consumer and industry positions on a particular regulation differ, then industry members may lose some control over the outcome of government decisions which will affect them directly.

Purpose of the Study

Although efforts to involve more consumers in Federal agency rule making continue, research in this area is virtually nonexistent. For example, it has not been determined whether consumers involved in the Federal regulatory process represent the demographics of only

¹Ronald G. Shafer, "Federal Register, Written in 'Governmentese,' Tries to Make Itself Understood by the Public," Wall Street Journal, 23 October 1975, p. 36.

one particular group of individuals or are representative of the United States population at large. In addition, attitudes of participating consumers toward product quality, advertising and complaint handling in comparison to those attitudes held by the general public have not been studied. Moreover, comparisons between the attitudes of participating consumers and the public at large toward increased government regulation, or self-regulation, of business to achieve consumer protection have not been investigated. Further, it is not known whether participating consumers believe that they can influence Federal consumer protection decision-making or feel alienated from the regulatory system to which they make their views known. Clearly, empirical research is needed before any conclusions may be drawn regarding implications for industry of consumer participation in Federal agency rule making.

It is the purpose of this study to investigate three dimensions of consumers who have participated in Federal agency rule making: (1) the demographics, (2) attitudes toward government regulation, marketing, consumerism, and (3) participation in various activities related to consumer protection. More specifically, the research presents and comprises the results of a mail survey of 420 consumer-citizens who had submitted a written comment to the FTC concerning at least one consumer protection rule proposed

during the period November 1, 1974 to October 31, 1975. They were selected from ten FTC comment files utilizing a systematic random sample. The demographic makeup of consumer respondents is compared to the demographic composition of the U.S. population according to the latest Bureau of Census statistics. Further, the attitudes of consumer respondents toward marketing, government regulation and consumerism are compared to those attitudes held by the general public in 1975.

The Major Research Hypotheses

This investigation is organized around six major hypotheses. The first general hypothesis deals with a comparison between the demographics of consumer respondents and the demographics of the U.S. population at large. In this study, demographics include age, income, occupation, education, sex, race, geographic location and marital status. It is hypothesized that the percentages of respondents falling into the high income, high educational attainment and high status occupational categories are greater than the corresponding percentages of the total U.S. population. Further, it is hypothesized that respondents will represent the white race disproportionately.

The next three major hypotheses are concerned with a comparison between respondent attitudes toward marketing,

government regulation and consumerism and those attitudes held by the public at large. Attitudes toward marketing include beliefs concerning product quality, prices, advertising, sales promotion, after sales service and consumer orientation of manufacturers. It is hypothesized that respondents will indicate more negative attitudes than the general public toward marketing.

It is also hypothesized that respondents will indicate more positive attitudes than the public at large toward increased government activities to achieve consumer protection. Government activities include testing products; setting minimum standards of product quality; increased regulation of advertising, sales, and marketing activities of manufacturers; price control; the establishment of a Federal department of consumer protection; and government regulation vs. self-regulation of business. Further, it is hypothesized that consumer respondents will have more positive attitudes than the general public toward the importance and effectiveness of consumerism.

The fifth major hypothesis focuses on activities undertaken by respondents which indicate a keen interest in consumerism. These activities involve participation in consumer protection rule making of Federal agencies other than the FTC, writing to Congressmen about consumer protection issues, and subscription to consumer protection

publications. It is hypothesized that the majority of respondents will have undertaken at least one consumer protection activity beyond the submission of a single comment to the FTC.

The final major hypothesis is concerned with respondents' perceptions of consumer influence in FTC rule making. It may be assumed that the motivation for submitting comments to the FTC stems from the belief that this activity is an effective way for the consumer viewpoint to be presented to the Commission. FTC administrators, however, do not provide systematic feedback concerning the actual effect which consumer inputs have had on the outcome of final rules. Therefore, it is hypothesized that, in general, respondents will believe that submitting comments to the FTC is an effective way for consumer views to be presented to the Commission. It is further hypothesized that respondents will be uncertain about the consideration given to consumer comments in the development of FTC rules.

The six major hypotheses included in the study are:

- H₁: The demographic profile of consumer respondents is not representative of the demographic makeup of the United States population at large.
- H₂: Consumer respondents have more negative attitudes than the public at large toward marketing.
- H₃: Consumer respondents have more positive attitudes than the public at large toward increasing government activities to achieve consumer protection.

- H₄: Consumer respondents have more positive attitudes than the public at large toward the importance of consumerism.
- H₅: The majority of respondents participate in activities which indicate an active interest in consumerism.
- H₆: In general, although respondents believe that consumer submission of comments concerning rule proposals is an effective way for the consumer viewpoint to be presented to the FTC, respondents are uncertain about the actual consideration given to consumer comments in the development of the Commission's consumer protection rules.

Research Methodology¹

A review of the relevant literature resulted in selection of the Federal Trade Commission (FTC) as the source from which a sample of consumers would be selected for the present study. Of the Federal agencies, the FTC has the most responsibility to protect consumers from unfair and deceptive marketing practices. In addition, the Commission deals with a wider range of marketing phenomena than any other Federal agency. In contrast to the FTC, Federal agencies such as the Food and Drug Administration, Consumer Product Safety Commission and Department of Transportation focus on more limited facets of marketing. It seems, therefore, that FTC rule proposals would attract the attention of a broader base of consumer-citizens than would the more

¹Details on all aspects of research methodology used in this study are included in Chapter III.

specialized rules which are proposed by other Federal agencies.

Moreover, in 1970 a new Bureau of Consumer Protection was established within the FTC. Since that time Commission agents have been active in obtaining consumer input to assist them in their consumer protection decision-making.¹ Furthermore, Title II of the Magnuson-Moss Warranty-FTC Improvement Act of 1975 gave the FTC significant new powers to enforce its rules and to obtain consumer input into its rule making procedures. For the first time, the FTC has the authority to take violators of its trade regulation rules directly to court to obtain civil penalties of up to \$10,000 per day.² In addition, the FTC can ask courts to order companies that have been unfair to consumers through rule violations to refund money, pay damages, or rewrite key contract clauses. Moreover, the new law gives the FTC up to one million dollars per year to finance the participation in rule making proceedings of individuals who otherwise could not be represented adequately.

¹Arch W. Troelstrup, The Consumer in American Society (New York: McGraw-Hill, Inc., 1974), pp. 561-563. See also "New FTC: So Good It Hurts," Sales Management 106 (January 15, 1971), 30, 36, 38; and Ronald G. Shafer, "A Watchdog Growls: FTC Sets Out to Prove It Is the Consumer's Friend," Wall Street Journal, 24 February 1971, p. 1ff.

²"FTC's Tougher Tactics for Regulating Business," Business Week, 19 May 1975, p. 66.

In view of its increased authority the FTC in the future is expected to issue trade regulation rules at an accelerated rate.¹ Clearly, the FTC warrants serious attention from a student of marketing concerned with Federal consumer protection rule making.

After selecting the FTC for further analysis, it was necessary to determine whether or not consumers who had submitted comments to the Commission could be identified. A telephone conversation with an FTC attorney established the fact that all letters of comment received by the Commission are available for public inspection. Comments in reference to rule proposals are filed in the Public Docket Room located in the FTC's Division of Legal and Public Records. Each comment is filed according to both the rule with which it is concerned and to the date on which it is received. Each letter of comment is also assigned a number and acknowledgment of its receipt is recorded in a docket maintained for each proposed rule. Furthermore, when time permits, the files are organized into separate sections depending on the source of comment, i.e., business firm, trade association, consumer organization, or individual consumer.

¹James W. Singer, "More FTC Rule Making Is Likely Under New Authority," National Journal Reports 7 (February 1, 1975): 176.

Next, issues of the Federal Register¹ were examined for the period November 1, 1974 to October 31, 1975. A total of thirteen FTC consumer protection rules were proposed during that year. Each proposal was followed by a statement inviting interested parties to submit to the FTC written comments concerning the rule.

A systematic random sample of 420 consumers was drawn from FTC comment files located in Washington, D.C. In addition, a random sample of 20 consumers was selected from the files for purposes of a pretest.

Following a review of the relevant literature, a research instrument was designed to gather attitudinal, activity and demographic data from consumers who had submitted written comments to the FTC. The research instrument comprised three major sections.

The first section consisted of five point Likert-type items dealing with respondent attitudes toward marketing, consumerism, government regulation and consumer influence in FTC decision-making. To make possible a comparative analysis, most of these questions were borrowed from a previous study undertaken by Barksdale, Darden

¹U.S., Office of the Federal Register, Federal Register, Vols. 39-40 (Washington, D.C.: Government Printing Office, November 1, 1974 to October 31, 1975).

and Perreault in 1975 to examine attitudes held by the public at large.¹

A second section of the research instrument included a series of questions which were designed to gather data on consumer protection related activities of respondents. These objective questions dealt with the number of consumer protection publications to which respondents subscribed and the number of times respondents submitted written comments to the Federal agencies and to Congressmen concerning consumer protection issues.

The final section of the instrument consisted of questions concerning respondent demographics. For comparative purposes, the same demographic response categories used in the most recent Bureau of Census surveys were employed in the present study.

To pretest the research instrument, copies of the questionnaire were sent to 20 consumers who were included in the pretest sample. Sixty percent of the questionnaires were returned. Based on pretest results, some of the questions were modified to increase the clarity of the instrument.

¹Hiram C. Barksdale, William R. Darden and William D. Perreault, "Changes in Consumer Attitudes Toward Marketing, Consumerism and Government Regulation," unpublished manuscript, 1975.

Copies of the final research instrument were sent to the random sample of 420 consumers who had participated in FTC rule making. Almost 85% of the sample returned completed questionnaires.

Limitations of the Study

The use of a mail survey with multiple choice questions presented many advantages. It was possible to collect data from a geographically dispersed sample of consumers. A field staff was unnecessary and the cost per questionnaire was relatively low. Problems connected with interviewer bias were eliminated. Further, respondents had the opportunity to think about the questions, check their records and answer the questions at their leisure. Moreover, Barksdale et al. collected their data by means of a mail survey. Use of a mail questionnaire in the present study, therefore, would seem to avoid unnecessary bias.

Mail surveys, however, have several disadvantages. One problem is the bias which stems from nonrespondents. In view of the return of nearly 85% of the questionnaires, this limitation does not appear to be of serious concern in the present study.

Interpretation of omissions on mail questionnaires presents difficulties. Although an overwhelming majority of respondents answered all of the questions, 2.2% of the

respondents refused to provide complete demographic information.

The major limitation, however, is that with a mail survey, explication or interpretation by an interviewer is not possible. Respondents may interpret standardized questions in different ways.

In particular, some of the questions repeated in this study for purposes of comparison may have presented problems of interpretation. A few of the Likert statements may not have been sufficiently specific to preclude a variety of possible interpretations. For example, question number one states: "The government should test competing brands of products and make results of these tests available to consumers." Some respondents may have interpreted this question to imply all products while other individuals may have responded to this statement as though it referred to selected products.

Members of both the present sample and the national sample of consumers, however, were faced with similar problems of interpretation. The ambiguity found in some of the questions, therefore, does not seem to preclude comparison of data collected from the two samples.

Potential Contribution of the Study

The findings of this research should be of use to FTC administrators, industry members, consumer protection advocates, public policy researchers and the public at large. Findings concerning the demographics of consumers involved in FTC rule making, for example, will serve to guide Commission administrators interested in obtaining input from a cross-section of consumers. Further, the conclusions dealing with respondent perceptions of consumer influence in FTC decision-making should be of interest to government regulators concerned with motivating consumers to participate in the Federal rule making system.

In addition, the attitudinal and demographic findings should be of great concern to business executives. The findings suggest the nature of consumers who are communicating their views on proposed regulations to FTC decision-makers.

Moreover, the demographic, attitudinal and activity profiles of respondents will provide a benchmark for future research dealing with the characteristics of citizens involved in the rule making procedures of other Federal agencies. The high level of response to the present survey strongly suggests that consumers involved in Federal rule making are willing to cooperate with researchers interested

in further understanding the phenomenon of citizen participation in Federal agency decision-making.

Organization of the Report: A Preview
of Subsequent Chapters

This thesis consists of four additional chapters. Chapter II, "Federal Consumer Protection Rule Making in Perspective," focuses on the changing nature of the FTC and the trend toward increased consumer participation in Federal agency rule making.

Chapter III, "Research Methodology," includes details on the sampling procedure, research instrument and field procedure used in this study.

Chapter IV, "Findings of the Study," reports the results of the research. Included are a series of summary tables and an explanation of the major research findings.

Chapter V, "Summary, Conclusions, and Implications for Future Research," presents a brief summary of the entire research project. The findings of this project are used to identify those areas where empirical research into the rule making process is likely to assist FTC administrators and industry members.

The Appendices contain reproductions of the final research instrument and cover letter as well as explanations of the statistical tests employed in the analysis.

CHAPTER II

FEDERAL CONSUMER PROTECTION RULE MAKING IN PERSPECTIVE

Introduction

Consumer involvement in FTC rule making is the central concern of this study. To understand and to appreciate the full implications of this research project, it is important to be familiar with two recent trends. The first deals with the changing nature of the FTC which has emerged in recent years as a powerful consumer protection agency. The second is the accelerated movement toward greater consumer-citizen involvement in Federal agency rule making. Both are traced in this chapter.

The Changing Nature of the Federal Trade Commission

Introduction

Several Federal agencies issue rules and regulations to achieve consumer protection in the United States. Included are the Consumer Product Safety Commission, Food and Drug Administration, Federal Trade Commission, Environmental Protection Agency, Department of Agriculture,

Department of Transportation, Federal Communications Commission, Housing and Urban Development Department, Interstate Commerce Commission, Federal Reserve System and Securities and Exchange Commission.¹ This study focuses primarily on the Federal Trade Commission (FTC).

The FTC is an independent law enforcement agency created by Congress for the purpose of protecting the public against anticompetitive behavior and unfair and deceptive business practices. Of all the Federal agencies, the FTC has the broadest authority over domestic marketing practices.² The Commission has the power to put an end to business practices that restrict competition or that deceive or otherwise injure consumers. Such practices may be terminated by cease and desist orders issued after an administrative hearing, and by injunctions issued by the Federal Courts upon application by the FTC.

Moreover, the Commission defines practices that violate the law. This provides marketers with advance knowledge of their legal obligations and enables consumers to recognize those business practices against which legal recourse is available. The FTC seeks such preventive

¹U.S., Department of Health, Education and Welfare, Office of Consumer Affairs. Guide to Federal Consumer Services (Washington, D.C.: Government Printing Office, 5 January 1976).

²U.S., Federal Trade Commission, Your Federal Trade Commission: What It Is and What It Does (Washington, D.C.: Government Printing Office, 1975), pp. 3-4.

measures primarily through Advisory Opinions, Industry Guides and Trade Regulation Rules.¹

Formal Commission advice referred to as an "Advisory Opinion," is offered in response to a request by an individual or company concerning the legality of a proposed course of action. Industry Guides refer to administrative interpretations by the FTC intended to show the public how business may be conducted in a manner that conforms with laws which the Commission administers. Trade Regulation Rules (TRRs), the principal concern of this study, are rules and regulations that implement the substantive requirements of statutes administered by the Commission.²

A TRR may be nationwide in scope or it may be restricted to certain geographic areas or markets. Once effective, a rule has the force of law. A violation of a TRR is considered to be a violation of the Federal Trade Commission Act.³

Prior to finalization of a rule concerning a particular business, industry, practice, or product, however, all interested persons are given an opportunity to express to the FTC their views on the rule as proposed. Industry

¹Ibid., p. 3.

²Ibid., p. 23.

³Ibid., p. 18.

members and consumers, therefore, have the opportunity to participate in the shaping of a TRR by commenting on its provisions either in writing or at a public hearing. A rule is adopted by the Commission after consideration of all participant views. Theoretically, the final rule should reflect both the views presented to the Commission and the expertise of FTC administrators. The actual recognition and acceptance of consumer comments received by the FTC, however, remain to be investigated.

An adopted TRR represents the Commission's final conclusions about the legality of the practices in question. The FTC may rely on a TRR to resolve any future issue to which the rule is relevant after the business firm involved has had a fair hearing on whether the rule is legally applicable in that particular case.

Consumer Protection Responsibilities of the Federal Trade Commission

The Federal Trade Commission Act which created the FTC in 1914 declared that unfair methods of competition in commerce are unlawful. Congress originally left to the FTC and to the courts the task of defining what constituted an unfair practice.¹

In 1938 Congress passed the Wheeler-Lea Amendment to the FTC Act which declared unfair or deceptive acts or

¹Ibid., pp. 4-5.

practices in commerce illegal, in addition to unfair methods of competition. This amendment benefited the buying public for under its authority the FTC could proceed in situations in which consumers were being treated unfairly. The Wheeler-Lea Amendment is considered to be the first express statement by Congress of the need for direct protection of consumers.

Over the years, the FTC has been given additional legal responsibilities for consumer protection. The authority and powers of the FTC to protect consumers from unfair or deceptive trade practices are drawn primarily from a variety of statutes. Following is a brief overview of these laws.¹

Wool Products Labeling Act of 1939, approved October 14, 1940. This act protects producers, manufacturers, distributors and consumers from undisclosed substitutes and mixtures in spun, woven, knitted, felted, or other types of manufactured wool products.

Fur Products Labeling Act, approved August 8, 1951. Consumers are protected by this Act against misbranding, false advertising and false invoicing of furs and fur products.

Textile Fiber Products Identification Act, approved September 2, 1958. This act protects producers and consumers against misbranding and false advertising of the fiber content of textile fiber products.

Fair Packaging and Labeling Act, approved November 3, 1966. Unfair and deceptive packaging or labeling of certain consumer commodities are prevented by this law.

¹Ibid., pp. 6-7.

Truth in Lending Act, approved July 1, 1969. This law requires full disclosure of related credit terms before a consumer credit account is opened or a credit transaction is completed. The act further requires terms to be specified in advertisements. An amendment to the law serves to limit the liability for unauthorized use of any credit card to \$50 on cards issued after January 25, 1971. According to the provisions of the amendment, there is no liability on cards issued after that time unless the credit card issuer undertakes several activities such as notifying the card holder of limited liability; providing a postage free means of notification of loss; and providing a means of identification such as signature, thumb print, or photograph.

Fair Credit Reporting Act, approved October 26, 1970. The purpose of this act is to insure that a consumer's credit report will contain only accurate, relevant, and recent information and will be confidential unless requested for an appropriate reason by a proper party.

Magnuson-Moss Warranty-FTC Improvement Act, approved January 4, 1975. This law expands the FTC's authority to represent itself in court (including the Supreme Court), to promulgate substantive TRRs in the consumer protection area, to obtain civil penalties and consumer redress for violations of the FTC Act, to pursue unlawful acts "affecting commerce" rather than those "in commerce," and to compensate consumer groups for expenses involved in the generation of consumer participation in FTC rule making. The act further requires manufacturers electing to offer written warranties for consumer products to disclose warranty terms and conditions in simple and readily understood language.

Bureau of Consumer Protection

Responsibility for the development of TRRs to execute consumer protection statutes lies within the FTC's Bureau of Consumer Protection which was created in 1970.

The Bureau comprises five specialized divisions: Compliance, Marketing Practices, National Advertising, Special Projects and Special Statutes.¹

The Compliance Division is responsible for obtaining and maintaining compliance with all cease and desist orders preventing false and deceptive trade practices under Sections 5 and 12 of the FTC Act, the Wool Products Labeling Act, the Fur Products Labeling Act and the Textile Fiber Products Identification Act.

Enforcement of the FTC Act with respect to deceptive or unfair marketing practices which are national in scope is the responsibility of the Marketing Practices Division. This division is also specifically responsible for development of TRRs on questions relating to warranties.

Responsibility for enforcement of those provisions of the FTC Act directed at preventing misrepresentation and unfairness in all national advertising rests with the National Advertising Division. Of particular concern to this division is food, drug and cosmetic advertising.

The Special Projects Division has primary responsibility for developing and implementing the "unfairness doctrine" announced in 1972 by the Supreme Court in the Sperry and Hutchinson decision² to combat a broad spectrum

¹Ibid., pp. 16-17.

²FTC v. Sperry and Hutchinson Co., 405 U.S. 233, 1972.

of abusive practices. According to the Supreme Court decision, to eliminate a challenged practice, the FTC does not need to prove that the practice is "deceptive," but rather, may determine that it is "unfair" to consumers.

Special Statutes is the division which enforces the Fair Packaging and Labeling Act, the Truth in Lending Act, the Fair Credit Reporting Act, the Wool Products Labeling Act, the Textile Fiber Products Identification Act and the Fur Products Labeling Act. Additionally, this division implements the Commission's duties under the Public Health Cigarette Smoking Act of 1969 and has enforcement responsibility for all other special legislation within the FTC's jurisdiction.

Revitalization of the Federal Trade Commission

As recently as 1969, the FTC was known as the "little old lady of Pennsylvania Avenue."¹ It was argued that the Commission was not fulfilling its responsibility of protecting innocent consumers from unfair or deceptive marketing practices. Changes in the FTC, however, began to appear in late 1969 at the conclusion of investigations undertaken by Ralph Nader in 1968 and the American Bar

¹"Marketers Who Staved Off Old FTC Now Find 'Little Old Lady' Has Teeth," Advertising Age, 14 December 1970, p. 74.

Association (ABA) in 1969.¹ Today FTC Commissioners have to defend the agency against business advocates who contend that innocent companies are being sacrificed to consumerism.²

Most of the criticisms leveled at the FTC throughout its history were summarized in the reports of Nader³ and the ABA.⁴ Nader and his raiders charged misdirection of the activities of the Commission's staff and inactivity in important areas. Underscored was FTC passiveness in the area of deceptive advertising. The Nader Report, for example, noted that without interference from the FTC, detergent manufacturers were mislabeling old products by calling them new, that certain menthol cigarette ads were implying that smoking their brand was similar to fresh air, and that a manufacturer claimed that butchers could not distinguish between his dog food and table beef. It was concluded that the Commission did not display adequate concern for consumers while it often permitted questionable activities of large corporations to go unchallenged.

¹Robert N. Corley and Robert L. Black, The Legal Environment of Business (New York: McGraw-Hill Book Co., 1973), pp. 441-442.

²"The FTC Gets Tough," Changing Times 26 (July 1972): 17.

³Edward Cox, Robert Fellmeth and John Schultz, The Nader Report on the FTC (New York: Richard W. Barton, 1969).

⁴American Bar Association Commission to Study the FTC, Report of the ABA Commission to Study the FTC (Chicago: American Bar Association, 1969).

A second criticism leveled at the FTC in the Nader Report was the trend of the Commission to rely on voluntary codes and compliance in contrast to prosecution through formal hearings. Further, Nader pointed out that the FTC staff contained too many persons at the top level and that too many of these individuals were ineffective and had overlapping and conflicting duties. His report claimed that some of the agency's members were guilty of "alcoholism, spectacular lassitude and office absenteeism, incompetence by the most modest standards, and lack of commitment."¹ Moreover, he noted that the FTC staff included an unusually high number of top-grade, well-paying civil service positions, which were used for patronage purposes and often filled by assistants of retiring Congressional leaders.

Among the other criticisms included in the Nader Report was a charge that the actions of the FTC were too mindful of politics and motivated by political considerations. It was claimed, for example, that due to political manipulation, an FTC report on auto warranties was withheld "at least until after the election [of 1968], to avoid alienating Henry Ford II and other business interests who were contributing to Hubert Humphrey's campaign."² It was

¹Cox et al., The Nader Report on the FTC, p. 170.

²Ibid., pp. 75-76.

further noted that "the FTC has failed to enforce the powers it has with energy and speed" and that "the FTC has failed to seek sufficient statutory authority to make its work effective."¹

Although it has been charged that the Nader Report was biased and narrow,² it contained enough sensational information to generate a more professional and objective investigation. At the request of President Nixon, a study was made by 16 lawyers and economists of the American Bar Association (ABA). The report was written by Miles W. Kirkpatrick, chief of the ABA's antitrust section. A comparison of the ABA study with the Nader Report reveals a high degree of similarity in the criticisms leveled at the FTC.

Kirkpatrick described the FTC as being a model of bureaucratic inertia and timidity which was torn with internal dissension. The ABA report also noted that the FTC was suffering from the operation of "Parkinson's Law" for apparently it was doing less with more employees. Although the Commission's staff increased by over 100 from 1962 to 1968 the number of investigations of alleged abuses

¹Ibid., p. 39.

²Gilbert Burck, "High-Pressure Consumerism at the Salesman's Door," Fortune 76 (July 1972): 72.

of the law by businesses which were commenced declined by nearly 1,200 during the same six-year period.

Moreover, the ABA study pointed out that those cases which the FTC had undertaken often involved trivial matters. The FTC, for example, attached the label on an 89.9% wool blanket which stated 90% wool and the label on fur from South Africa which abbreviated the origin to "S.W. Africa." The report charged that too much effort had been spent on fur and textile labels while the Commission had done little or nothing at all to screen local television and radio commercials for fraudulent or misleading practices. This inactivity was contrasted with the fact that the FTC had an Office of Program Review charged with the responsibility of setting priorities.

Another criticism of the FTC included in the ABA report concerned an apparent lack of enforcement. It was noted that there had been a shift in emphasis from the issuing of cease and desist orders to a reliance on voluntary compliance such as securing written or oral promises from firms that they would discontinue deceptive practices. Among the conclusions of the ABA committee was that many of the FTC staff members were incompetent. To explain this trend toward incompetence, the report noted that one of the senior staff members preferred to hire lawyers who had been in practice for at least ten years and who had

realized that they were not going to be successful on their own. These lawyers were favored over recent graduates because the older, unsuccessful lawyer tended to be loyal to the FTC and to remain with the agency! The general conclusion of the ABA study was that the FTC needed a complete overhauling.

In response to the sharp criticisms, Caspar Weinberger, appointed in 1970 as Chairman of the FTC, initiated several changes to foster a greater consumer protection orientation within the Commission. His work was continued by the next Chairman, Miles Kirkpatrick, who headed the ABA study group.

The first significant transformation occurred when operating bureaus were reduced from a total of four to two. The two bureaus consist of the Bureau of Competition which handles antitrust cases, and the newly created Bureau of Consumer Protection which was headed by Robert Pitofsky, law professor at New York University and counsel for the ABA panel.¹ The Bureau of Consumer Protection, discussed in the previous section, consists of divisions involved with consumer credit, national advertising and industry rules and guides. The employees of these divisions consist of many zealous staff people who were selected by

¹"The FTC Gets Tough," p. 17.

Kirkpatrick to assist in revitalizing the agency. In 1971 Nader remarked that "the FTC is waking up to its responsibilities which is attributable to a new and more vigilant staff."¹

In addition, the Commission created a new type of staff position, the consumer protection specialist. Over 100 of these paralegal specialists were sent to work in teams with attorneys in the FTC's 11 regional offices. Consumer protection specialists undertake investigative work previously handled by attorneys, check business practices and maintain contact with other consumer enforcement agencies and consumer groups.

Furthermore, the FTC began to issue a host of TRRs which would bind whole industries. Although rule making must be preceded by adequate investigation and hearings, it is a faster and further reaching approach to regulation than the alternative method of suing one company at a time for alleged or deceptive practices. Since 1970 the FTC has proposed and/or adopted TRRs concerned with the regulation of games of chance in the food and gasoline industries, door-to-door sales, new automobile pricing practices, private vocational and home study schools, consumer

¹Ronald G. Shafer, "A Watchdog Grows: Federal Trade Agency Sets Out to Prove It Is the Consumer's Friend," Wall Street Journal, 24 February 1971, p. 1.

installment sales, mobile homes sales and services, funeral industry practices, health spa contracts and warranty terms and conditions.

The Commission encountered problems, however, when it issued a TRR in 1971 requiring that oil refiners post octane ratings of their various grades of gasoline. One FTC staff member estimated that motorists were unknowingly paying \$50 to \$75 per car more a year for motor fuel than they would pay if they knew the ratings.¹ In reaction to the proposed TRR, 32 refiners and 2 trade associations challenged the FTC's right to issue orders of this kind. In April 1972 the Federal district court in Washington, D.C. upheld the challenge. The case was subsequently appealed and in August 1973 the United States Court of Appeals for the District of Columbia upheld the FTC's authority to issue TRRs identifying unfair or deceptive trade practices.² The court held that the FTC's rule making authority is consistent with the language and purposes of the FTC Act of 1914. Further, the decision stated that the Commission had not lost its rule making power although it had not exercised this power for the 48 years between 1914 and 1962 when the Commission first began to issue TRRs. The

¹Burck, "High-Pressure Consumerism," p. 72.

²"Court Supports FTC's Rule Making Power," Consumer News, 15 August 1973, p. 2.

court decision had the effect of a clear statement that the FTC may regulate an entire industry by ruling that certain trade practices are illegal.

Following the outcome of the court decision, the FTC realigned staff responsibilities in the Bureau of Consumer Protection to stimulate new approaches toward solving consumer problems.¹ The primary goal is to enable the Bureau to put more emphasis on developing TRRs that define unfair and deceptive trade practices. Previously, only one of the Bureau's divisions could issue regulations for an industry to achieve consumer protection. To stop unfair or deceptive practices, other divisions had to sue individual companies on a case-by-case basis. Under the reorganization plan, all bureau attorneys can propose TRRs. As a result, the number of TRRs proposed by the FTC has greatly expanded.

It is projected that rule making activities of the FTC will be further accelerated to take advantage of the expanded powers the agency received under the Magnuson-Moss Warranty-FTC Improvement Act.² This Act became law on January 4, 1975 and the FTC "improvements" were effective immediately.

¹Ibid., p. 2.

²James Singer, "More FTC Rule Making Is Likely Under New Authority," National Journal Reports 7 (February 1, 1975): 176.

Title II of the law provides a number of amendments to Section 5 of the FTC Act to improve the Commission's consumer protection activities. Although some of the amendments merely serve to clarify and define as acceptable past FTC activities, the provisions for civil penalty, consumer redress and consumer participation allow the agency to move in new directions.¹

First, the improvements serve to broaden the Commission's jurisdiction over unfair acts or practices which occur wholly within a single state. The new law amends Section 5 of the FTC Act by replacing the words "in commerce" wherever they appear with "in or affecting commerce." This change in the law specifies that the agency's authority is not limited to interstate activities.

In addition, the FTC's investigative powers have been expanded by the new Act. Section 6 of the FTC Act gave the agency the power to investigate corporations. The new law broadens this authority to cover persons and partnerships as well as corporations.

Further, the Act clarifies the FTC's TRR authority. Section 18 is added to the FTC Act and declares that the FTC may "prescribe interpretive rules and general statements

¹Dorothy Cohen, "New Consumer Product Warranty Law Also Broadens FTC Jurisdiction," Marketing News, 28 March 1975, p. 12.

of policy with respect to unfair or deceptive acts or practices." This section removes any doubt that the Commission has the authority to issue TRRs for the benefit of consumers. In effect, the Act serves to reinforce the court decision to uphold FTC authority to issue TRRs when it ordered gasoline marketers to post octane ratings on service station pumps. The new law gives the FTC virtually unlimited power to prescribe rules defining what acts or practices are unfair or deceptive. Indeed, this is the most far-reaching expansion of FTC power to affect marketers since the FTC Act was passed in 1914.¹

For the first time, the Act also defines explicitly the procedures which the FTC must follow when issuing rules to achieve consumer protection. The FTC must publish notice of proposed rule making and allow interested persons to appear and testify, cross examine witnesses and to submit written data and arguments. The Commission, however, may limit the length of any individual's presentation or cross examination.

Moreover, the Act specifies that the FTC may pay all reasonable attorney fees, witness fees or other costs of rule making procedures to any person who has an interest in rule making who cannot afford to pay the costs of his or

¹T. F. Craver, "On the Road to Regulation," Conference Board Record 12 (October 1975): 22.

her own participation. The new law gives the FTC up to one million dollars a year to finance the participation in rule making proceedings of consumer groups that otherwise could not be represented adequately.

Another provision of the new law specifies that a statement of basis and purpose must be published at the time a rule is issued giving (1) the prevalence of the acts covered by the rule, (2) the manner in which the acts are unfair or deceptive, and (3) the economic effect of the rule taking into account the effect on small business and consumers.

According to the Act, violation of FTC rules can be severe. The agency may initiate a civil action in a Federal district court to recover civil penalties from any person who violates one of the FTC's regulations. This assumes that the defendant had actual knowledge or reasonably should have known that the act was unfair or deceptive and prohibited by the FTC's rule. The penalty may result in a fine of up to \$10,000 for each violation and each day that a violation occurs is treated as a separate violation.

This provision, therefore, permits the Commission to go directly into Federal court for civil penalties in contrast to the past administrative procedure of issuing a complaint and seeking a cease and desist order. The FTC may, however, still follow its administrative procedure.

If it obtains a final cease and desist order against a person violating a TRR, then the agency may proceed in Federal district court against any other business person whether or not this individual was a party to the FTC's cease and desist proceeding. In effect, this means that every cease and desist order has the impact of an industry-wide rule. This will enable the FTC to choose an "easy target" in an industry, obtain an order against the company and make it binding on others in the industry by imposing a copy of the order on them.

In addition, the Act allows the FTC to bring a civil action in a Federal district court against any person who violates an FTC rule and to seek redress for injury to all other consumers or other persons also allegedly injured. In such cases relief may include rescission or reformation of contracts, refunds of money, return of goods, the payment of damages and public notification that the defendant has committed an unfair or deceptive act or practice. In essence, the new Act permits the FTC not only to proceed for civil penalties in its own right, but allows it to proceed as a class action plaintiff on behalf of all consumers for substantial refunds or damages. In each case FTC staffers do not have to prove that an act is deceptive. They only have to show that there was an FTC rule against the practice.

There is widespread agreement that the improvements made by the new law are far-reaching, even historic. "To my mind," stated Senator Warren G. Magnuson, sponsor of the law, "the new Act represents one of the most significant pieces of consumer legislation that has ever been enacted by Congress. While it has not generated the controversy that the Consumer Protection Agency has generated, its benefits to the American consumer are certainly as large, and perhaps even larger, than the benefits to be gained by this Consumer Protection Agency."¹

It is interesting to note that when the FTC was created in 1914, it was not designed as a consumer protection agency. The underlying legislative theme of the FTC Act was antitrust and antimonopoly and not fraud or dishonesty in the marketplace. It is clear, however, that over the years the FTC has been delegated the responsibility of protecting consumers. As a result of the Magnuson-Moss Warranty-FTC Improvement Act, the Commission's responsibility to safeguard the interests of consumers may be commensurate with its authority. It is feasible, however, that the new powers delegated to the FTC may be challenged successfully by industry. At this time, conclusions regarding the actual impact of the latest FTC developments cannot be drawn.

¹Singer, "More FTC Rule Making," p. 176.

Nevertheless, the bulk of the Commission's present and potential power lies in its rule making and rule enforcing authority. Paralleling the trend toward increased FTC consumer protection rule making is the more general movement toward greater consumer-citizen participation and interest in the Federal regulatory process. The latter development is the central focus of the second major part of this chapter.

Consumer Participation in Federal Rule Making

Introduction

Efforts to involve consumers in the Federal agency rule making system have increased in proportion to the growing interest in consumer protection. Since 1970 projects focused on broadening the base of Federal agency decision-making have been initiated by the Office of the Federal Register, the Office of Consumer Affairs and the Federal agencies. Citizens are demonstrating a response to these efforts through their submission of comments in reference to proposed consumer protection rules. To date, however, there exists no systematic investigation or empirical research concerned specifically with those consumers who are participating in the Federal rule making process.

Improvements in the Federal Register

Congress established the Federal Register publication to inform the public about the regulations of the executive branch and independent administrative agencies of the U.S. government. Two laws which serve to shape the present functions of the Federal Register are the Federal Register Act of 1935 and the Administrative Procedure Act of 1946.¹

To alleviate the communications problem between the Federal agencies and the public which surfaced as a result of the proliferation of regulations in the early 1930's, Congress passed the Federal Register Act. Underlying this law was the recognition that citizens could not be presumed to be informed of the rapidly expanding body of administrative law unless the provisions of the law were published. Highlighting the need for publication of regulatory provisions was a Supreme Court case in which the Government counsel admitted that certain regulations basic to the Government's suit had mistakenly been rescinded.² For the first time the Federal Register Act established a

¹U.S., Office of the Federal Register, Federal Register: Document Drafting Handbook (Washington, D.C.: General Services Administration, National Archives and Records Service, January 1975), p. 2.

²Panama Refining Co. v. Ryan, 293 U.S. 388 (1935).

uniform system of procedures to follow for Federal agency issuances by providing for (1) filing, (2) placement on public inspection, (3) publication in the Federal Register, and (4) permanent codification, where applicable.

Publication in the Federal Register results in a number of legal effects. It serves as official notice of a document's existence, establishes an accuracy of text and indicates the date of a regulation's promulgation. Further, the printed Federal Register version of a document constitutes prima facie evidence in a court of law and must be noticed judicially.

The Administrative Procedure Act of 1946 added several dimensions to the Federal Register system outlined in the 1935 law. This Act introduced as a general requirement the phenomenon of public participation into the rule making process. The law requires Federal agencies to publish certain regulations initially as proposals and to allow interested citizens time for comment before final adoption.

From 1935 until the late 1960's these two laws defined the Federal Register's basic functions. Since the late 1960's, however, these functions have expanded as the roles of the administrative agencies became far more extensive than ever before. These different roles reflected and created various social and legal changes.

Both the volume of administrative law promulgated and the number of persons who might be affected by a Federal regulation have increased dramatically. Legislation such as the National Traffic and Motor Vehicle Safety Act of 1966, the Environmental Quality Act of 1970, the Consumer Product Safety Act of 1972 and the Magnuson-Moss Warranty-FTC Improvement Act of 1975 have been responsible for creating new and far-reaching administrative law for the protection of consumers.

Today, all Federal government agencies publish rule proposals in the Federal Register and invite the public to submit comments before final regulations are adopted. The Federal Register, therefore, should also serve as a vehicle for the communication to consumers of rule proposals and of information concerning where written and oral views may be directed.

Throughout its history, however, the Federal Register's contents have been written in confusing legalese. Although most consumers are not aware of the existence of the Federal Register,¹ it is highly unlikely that consumers without a legal background would understand the document simply by reading it. In recognition of these difficulties, Mr. Fred Emery who became Director of the Office of the

¹William Hoffer, "Smokescreen for Bureaucrats," Prism, December 1974, p. 55.

Federal Register (OFR) in October 1970, has worked toward increasing the readability of the Federal Register. Mr. Emery refuses to take the bureaucratic position that since his Office does not write the documents it publishes, the OFR cannot improve the quality of the documents contained in the Federal Register.¹

The first improvement was initiated on December 1, 1970 when the Administrative committee of the Federal Register issued the following statement:²

Over the years many persons have pointed out that the Federal Register is a difficult document for the average layman to use. Comments and criticisms along this line have increased in the recent past in direct proportion to the growing interest in consumer affairs. Thus, many persons have pointed out that the impact of significant governmental actions is frequently lost on the general public even though the Federal agency has published both its proposed and final action in the Federal Register. The Administrative Committee recognizes that the Federal Register cannot be made as appealing as a daily newspaper any more than can the legal notices section of a daily newspaper be made as appealing as the front page. Nevertheless, the Committee has determined that steps can be taken to make the daily Federal Register more usable for those readers who are not lawyers or technical experts in the particular subject area to which the document is addressed.

¹William Ringle, "Bureaucrat Wants Federal Rules in Plain English," The State Journal, 24 October 1975, p. A-12.

²Administrative Committee of the Federal Register, "Preparation and Transmittal of Documents," Federal Register 35 (December 1, 1970): 18297-18298.

Following this introduction, the Administrative Committee proposed that a list of "Highlights" appear on the cover of each Federal Register issue. This section would serve to quickly give notice to consumers, in easily understood terms, of rule proposals included in that issue which would be of interest to them.

The "Highlights" proposal was subsequently finalized. As a result, all agencies which submit a document for publication in the Federal Register must furnish with the document two copies of a descriptive catchword or phrase and a brief statement that:¹

1. names the agency issuing the document,
2. identifies the principal subject of the document, and
3. states any important dates, such as closing date for comments, hearing date, or effective date.

This rule makes the Register more comprehensible for those readers who are not lawyers or technical experts. The regulation has encouraged the use of catchwords or phrases, such as "The Pill," "Pay TV," "Truth-in-Lending," to appear on the cover of the Register to describe the overall subject of a document.² The phrase is followed

¹Office of the Federal Register, Federal Register Document Drafting Handbook, p. 71.

²Ringle, "Bureaucrat Wants Federal Rules in Plain English," p. A-12.

by a single sentence or phrase written for a layman, which serves as a brief summary of the document's contents.

Further, in 1972 Mr. Emery proposed that each submission be preceded by a preamble, written in common English, describing the purpose and scope of the regulations that followed. The purpose of the preamble is to provide readers, who are not experts in the subject area, with a summary of the general subject matter of the rule making document. Characteristically, some Federal agency bureaucrats were against the procedure. The Internal Revenue Service, for example, issued a one-sentence preamble, "In order to conform the Income Tax Regulations (26 CFR Part 1) to the provisions of section 521(a) of the Tax Reform Act of 1969 (83 Stat. 649) such regulations are amended as follows," for 50 pages of regulations!¹ On January 2, 1973, however, the preamble requirement became mandatory, and the Director attempts to use his editorial powers to force agencies to rewrite confusing preambles. Technically the Register may reject a document that fails to meet its standards.

Another project was initiated by the OFR during the latter part of 1974. On selected days of each month the Office publishes a special form on the back page of

¹Hoffer, "Smokescreen for Bureaucrats," p. 55.

the Federal Register. One part of the form includes the following statement: "For the following reasons I found it difficult to understand the document from _____ (agency) in column ____, page ____, of the _____ issue." Next, the reader is asked to check a block corresponding to his or her reasons, such as "only technical language was used; document contained long and difficult sentences; or preamble did not contain a clear and concise explanation of the document's purpose."

A third section of the form presents the reader with the opportunity to comment on any document that would impose unnecessary or unreasonable requirements on persons affected by the regulation. Finally, the reader can suggest how parts of the document may be rewritten.

To date over 300 comments have been received by the OFR.¹ Forms of complaints concerned with the documents published by individual Federal agencies are referred to the agencies themselves. Complaints dealing with the form of the Federal Register publication are handled by the OFR.

In addition, the OFR issued a handbook in January 1975 which was prepared specifically for Federal agency

¹Telephone conversation with Mr. Robert Jordan, Administrator, Office of the Federal Register, September 24, 1975.

document drafters.¹ Several suggestions are recommended to drafters to make the documents included in the Federal Register easier for the public to understand. Included, for example, is a list of words which are to be substituted for legalese. Use of plain language is emphasized and the agencies are warned about the "flood of inquiries, endless interpretations, repeated amendment, poor compliance and adverse court decisions which may result from legalese and 'gobbledygook.'"²

Moreover, on January 21 and 22, 1976, the OFR held briefings "to take the mystery out of using the Federal Register."³ The sessions covered the following areas:

1. Brief history of the Federal Register,
2. Difference between legislation and regulations,
3. Introduction to finding aids of the Office of the Federal Register,
4. Relationship of the Federal Register and the Code of Federal Regulations, and
5. Important elements of a typical Federal Register document.

¹Office of the Federal Register, Federal Register: Document Drafting.

²Ibid., pp. 26-28.

³Office of the Federal Register, Federal Register, 39 (December 19, 1975): 58898.

Over 1,000 consumers made reservations to attend the briefings.¹ As a result, two or three meetings per week were being held in Washington, D.C. until April 1976. According to Mr. Emery, it is probable that at the conclusion of the Washington, D.C. meetings, briefings on the Federal Register will be held throughout the country.

It may be concluded that the foregoing OFR activities have made some headway toward alleviation of the two major problems which have hindered widespread consumer-citizen use of the Federal Register. First, the Highlights section, preamble requirement, Federal Register survey and document drafter handbook have resulted in a document which is somewhat more intelligible for consumers. Second, briefings on the Federal Register serve to educate the public about the Federal Register system and the opportunity the system provides to participate in the rule making process.

In view of OFR leadership, progress to date and the climate of the times, it is predicted that advances toward the simplification of the Federal Register will accelerate in the future. Cognizance of the role of the Federal Register system in effectuating regulations that are legally binding and readily available will become general knowledge by the end of this decade.

¹Telephone conversation with Mr. Fred Emery, Director, Office of the Federal Register, March 8, 1976.

Office of Consumer Affairs Projects
to Generate Citizen Input Into
Federal Rule Making

To date there exists no published materials concerning research on citizen involvement in the Federal regulatory system. A few papers have been written, however, to report the results of research conducted to open the Federal Register system to consumer-citizens. These papers¹ summarize the work of American Marketing Association (AMA) sponsored Office of Consumer Affairs (OCA) college student interns in the summers of 1971 and 1972.

In 1971 four AMA-OCA interns investigated a sample of Federal agency files of proposed consumer protection rules. The purpose was to determine the extent of consumer input into Federal rule making. It was concluded by the interns that consumer participation in the Federal regulatory process was the exception rather than the rule.² This finding was in sharp contrast to the extensive representation of big business interests reflected in the files as well as the great influx of new regulations proposed on behalf of consumers.

¹Priscilla La Barbera, Alvin Katzman, Richard Rose and Morris Shapero, "Decisions That Affect Your Future," working paper, Office of Consumer Affairs, August 1971; and Mary Lou Beemer, Wallace F. Crawford, Harold W. Jones and Terry N. Yoshinaga, "By the People," working paper, Office of Consumer Affairs, August 1972.

²Emery, telephone conversation.

The student interns, therefore, set forth 13 recommendations for the purpose of broadening the base of Federal decision-making. All recommendations focused on publicizing proposed rules, rewritten in simplified language, in publications directed to university administrators and professors, professionals, workers, students and the general public.

One recommendation, for example, called for publication of a Consumer Federal Register by the OCA in which consumers could be informed in layman language of matters of interest to them. This latter proposal was implemented on February 15, 1972. Since that time, the OCA has included a "Consumer Register" section in its bimonthly publication, Consumer News. This newsletter for consumers has readership through circulation and libraries in the millions.¹

Included in the "Consumer Register" are several proposed consumer protection regulations lifted from the Federal Register and summarized in simplified language. In addition, the supplement to Consumer News includes a brief description of final regulations which have been previously summarized in the "Consumer Register" as

¹U.S., Department of Health, Education and Welfare, "Proposed Consumer Representation Plan," Federal Register 40 (November 26, 1975): 55139.

proposals. The extent of consumer comment is also reported when this information is available.

In 1975 the "Consumer Register" was expanded with a recent supplement, the "Rate Register." This section informs consumers of Federal regulatory agencies' proposals and final decisions concerning rate tariffs for such services as planes, trains and mail. Consumer comment on these proposals is also encouraged.

In the summer of 1972 a second group of AMA sponsored student interns worked with the OCA to implement other recommendations suggested by the 1971 interns. All associations and media contacted by the interns indicated an interest in communicating notice of Federal rule proposals to their membership or audience. As a result, some professional associations such as the AMA,¹ for example, began to publish summaries of Federal proposals of interest to their membership.

The interns further noted that as a result of efforts undertaken by Mrs. Virginia Knauer, Special Assistant to the President for Consumer Affairs and Director of the OCA, the press began to give coverage to consumer related regulations. A survey, therefore,

¹See section entitled, "Washington Wrap-Up" in American Marketing Association, Marketing News (Chicago: Central Services Office of the AMA).

was undertaken to determine the effects of media coverage. Revealed was the finding that 10.5 consumer comments were received, on the average, for proposals receiving no publicity in the media. In contrast, consumer comments averaged 794.2 for proposals enjoying a significant amount of coverage in the media.

In June 1974 the OCA undertook an additional project in conjunction with the Food and Drug Administration (FDA) to encourage consumers to comment on regulations proposed by Federal agencies. For a three-month period Consumer News/"Consumer Register" contained a printed form to be used for written comments on proposed rules mentioned in the "Consumer Register." FDA calculated the number of forms returned and then forwarded the forms to the appropriate Federal agency. The total number of forms received served to indicate whether or not the forms should be provided on a regular basis following the conclusion of the project in August 1974.

After reviewing the increase in consumer comments on proposed regulations, Mr. Joseph P. Hile, Executive Director of FDA's Regional Operations and Mrs. Virginia Knauer, Director of the OCA, agreed that Consumer News should provide the forms regularly. Beginning with the February 15th, 1975 issue of the publication, three forms have been printed in every issue of Consumer News/"Consumer

Register." It is stated clearly to readers that agencies receiving the forms consider the comments in making decisions about proposed regulations.

One stated goal of the OCA is to continue to work with the Federal Register staff and the Federal agencies to simplify the language used in Federal regulations. Moreover, the Office plans to work toward increasing the meaningfulness of explanations concerning the effect and impact on consumers of proposed rules and to extend the period provided for comments.¹

Further, in 1975 the OCA worked with each Federal agency in the development of proposals to increase consumer participation in government decision-making.² These "Consumer Representation Plans," to be discussed in the next section, are the response to a directive issued by the President to the Departments and Agencies of the Executive Branch. The OCA intends to monitor the performance of all the Federal agencies in implementing their Consumer Representation Plans and to assist the agencies in establishing or improving consumer participation mechanisms. Further,

¹U.S., Department of Health, Education and Welfare, "Proposed Consumer Representation Plan," 55140.

²Office of Consumer Affairs, "Consumer Representation Plans," Consumer News, 1 December 1975, p. 1.

the Office will report to the President on accomplishments and problems encountered in these endeavors.¹

Consumer Representation Plans
of the Federal Agencies

In April 1975 President Ford issued a directive to each of the Departments and Agencies in the Executive Branch to analyze their entire decision-making process. The purpose of this undertaking was to determine how additional consumer involvement could make the Federal agencies more responsive to the needs of the American consumer. Plans subsequently developed by 17 Executive Branch Departments and Agencies² were published in the November 26, 1975 issue of the Federal Register.

Although each plan has been tailored to the circumstances of the individual agency, a review of the Plans indicates that there are several common proposals

¹U.S., Department of Health, Education and Welfare, "Proposed Consumer Representation Plan," p. 55140.

²The Departments and Agencies include the Department of Agriculture, Department of Commerce, Department of Defense, Department of Health, Education and Welfare, Department of Housing and Urban Development, Department of the Interior, Department of Justice, Department of Labor, Department of State, Department of Transportation, Department of the Treasury, Energy Research and Development Administration, Environmental Protection Agency, Federal Energy Administration, General Services Administration, Small Business Administration and Veterans Administration.

for improving consumer representation. These recommendations include the following:¹

1. Creation or continuation of an organizational mechanism for consumer affairs,
2. Guidelines to the operating bureaus on how to improve consumer representation,
3. Greater involvement of line management in opening up the decision-making process to consumer input,
4. Early public announcement of issues under consideration to foster consumer input at an early stage in policy development,
5. Additional consumer representation on various advisory councils,
6. Specialized consumer information and educational materials to assist consumers, and
7. Increased use of consumer complaints as an information tool for policy and program development.

In addition, several of the agencies are expanding the number of channels used to achieve improved agency information output and greater consumer input. Increased use of channels such as newspapers, magazines, brochures, radio, television, displays, speeches, briefings, consumer newsletters, legal documents and letters to known interested groups and individuals especially those who have

¹Office of the Federal Register, "Proposed Consumer Representation Plans," Federal Register 40 (November 16, 1975): 55093.

previously participated are included in many of the Plans of the agencies.

A novel proposal which is characteristic of the plans of Federal agencies such as the Department of Agriculture and the Public Health Service of the Department of Health, Education and Welfare, involves systematic feedback to consumers about their comments concerning rule proposals. Channels to provide feedback to consumer participants include personal letters; publication in the Federal Register; publication of articles, editorials and other technical materials in trade journals; preparation of booklets, pamphlets, reports and consumer newsletters for distribution to the field; participation in specially designed seminars and conferences conducted by consumer groups; and use of other media such as television, radio and newspapers. Use of these mechanisms would serve to assure involved consumers that their voluntary comments are having a definite influence in Federal agency decision-making.

Immediately upon publication of the "Consumer Representation Plans" (CRPs), President Ford instructed the agencies to implement their proposals on an interim basis to prevent any delay in increasing consumer participation in Federal agency decision-making. If necessary, adjustments will be made as circumstances warrant.

To insure that consumers were represented in developing the new Plans, the November 26th, 1975 issue of the Federal Register was widely disseminated and consumers were given a period of 90 days during which they could submit comments to the Federal agencies. Further, a series of public meetings were held across the country in January 1976 to explain details of the CRPs and to invite consumer comments.

According to Mrs. Knauer, who also served as coordinator of the public meetings, over 12,000 consumers participated in the nine White House Conferences on Consumer Representation Plans.¹ Further, over 1,900 written comments were received in connection with the CRPs.

As a result of the large attendance by consumers at the Conference, the 17 agencies of the Executive Branch held an additional series of public hearings on the Plans during the week of February 23, 1976 in Washington, D.C. In addition, the period for public comment on all departmental and agency plans was extended for a one-week period.

The Federal agencies are currently reviewing consumer opinions and testimony prior to drafting the final plans which are expected in July 1976. Once the

¹Office of Consumer Affairs, "More Consumer Conferences," Consumer News, 15 February 1976, p. 1.

plans are put into final draft form, they will be submitted to President Ford and published in the Federal Register.

Consumer Representation Plans signify an organized and systematic effort to achieve greater consumer participation in Federal agency rule making. The foregoing overview of these Plans serves to indicate the general orientation of Executive Branch Agencies with respect to consumer involvement in rule making. The actual impact of CRPs, however, can only be determined after the agencies have the opportunity to implement their proposals.

Much of the publicity surrounding CRPs may have been an attempt by the administration to direct attention away from the lack of Presidential support for legislation which would create a Federal Consumer Protection Agency. Although the proposals set forth by the Federal agencies are to be commended, there exists no single agency with statutory authority to ensure that the Plans are actually implemented. Despite the caution with which CRPs should be viewed, however, it is clear that the general thrust of the Federal agencies is toward more consumer involvement in the regulatory system.

The following section deals with a more specific discussion of the ongoing activities undertaken by the FTC to broaden consumer input and representation in its decision-making process. Since the Commission is an "independent" Federal regulatory agency, it was not

required to publish a CRP in the Federal Register. Since 1969, however, under the direction of Mr. William Dixon, the Rule Making Division of the FTC has undertaken a methodical approach to defining the "consumer viewpoint" prior to finalization of consumer protection rules.

Federal Trade Commission Efforts
to Generate Consumer Input

The Rule Making Division of the FTC operates according to the philosophy that written and oral testimony should be sought from consumers who have had experience in the marketplace with the unfair or deceptive practice which a particular proposal seeks to prevent.¹ During the "holder-in-due course" rule proceedings, for example, input was desired from those consumers who had purchased goods on credit from a manufacturer who then transferred the contract to a financial institution. According to Mr. Dixon, this approach results in the receipt of consumer comments which are more meaningful than comments from consumers merely indicating support for a particular FTC rule proposal.

In addition to publication of rule proposals in the Federal Register, the FTC prepares a press release entitled "FTC Call for Comment." This release is sent to all those individuals on the FTC's mailing list. The

¹Telephone conversation with Mr. William Dixon, Director, Rule Making Division, Bureau of Consumer Protection, Federal Trade Commission, April 5, 1976.

list is comprised of trade associations and business firms as well as consumer organizations, citizens who request that they be on the list and news reporters. Consumer organizations and reporters in turn publicize the rule proposals to their audiences.

An "FTC Call for Comment" is prepared for each individual rule proposal. Press releases generally follow a standard format. The first section of an "FTC Call for Comment" states the thrust of the rule proposal in simple, meaningful language. Next, the major rights and advantages that would accrue to consumers if the rule was finalized as proposed are listed and described in clear and straightforward terms. A third section expresses the FTC's desire to obtain written comments from consumers concerning any aspect of the proposed rule. Included in this section is a statement of each of the specific provisions of the rule followed by a list of several questions concerning consumer opinions about the provision. The Commission is particularly interested in consumers' answers to the list of questions and in a statement from consumers of disputable issues which they think should be resolved at the informal hearings to be held at a future date.

In addition, the press release contains a section which gives specific instructions concerning where and by what date a consumer may submit a written comment or

participate in a hearing regarding the rule. A final section includes the citation for the issue of the Federal Register in which the proposed rule appears. Each "FTC Call for Comment" is concluded with the statement, "Permission is granted to reprint this, in whole or in part, in a legal and nondeceptive manner."

In addition to wide distribution of its press releases, in recent years the FTC has worked to strengthen the consumer involvement efforts of its 11 regional offices. These FTC branches located in Atlanta, Boston, Chicago, Cleveland, Dallas, Denver, Los Angeles, New York, San Francisco, Seattle and Washington, D.C., also publicize rule proposals at the regional level. Further, the regional offices seek to generate consumer comments on rule proposals and search for consumer witnesses.

Moreover, the FTC has taken advantage of the Magnuson-Moss Warranty-FTC Improvement Act provision which permits the agency to compensate consumer organizations for the costs involved in publicizing rule proposals and generating consumer testimony. During the "Vocational School Rule" hearings held in January 1976, for example, the San Francisco Consumer Action Group was compensated for expenses incurred to obtain and prepare testimony of citizens who were vocational school students.¹

¹Dixon, telephone conversation.

Unlike some of the other Federal agencies, however, the FTC has not notified the public of any plans to provide involved consumers with feedback. Such feedback would inform citizens of the effect which presentation of their views has on the Commission's decision-making. In light of the FTC's lack of formal acknowledgment to citizens of the value of their inputs, it would be interesting to determine the perceptions of involved consumers toward their influence in FTC rule making

Summary

Consumer participation in Federal decision-making is a current reality and will become an increasingly significant phenomenon in the future. Efforts of the Federal agencies to obtain greater consumer involvement in their rule making processes are being spurred on by consumer protection advocates such as Mr. Fred Emery, Director of the Office of the Federal Register and Mrs. Virginia Knauer, Director of the Office of Consumer Affairs.

Moreover, the movement to secure consumer input is congruent with post-industrial societal values of American citizens. During the 1970's our society has been characterized by a new type of "consumer demand" which includes

greater participation in social decision-making.¹

Consumer attendance at the White House Conferences on Consumer Representation Plans and voluntary submission to the Federal agencies of comments are evidence of citizen interest in an expanded role in the Federal decision-making system.

It is clear that some consumer-citizens are taking part in the shaping of regulations which govern marketing activities. Furthermore, agencies such as the FTC have been delegated increased authority to enforce compliance with administrative rules. Violators of the Commission's TRRs may be subject to extensive penalties. Industry no longer enjoys a comfortable privacy with FTC regulators in the making of administrative decisions. The decrease in the control over the outcome of the Commission's decisions coincides with promulgation of increasingly stringent and enforceable rules.

Despite the significance of these developments, the marketing literature reflects lack of conceptual or empirical research concerned with consumer involvement in the regulatory process. A number of critical questions must be answered through systematic research. For example,

¹Hazel Henderson, "Redeploying Market Resources Toward New Priorities: The New Consumer Demand," in Social Marketing: Perspectives and Viewpoints, ed. by William Lazer and Eugene Kelley (Homewood, Ill.: Richard D. Irwin, Inc., 1973), p. 247.

what is the demographic profile of involved consumers? Are these demographics representative of one particular group of citizens or are they representative of the United States population at large? What are the attitudes toward marketing and government regulation of citizens who are representing the "consumer viewpoint" to Federal regulators? Moreover, how do these attitudes compare to those attitudes held by the public at large? Further, do citizens submitting comments to Federal agencies believe that they are having any significant influence on the outcome of administrative decisions?

The present research is an attempt to answer these questions about consumers who have participated in FTC rule making procedures. This thesis also represents an attempt to stimulate research concerning the consumer-government regulator interface.

CHAPTER III

RESEARCH METHODOLOGY

Introduction

A general overview of the research methodology utilized in the study was presented in Chapter I. Details of the research design are discussed in Chapter III.

The chapter comprises three major sections. The first section describes the steps undertaken to generate a sample of consumers involved in FTC consumer protection rule making. The second focuses on the research instrument and pretest of the instrument. The data gathering procedure is the subject of the third section.

Design of the Sample

Prior to selecting the sample of involved consumers, FTC consumer protection rule proposals were culled from the Federal Register. It was noted in Chapter I that files of comments concerning rule proposals are maintained by the FTC. These files were the source from which a sample of consumer comments was to be drawn.

A total of 13 consumer protection rules proposed in the Register during the period November 1, 1974 to

October 31, 1975 were chosen initially to: (1) delimit the correspondence from which the sample was drawn, and (2) establish a time frame for data collection.

Inspection of the comment files at FTC headquarters revealed that 3 of the 13 rule proposals generated less than 25 comments from individual consumers. These proposals were eliminated from this investigation since the limited number of consumer comments would seem to indicate lack of widespread public interest in the rule. The number of individual consumer comments generated by each of the 10 FTC rules from which the consumer sample was ultimately derived are shown in Table 3-1.

Each of the 10 comment files was audited to ensure that individual consumer comments were numbered and organized according to the date on which they were received. In addition, all comments were read in files comprising letters which were not placed into separate sections to indicate their source, i.e., trade association, business firm, consumer organization and individual consumer. Letters of comment representing an individual consumer's interest were grouped separately for sampling purposes.

From the 10 comment files on proposed rules, a sample of approximately 400 individual consumer letters was planned. The number of individual consumer comments received on the 10 proposals totaled to 2,791. It was

Table 3-1

Source of Sample: FTC Rule Proposals and Generation of
Individual Consumer Comments

Summary of Rule Proposal	Number of Individual Consumer Comments Generated
Proposal to set standards for nutrition claims in food advertising ^a	1,479
Proposal to regulate mobile homes sales and services ^b	37
Proposal to permit drug stores to advertise prescription drug prices ^c	291
Proposal to protect consumers from unreasonable collection practices when they borrow money or make installment purchases ^d	42
Proposal to regulate the hearing aid industry ^e	383
Proposal to ban advertising of children's premiums on television ^f	59
Proposal to make warranty terms and conditions more understandable ^g	131
Proposal to require that health spas offer a three-day cooling off period during which consumers may cancel their contract ^h	159
Proposal to regulate the funeral industry ⁱ	126
Proposal to regulate the advertising and labeling of protein supplements ^j	84
Total	2,791

^aOffice of the Federal Register, Federal Register 39, No. 218
(November 11, 1974): 39842.

^bIbid., Vol. 40, No. 104 (May 29, 1975): 23334.

^cIbid., Vol. 40, No. 108 (June 4, 1975): 24031.

^dIbid., Vol. 40, No. 117 (June 17, 1975): 25607.

^eIbid., Vol. 40, No. 122 (June 24, 1975): 26646

^fIbid., Vol. 40, No. 130 (July 7, 1975): 28489.

^gIbid., Vol. 40, No. 137 (July 16, 1975): 29892.

^hIbid., Vol. 40, No. 160 (August 18, 1975): 34615.

ⁱIbid., Vol. 40, No. 169 (August 29, 1975): 39901.

^jIbid., Vol. 40, No. 173 (September 5, 1975): 41144.

necessary, therefore, to select approximately 15% of the letters of comment. A systematic selection of every sixth or seventh letter of comment received from individual consumers generated a sample size of 420. The first letter of comment to be included in each of the 10 subsamples was drawn using a table of random digits. Table 3-2 illustrates the sampling procedure.

The table of random digits was also utilized to draw two additional comments from each rule file for purposes of a pretest. The names and addresses of 440 consumers were then recorded from the letters of comment.

The Research Instrument

Two objectives of the study outlined in Chapter I were to investigate the attitudes and demographics of consumers who have submitted comments to the FTC in reference to proposed consumer protection rules. It was felt that it would be meaningful to compare selected characteristics of involved citizens with characteristics of the general public. With this objective in mind, the marketing, consumerism and public policy literature was reviewed prior to design of a research instrument.

The literature examined reflected great concern with the demands of consumers who have challenged marketing practices and stimulated government action. Little

Table 3-2
Selection of the Sample

Subject of Rule Proposal	N ^a	n ^b	I = N/n ^c
1. Nutrition claims	1,479 x .15 =	222	6.66 ≈ 7
2. Mobile homes	37 x .15 =	6	6.16 ≈ 6
3. Prescription drug prices	291 x .15 =	44	6.61 ≈ 7
4. Collection practices	42 x .15 =	6	7.00 = 7
5. Hearing aids	383 x .15 =	57	6.72 ≈ 7
6. Children's premiums	59 x .15 =	9	6.56 ≈ 7
7. Warranties	131 x .15 =	20	6.55 ≈ 7
8. Health spas	159 x .15 =	24	6.63 ≈ 7
9. Funerals	126 x .15 =	19	6.63 ≈ 7
10. Protein supplements	<u>84</u> x .15 =	<u>13</u>	6.46 ≈ 6
Totals	2,791	420	

^aN = number of individual consumer comments in file.

^bn = sample size.

^cI = interval length.

attention, however, has been focused on measurement of consumer attitudes toward government regulation and toward facets of marketing other than advertising. An exception was a survey conducted by Barksdale and Darden. Findings of their study were reported in the October 1972 issue of the Journal of Marketing.¹

These researchers sent mail questionnaires comprising five point Likert-type items to a national sample of consumers to determine their attitudes toward marketing policies and practices, consumer responsibilities, consumerism and government regulation. A conversation with Professors Barksdale and Darden revealed that the study was replicated in 1973 and 1975. Furthermore, they were willing to make the 1975 data available for purposes of this dissertation.

A national sample of 1,608 consumers were surveyed by Barksdale, Darden and Perreault in the spring of 1975. The sample was selected randomly from telephone subscribers in proportion to the population of the 48 contiguous states. After one follow-up letter, 697 consumers or 45% of the sample responded to the survey.²

¹Hiram C. Barksdale and William R. Darden, "Consumer Attitudes Toward Marketing and Consumerism," Journal of Marketing 30 (October 1972): 28-35.

²Hiram C. Barksdale, William M. Darden and William D. Perreault, "Changes in Consumer Attitudes Toward Marketing, Consumerism and Government Regulation" (unpublished manuscript, 1975).

It is recognized that researchers tend to differ on what constitutes a well-written question designed to gather valid data. For this research, however, it seemed inappropriate to compare two independent samples on various dimensions unless both respondent groups were given the opportunity to answer identical questions. Also a major objective of this research is to determine how the attitudes of consumers involved in Federal agency rule making compare with the attitudes of the general public toward government regulation, marketing and consumerism. Several questions constructed for another research project dealing with these dimensions were utilized.

The first group of Likert items repeated in this study were concerned with government regulation. These statements dealt with attitudes toward product testing by the government; setting of product quality standards; price control; establishment of a Federal department of consumer protection; and government regulation versus self-regulation of business. The next 18 previously constructed Likert statements were designed to measure attitudes toward marketing. These items were concerned with product quality, prices, advertising, sales promotion, after sales service and the adoption of a consumer orientation by manufacturers. The last six Likert items included in both the national survey and the present study dealt with consumerism. They

consisted of statements concerned with the importance and effectiveness of the consumerism movement. This set of 30 previously constructed five-point scale Likert-type items comprised most of the first section of the questionnaire.

It was noted in Chapter II that the FTC does not attempt to give feedback to those consumers who have submitted written comments in reference to proposed consumer protection rules. Another objective of this research, therefore, was to determine whether involved citizens believe that they are having an impact on FTC rule making. To measure respondents' attitudes toward consumer influence in FTC decision-making, four five-point scale Likert items were also included in the first section of the questionnaire.

The second major section of the questionnaire was designed to collect objective information concerning participation in rule making and related activities. The first question in this section was included to ensure that the individual answering the questionnaire actually had participated in FTC rule making. To obtain this information, respondents were asked to check the FTC proposal(s) for which he or she had submitted a written comment.

Other multiple choice questions in this section dealt with the total number of times respondents had submitted comments concerning consumer protection rules to the

FTC and to other Federal agencies. Two additional questions dealt with the number of times respondents had written to Congressmen concerning the subject of consumer protection, and the number of consumer protection publications to which respondents subscribed.

A final section of the questionnaire was designed to gather demographic information. Included were items pertaining to the age, educational level, income, race, sex, marital status, geographic residence, occupation of the respondent and the head of the household. To make a comparative analysis possible, the response categories adopted were patterned after those utilized in the most recent Bureau of Census surveys.

Pretest

To pretest the instrument, copies of the eight-page questionnaire were sent to 20 consumers on February 3, 1976.

The objectives of the pretest included:

1. To determine the willingness of consumers to furnish the desired information.
2. To ensure that the newly designed questions were worded clearly.
3. To determine the appropriateness of response categories.
4. To test the hypotheses for their acceptability.

Sixty percent of the questionnaires (12) were returned. The completeness of respondent comments and letters accompanying returned questionnaires reflected the enthusiasm with which respondents participated in the survey. Several respondents indicated an interest in receiving the results of the study.

Based on pretest findings, the Likert items concerned with consumer influence in FTC rule making were refined to increase the clarity of the statements. Furthermore, the response categories included in some of the consumer protection activity questions were modified. Occupational response categories were also expanded to include the choices of "student," and "retired." A copy of the final research instrument used is included in Appendix A.

Data Gathering Procedure

On March 4th, 1976 the final questionnaire was sent to 420 individuals drawn from the population of consumers involved in FTC rule making. A stamped and addressed return envelope and cover letter accompanied each questionnaire. The cover letter was designed to capture the interest of the reader, to identify the topic of investigation and the purpose for which the information was needed. Although questionnaires were numbered to identify respondents, the

letter noted that responses would remain anonymous. A sample of the cover letter is also included in Appendix A.

Within four weeks almost 85% of the sample returned completed questionnaires. In view of the extremely high response rate, a second mailing was deemed unnecessary. Questionnaire return results are shown in Table 3-3.

Data Preparation

Data from returned questionnaires were punched on standard IBM data cards. To ensure accuracy, the coding and key punching of each questionnaire were double-checked.

The Statistical Package for the Social Sciences (SPSS) programs were utilized in the data analysis.¹ The Kolmogorov-Smirnov one- and two-sample tests were the basic statistical tools used to analyze the data. Demographics of consumer respondents were compared to the demographics of the U.S. population according to the latest Bureau of Census statistics.

¹See Norman H. Nie, C. Hadlai Hull, Jean G. Jenkins, Karin Steinbrenner and Dale H. Bent, Statistical Package for the Social Sciences (New York: McGraw-Hill Book Co., 1975).

Table 3-3
Questionnaire Return Results

Subject of Rule Proposal	Number in Mailing	Completed Survey	Returned by Post Office	Refused to Participate	Percentage of Sample Who Responded to the Survey
Nutrition claims	222	162	6	2	72.97
Mobile homes	6	6	-	-	100.00
Prescription drug prices	44	42	-	-	95.45
Collection practices	6	5	-	-	83.33
Hearing aids	57	51	-	-	89.47
Children's premiums	9	9	-	-	100.00
Warranties	20	20	-	-	100.00
Health spas	24	23	-	-	95.83
Funerals	19	19	-	-	100.00
Protein supplements	13	13	-	-	100.00
Totals	420	350	6	2	83.33

CHAPTER IV

FINDINGS OF THE STUDY

Introduction

Results of the survey sent to the sample of consumers involved in FTC rule making are presented in this chapter. Specific findings are summarized for each of the six major hypotheses under investigation. The conclusions drawn and supporting data are organized into six sections corresponding to each of the hypotheses.

The Major Research Hypotheses

Demographics: A Comparison Between Consumer Respondents and the United States Population at Large

The first hypothesis states:

The demographic profile of consumer respondents
is not representative of the demographic makeup
of the United States population at large.

Nine items on the final questionnaire dealt specifically with this hypothesis. These questions pertained to the geographic residence, race, sex, marital status, age, educational attainment, income, occupation of the respondent and the head of the household. Frequency

distributions of responses to the demographic questions were compared to Bureau of Census statistics summarizing the demographics of the U.S. population at large. Discrepancies between the two sets of data lend support to the first major hypothesis.

Respondents, for example, overrepresented U.S. citizens residing in the Northeast and West and underrepresented citizens residing in the North Central and Southern regions of the United States. The greatest divergence was found in the Northeastern and Southern categories where respondents overrepresented and underrepresented citizens residing in these regions by 51.3% and 30.0%, respectively.

Moreover, 100% of the respondents were members of the white race. According to Bureau of Census statistics, the white race was overrepresented by 14.3%. In contrast, all minority races were underrepresented in FTC rule making by 100%.

A smaller discrepancy was found between the sex of respondents and the U.S. population at large. Respondents underrepresented males by 4.3% and overrepresented females by 4.1%.

In addition, the proportion of respondents who were married and separated or divorced were greater than the proportions characterizing the marital and living

arrangements of the U.S. population. A smaller percentage of respondents than the public at large were single or widowed. The largest differences between respondents and the population at large were found in the married and single categories. Respondents overrepresented marrieds by 19.5% while they underrepresented singles by 46.2%.

Given the nature of the activity in which the group under investigation had participated, it was expected that respondents would underrepresent the younger population. It was interesting, however, to find that when the population was broken down into finer age categories, the proportions of respondents exceeded at an increasing rate the proportions of the U.S. population in the higher age categories. For example, the 45-54 years age category was overrepresented by 90.1% while the 65 years and over age group was overrepresented by 137.1%.

Respondents' educational attainment clearly exceeded that of the United States populace. Respondents overrepresented individuals who had completed some college training by 128.6%. Further, in contrast to 13.3% of the U.S. public who had graduated from college, 49.7% of the respondents were college graduates. Moreover, 21.1% of the respondents indicated attainment of a graduate degree.

Similarly, the income data indicated that respondents overrepresented the more affluent citizens. The proportions of respondents falling into income classes of up to \$25,000 were consistently less than the corresponding proportions of citizens comprising the nation as a whole. For the \$25,000 and over category, respondents overrepresented U.S. citizens falling into this income group by 129.6%. In addition, 6% of the respondents indicated a present income of \$50,000 or more. This finding was especially interesting in view of the fact that 28.7% of the heads of respondent households were retired.

Furthermore, according to Bureau of Census occupation statistics, respondents overrepresented professionals and managers. All other occupations were underrepresented by respondents. Of those respondents not presently employed, 19.4% were housewives, 6.7% were retired, 2.6% were students, and 2.0% indicated that they were unemployed.

Parallel to this was the finding that heads of respondent households overrepresented the professional and managerial occupations, while all other occupations were underrepresented. Of the nonworking heads of households, 28.7% were retired, 2.1% were deceased and 1.8% were unemployed. In addition, 50.4% of the respondents reported that they were heads of their households.

A comparison between the demographics of respondents and the United States population at large is summarized in Table 4-1. An examination of the table reveals that in terms of the majority of respondents, the typical consumer involved in FTC rule making was a white married female residing in the Northeast or North Central regions of the United States. In addition, she was 45 years of age or older with at least some college education. Furthermore, both she and her spouse were employed in professional occupations with a total family income of \$15,000 or more.

Marketing: A Comparison Between
the Attitudes of Consumer Respondents
and the Public at Large¹

The second major hypothesis states:

Consumer respondents have more negative attitudes
than the public at large toward marketing.

Eighteen Likert-type statements on the questionnaire were concerned with five dimensions of marketing. These

¹Prior to comparing the responses by the FTC and national samples to the attitudinal items, statistical analysis was undertaken to determine whether any observed differences could be attributed to chance variations. Such variations are expected in random samples from populations where the frequency of responses to the five ranks (i.e., strongly agree, agree, uncertain, disagree, strongly disagree) are all equal. According to the results of the Kolmogorov-Smirnov one-sample two-tailed tests, each of the thirty statements utilized in both the present and Barksdale et al. study were significant at $p < .01$. Appendix B describes the rationale and procedure followed in the computation of the 60 Kolmogorov-Smirnov one-sample tests.

Table 4-1

A Comparison Between the Demographics of Respondents and
the United States Population

Category	<u>A</u> Percentage of Respondents	<u>B</u> Percentage of Total U.S. Population	$\frac{A - B}{B} \times 100$ Discrepancy Percentage
<u>Geographic Residence:</u>			
Northeast	35.1	23.2 ^a	+51.3
North Central	22.7	27.0	-15.9
South	22.4	32.0	-30.0
West	19.8	17.8	+11.2
<u>Race:</u>			
White	100.0	87.5 ^b	+14.3
Black	--	11.1	-100.0
Indian	--	0.4	-100.0
Japanese	--	0.3	-100.0
Chinese	--	0.2	-100.0
Filipino	--	0.2	-100.0
Other	--	0.3	-100.0
<u>Sex:</u>			
Male	46.7	48.8 ^c	-4.3
Female	53.3	51.2	+4.1
<u>Marital Status:</u>			
Married	71.8	60.1 ^d	+19.5
Single	14.0	26.0	-46.2
Separated/Divorced	7.8	6.4	+21.9
Widow/Widower	6.4	7.5	-14.7
<u>Age:</u>			
Under 17 years	1.4	31.0 ^e	-95.5
18-24 years	7.2	12.9	-44.2
25-34 years	13.9	14.5	-4.1
35-44 years	11.6	10.7	+8.4
45-54 years	21.1	11.1	+90.1
55-64 years	19.9	9.3	+114.0
65 years and over	24.9	10.5	+137.1

^aCalculated from U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Series P-20, No. 292, "Population Profile of the United States: 1975" (Washington, D.C.: Government Printing Office, 1976), p. 25.

^bCalculated from U.S. Department of Commerce, Bureau of the Census, Census of Population: 1970, "General Population Characteristics," Final Report PC(1)-B1, U.S. Summary (Washington, D.C.: Government Printing Office, 1972), pp. 1-262.

^cU.S. Department of Commerce, Bureau of the Census, Current Population Reports, Series P-20, No. 292, "Population Profile of the United States: 1975" (Washington, D.C.: Government Printing Office, 1976), p. 12.

^dCalculated from U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Series P-20, No. 287, "Marital and Living Arrangements: March 1975" (Washington, D.C.: Government Printing Office, 1975), p. 8.

^eU.S. Department of Commerce, Bureau of the Census, Current Population Reports, Series P-20, No. 292, "Population Profile of the United States: 1975" (Washington, D.C.: Government Printing Office, 1976), p. 12.

Table 4-1--Continued

Category	A Percentage of Respondents	B Percentage of Total U.S. Population	$\frac{A-B}{B} \times 100$ Discrepancy Percentage
<u>Educational Attainment:</u>			
Less than eighth grade	--	12.0 ^f	-100.0
Eighth grade	0.9	10.8	-91.7
1-3 years high school	4.0	15.9	-74.8
High school graduate	18.2	36.1	-49.6
1-3 years college	27.2	11.9	+128.6
College graduate	15.9	13.3	+273.7
Graduate training	12.7		
Graduate degree	21.1		
	49.7		
<u>Total Gross Family Income:</u>			
Under \$4,999	7.8	13.1 ^g	-40.5
\$5,000-\$6,999	5.0	8.9	-43.8
\$7,000-\$9,999	9.7	13.8	-29.7
\$10,000-\$14,999	23.2	24.3	-4.5
\$15,000-\$24,999	27.9	28.3	-1.4
\$25,000-\$49,999	20.4	11.5	+129.6
\$50,000 and over	6.0		
	26.4		
<u>Occupation:</u>			
Professional or technical worker	52.5	15.0 ^h	+250.0
Manager or administrator (excluding farm mgrs.)	21.2	10.5	+101.9
Salesworker	5.0	6.4	-21.9
Clerical worker	12.3	17.8	-30.9
Craftsman or kindred worker	3.9	12.9	-69.8
Operative	2.8	15.2	-81.6
Nonfarm laborer	0.6	4.9	-87.8
Service worker	0.6	12.4	-95.2
Farmer or farm manager	1.1	1.9	-42.1
Farm laborer or farm foreman	--	1.6	-100.0
Private household worker	--	1.4	-100.0
<u>Nonworking:</u>			
Unemployed	2.0		
Retired	6.7		
Student	2.6		
Housewife	19.4		

^fU.S. Department of Commerce, Bureau of the Census, Current Population Reports, Series P-20, No. 274, "Educational Attainment in the United States: March 1973 and 1974" (Washington, D.C.: Government Printing Office, 1974), p. 15.

^gU.S. Department of Commerce, Bureau of the Census, Current Population Reports, Series P-20, No. 292, "Population Profile of the United States: 1975" (Washington, D.C.: Government Printing Office, 1976), p. 34.

^hCalculated from U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Series P-20, No. 292, "Population Profile of the United States: 1975" (Washington, D.C.: Government Printing Office, 1976), p. 33.

Table 4-1--Continued

Category	<u>A</u> Percentage of Respondents	<u>B</u> Percentage of Total U.S. Population	$\frac{A - B}{B} \times 100$ Discrepancy Percentage
<u>Occupation of Head of Household:</u>			
Professional or technical worker	50.9	15.6 ⁱ	+226.3
Manager or administrator (excluding farm mgrs.)	26.5	15.7	+68.8
Salesworker	5.2	6.1	-14.8
Clerical worker	4.8	8.3	-42.2
Craftsman or kindred worker	6.1	20.6	-70.4
Operative	2.2	16.6	-86.8
Nonfarm laborer	0.9	4.6	-80.4
Service worker	1.7	8.0	-78.8
Farmer or farm manager	1.7	3.1	-45.2
Farm laborer or farm foreman	--	1.0	-100.0
Private household worker	--	0.4	-100.0
Nonworking:			
Unemployed	1.8		
Retired	28.7		
Deceased	2.1		

ⁱCalculated from U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Series P-20, No. 291, "Household and Family Characteristics: March 1975" (Washington, D.C.: Government Printing Office, 1976), p. 86.

included adoption of a consumer orientation by manufacturers, product quality, promotion, after sales service and price. The statements were identical to those used in a 1975 national survey of consumer attitudes.¹

The Kolmogorov-Smirnov two-sample, one-tailed test was used to detect statistically significant differences in the predicted direction of responses to the attitude statements by the "FTC" sample and the national sample.² The test results lend support to the general hypothesis in terms of the first three dimensions of marketing and do not support the hypothesis for the latter two facets of marketing. Specific findings are discussed in relation to five sub-hypotheses which were tested under the general hypothesis.³ Each sub-hypothesis corresponds to one of the five dimensions of marketing.

¹Hiram C. Barksdale, William R. Darden and William D. Perreault, "Changes in Consumer Attitudes Toward Marketing, Consumerism and Government Regulation" (unpublished manuscript, 1975).

²Appendix C comprises a discussion of how the Kolmogorov-Smirnov two-sample, one-tailed test was applied and calculated.

³Spearman rank correlation coefficients and Pearson product-moment correlation coefficients were computed between all the attitudinal and objective items on the questionnaire. The correlation coefficients were used to group the test items under the remaining major and specific hypotheses.

Hypothesis 2-1 states:

Consumer respondents have more negative attitudes than the public at large concerning the extent to which manufacturers have adopted a consumer orientation.

Respondents held more negative attitudes than the general public toward all three items dealing specifically with this issue. The hypothesis was supported according to the three Kolmogorov-Smirnov tests.¹

The first item related to this hypothesis stated, "Despite what is frequently said, 'Let the buyer beware' is the guiding philosophy of most manufacturers." Fifteen percent of the FTC sample strongly agreed with the statement while less than half this percentage of the national sample indicated strong agreement. Furthermore, over half the proportion of FTC respondents agreed² with the item in contrast to less than 40% of the national sample.

Similarly, nearly 70% of the FTC sample disagreed that "Manufacturers seldom shirk their responsibility to the consumer." Approximately one-third of these respondents

¹For purposes of this research, the level of significance for each Kolmogorov-Smirnov two-sample one-tailed test was set at .10. When $p \leq .10$, the null hypothesis was rejected and support was given to the alternate hypothesis.

²In this chapter, unless otherwise specified, "agreed" or "disagreed" refers to the total sum of the sample proportions who "strongly agreed" and "agreed" or "strongly disagreed" and "disagreed."

strongly disagreed with the item. In contrast, less than 55% of the national sample disagreed with the statement. Moreover, less than one-sixth of this proportion indicated strong disagreement.

A comparison of the responses by the two samples to the third item in this section is consistent with the findings related to the first two statements. Thirty-six percent of the FTC sample strongly agreed that "Most manufacturers are more interested in making profits than in serving consumers." The percentage of the national sample who strongly agreed with the item was approximately 10% less than the FTC proportion.

Table 4-2 summarizes the frequency distributions of responses to the three items by the FTC sample and the national sample. It also includes the results of the Kolmogorov-Smirnov two-sample one-tailed tests.

Hypothesis 2-2 states:

Consumer respondents have more negative attitudes than the public at large concerning the level of product quality in the marketplace.

Hypothesis 2-2 received some statistical support. Three Likert statements related directly to this hypothesis. Responses to two of the three items lent support to the hypothesis. The third statement resulted in a frequency distribution of responses in the predicted direction.

Table 4-2

Adoption of a Consumer Orientation by Manufacturers: Comparison of Responses to Attitude Statements by "FTC" Sample and National Sample

Statements	Level of Agreement				Kolmogorov-Smirnov Statistic (Level of Significance)
	Strongly Agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	Strongly Disagree (%)
1. Despite what is frequently said, "Let the buyer beware" is the guiding philosophy of most manufacturers. "FTC" sample National sample	15.0 7.3	38.6 31.4	18.7 29.1	22.2 29.7	5.5 2.4
2. Manufacturers seldom shirk their responsibility to the consumer. "FTC" sample National sample	2.0 1.1	12.3 24.4	15.8 20.2	47.3 45.3	22.6 8.9
3. Most manufacturers are more interested in making profits than in serving consumers. "FTC" sample National sample	36.0 25.3	42.1 52.7	6.9 10.0	12.4 10.8	2.6 1.3
					20.6912 (p < .001)
					22.9728 (p < .001)
					10.6704 (p < .01)

The result of the third Kolmogorov-Smirnov test, however, did not result in statistically significant findings.

The first item related to product quality stated, "Over the past several years the quality of most products has not improved." More than double the proportion of the FTC sample than the national sample strongly agreed with the statement. In addition, nearly 10% more of the respondents representing the general public than respondents involved in FTC rule making indicated disagreement with the item.

Nearly 65% of the FTC sample agreed with the next item stating that manufacturers often withhold important product improvements from the market to protect their own interests. In contrast, 10% less of the national sample agreed with this item. Of the respondents in both samples who agreed with the statement, the proportion of FTC respondents who strongly agreed was over 5% greater than the corresponding proportion of the national sample.

The difference in responses by the two samples to the item, "Manufacturers do not deliberately design products which wear out as quickly as possible," did not result in statistically significant findings. The percentage of FTC respondents, however, who disagreed with the item was approximately 7% greater than the corresponding proportion of the national sample. Moreover, a slightly greater

proportion of FTC respondents than respondents in the national sample indicated that they strongly disagreed with the item.

A summary of the responses by the two samples to the product quality items and results of the three Kolmogorov-Smirnov tests are shown in Table 4-3.

Hypothesis 2-3 states:

Consumer respondents have more negative attitudes than the public at large toward the level of promotional integrity existing in the marketplace.

Four items on the research instrument dealt specifically with this issue. Advertising was the focus of three of the Likert statements while sales promotion was the subject of the fourth item.

The findings lend some support to hypothesis 2-3. FTC respondents held statistically significant more negative attitudes than the general public toward the three items dealing with advertising. In contrast, the statement concerned with sales promotion did not result in a frequency distribution of responses by the FTC sample in the predicted direction.

Over 70% of the FTC sample disagreed with the first statement, "Most product advertising is believable." In comparison, less than 55% of the national sample disagreed with the item. Moreover, more than double the proportion

Table 4-3

Product Quality: Comparison of Responses to Attitude Statements
by "FTC" Sample and National Sample

Statements	Level of Agreement					Kolmogorov-Smirnov Statistic (Level of Significance)
	Strongly Agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	Strongly Disagree (%)	
1. Over the past several years the quality of most products has not improved. "FTC" sample National sample	25.5 12.2	37.0 43.3	12.6 10.9	22.3 31.1	2.6 2.4	16.4861 ($p < .001$)
2. Manufacturers often withhold important product improvements from the market in order to protect their own interests. "FTC" sample National sample	19.5 15.4	43.8 39.6	20.9 31.4	13.2 12.2	2.6 1.4	6.5762 ($p < .05$)
3. Manufacturers do not deliberately design products which wear out as quickly as possible. "FTC" sample National sample	4.0 2.7	21.5 29.0	23.8 24.5	35.2 29.3	15.5 14.5	4.4372 (not statistically significant)

of FTC respondents than respondents representing a national sample of consumers strongly disagreed with the statement.

The second item related to this hypothesis stated, "Generally, advertised products are more dependable than unadvertised ones." Over twice the proportion of FTC respondents than respondents from the national sample strongly disagreed with the item. Furthermore, nearly 30% of the national sample in contrast to less than 15% of the FTC sample agreed with the statement.

Similarly, over 75% of the FTC sample disagreed that "Manufacturers' advertisements usually present a true picture of the products advertised." On the other hand, approximately 10% less of the national sample disagreed with the statement.

The last statement related to this hypothesis shifted the focus to sales promotion. The item stated, "The games and contests that manufacturers sponsor to encourage people to buy their products are usually dishonest." In contrast to the first three items in this section, the FTC sample did not respond to this statement in the predicted direction. That is, FTC respondents indicated less agreement and more disagreement than national sample respondents with a negative Likert statement concerning sales promotion.

Table 4-4 summarizes the frequency distributions of responses to the four items by the FTC and national respondent groups. Findings of the Kolmogorov-Smirnov tests are also indicated.

Hypothesis 2-4 states:

Consumer respondents have more negative attitudes than the public at large toward the quality of after sales service provided by business firms.

Hypothesis 2-4 was not supported. Six items on the research instrument dealt specifically with this issue. Although four of the attitudinal statements resulted in a frequency distribution of responses to the items by the FTC sample in the predicted direction,¹ none of these items served to accept the hypothesis according to the Kolmogorov-Smirnov tests. Two of the items resulted in a frequency distribution for the FTC sample which indicated more positive attitudes than the public at large toward the quality of after sales service provided by business organizations.

The first of the six items stated, "In general, the quality of repair and maintenance service provided by manufacturers and dealers is getting better." In response, a slightly greater proportion of the FTC sample than the national sample disagreed strongly with the statement.

¹That is, FTC respondents indicated more negative attitudes than the public at large toward the quality of manufacturer after sales service.

Table 4-4

Promotion: Comparison of Responses to Attitude Statements by "FTC" Sample and National Sample

Statements	Level of Agreement				Kolmogorov-Smirnov Statistic (Level of Significance)
	Strongly Agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	Strongly Disagree (%)
1. Most product advertising is believable. "FTC" sample National sample	1.7 1.4	14.3 30.8	11.1 12.9	46.0 42.3	26.9 12.5
2. Generally, advertised products are more dependable than unadvertised ones. "FTC" sample National sample	1.2 2.7	13.0 25.4	21.6 17.9	46.7 45.3	17.6 8.6
3. Manufacturers' advertisements usually present a true picture of the products advertised. "FTC" sample National sample	0.9 1.1	10.3 17.1	13.2 14.6	50.1 51.2	25.5 15.9
4. The games and contests that manufacturers sponsor to encourage people to buy their products are usually dishonest. "FTC" sample National sample	5.8 6.9	11.2 17.8	47.3 43.0	32.0 29.1	3.7 3.2
					Not in predicted direction
					30.5331 (p < .001)
					18.2671 (p < .001)
					8.5892 (p < .02)

In addition, a smaller percentage of FTC respondents than national sample respondents strongly agreed with the item.

Moreover, a greater proportion of the FTC sample than the national sample disagreed that, "Generally, product guarantees are backed up by the manufacturers who make them." Similarly, a smaller proportion of FTC respondents than respondents representing the general public agreed with the statement. The differences in the proportions, however, were not sufficient to result in a statistically significant difference.

Furthermore, a greater proportion of FTC respondents than national respondents disagreed and strongly disagreed that "Most business firms make a sincere effort to adjust consumer complaints fairly." Likewise, a smaller proportion of the FTC sample than the national sample strongly agreed and agreed with the statement. The difference between the frequency distributions of responses by the two samples, however, was not sufficient to reject the null hypothesis.

Fairly consistent with the foregoing was the response to the next item, "When consumers have problems with products they have purchased, it is usually easy to get them corrected." A greater proportion of FTC respondents than respondents from the national sample strongly disagreed with the statement. Moreover, a slightly smaller proportion of the FTC sample in comparison to the national sample indicated agreement with the item.

The last two items dealing with the quality of manufacturer after sales service resulted in frequency distributions inconsistent with the directions predicted. Approximately 10% more of the FTC respondents than respondents representing the general public agreed with the item stating that manufacturers are becoming increasingly sensitive to consumer complaints. Similarly, the FTC sample indicated more positive attitudes than the national sample toward consumer complaint handling procedures followed by most manufacturers.

Table 4-5 summarizes the frequency distribution of responses to the six items by the FTC and national samples. It also shows the findings of the Kolmogorov-Smirnov tests.

Hypothesis 2-5 states:

Consumer respondents have more negative attitudes than the public at large toward the fairness of consumer goods prices.

Hypothesis 2-5 was not supported. Two Likert items on the questionnaire were concerned directly with this issue. Both items resulted in a frequency distribution of responses by the FTC sample which were not in the predicted direction. That is, the difference between the frequency distributions of the FTC sample and the national sample indicated more positive attitudes of FTC respondents toward the fairness of consumer goods prices.

Table 4-5
After Sales Service: Comparison of Responses to Attitude Statements by "FTC" Sample and National Sample

Statements	Level of Agreement					Kolmogorov-Smirnov Statistic (Level of Significance)
	Strongly Agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	Strongly Disagree (%)	
1. In general, the quality of repair and maintenance service provided by manufacturers and dealers is getting better. "FTC" sample National sample	0.3 2.3	21.3 19.1	28.2 24.2	37.1 42.0	13.2 12.3	.3728 (Not statistically significant)
2. Generally, product guarantees are backed up by the manufacturers who make them. "FTC" sample National sample	2.6 4.4	58.2 60.3	20.9 19.2	14.6 12.5	3.7 3.6	1.4912 (Not statistically significant)
3. Most business firms make a sincere effort to adjust consumer complaints fairly. "FTC" sample National sample	2.9 3.0	49.6 55.8	23.8 22.7	20.1 15.1	3.7 3.4	3.8175 (Not statistically significant)
4. When consumers have problems with products they have purchased, it is usually easy to get them corrected. "FTC" sample National sample	1.1 0.9	20.1 21.5	18.7 17.8	45.7 47.8	14.4 12.1	.4930 (Not statistically significant)
5. Manufacturers seem to be more sensitive to consumer complaints now than they have been in the past. "FTC" sample National sample	5.7 4.6	50.7 40.0	24.6 22.4	14.9 24.4	4.0 8.6	Not in predicted direction
6. From the consumer's viewpoint the procedures followed by most manufacturers in handling complaints and settling grievances of consumers are not satisfactory. "FTC" sample National sample	9.8 11.9	42.8 48.6	24.0 17.6	21.7 20.9	1.7 0.9	Not in predicted direction

The first item dealing with this issue stated, "High prices of consumer goods are caused primarily by wholesale and retail middlemen taking excessive profits." In response, over 65% of the national sample agreed with the item while only 15% disagreed. In contrast, approximately half of the FTC sample agreed while more than one-fourth of the sample disagreed with the item.

A similar difference was found in the response to the second item concerned with the prices of consumer goods, "Considering wage rates and income levels today, most consumer products are priced fairly." About one-fourth of the national sample agreed with the item in comparison to one-third of the FTC sample. Similarly, over a 10% greater proportion of the national sample than the FTC sample disagreed with the statement.

Table 4-6 summarizes the responses by the FTC and national samples to the two Likert items. Included are the results of the Kolmogorov-Smirnov tests.

Table 4-6

Prices: Comparison of Responses to Attitude Statements by "FTC" Sample and National Sample

Statements	Level of Agreement					Kolmogorov-Smirnov Statistic (Level of Significance)
	Strongly Agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	Strongly Disagree (%)	
1. High prices of consumer goods are caused primarily by whole-sale and retail middlemen taking excessive profits. "FTC" sample National sample	15.2 27.3	36.1 38.0	22.9 19.7	19.2 12.6	6.6 2.4	Not in predicted direction
2. Considering wage rates and income levels today, most consumer products are priced fairly. "FTC" sample National sample	2.6 1.7	30.5 24.0	19.9 14.6	37.2 42.6	9.8 17.1	Not in predicted direction

Government Regulation: A Comparison
Between the Attitudes of Consumer
Respondents and the Public at Large

The third major hypothesis is:

Consumer respondents have more positive
attitudes than the public at large toward
increasing government activities to achieve
consumer protection.

This hypothesis received some statistical support. Six Likert statements on the questionnaire referred specifically to government activities to achieve consumer protection. Although responses to all of the Likert items by the FTC sample were in the predicted direction,¹ results of the Kolmogorov-Smirnov tests did not indicate a statistically significant more positive response to two of the attitudinal items by the FTC respondents.

The first item in the series on government regulation stated, "In general, self-regulation by business itself is preferable to stricter control of business by the government." Over an 8% greater proportion of the national sample than the FTC sample agreed with the statement. Further, more than twice the proportion of FTC respondents than respondents in the national sample strongly disagreed with the item.

¹That is, FTC respondents indicated more positive attitudes than the public at large toward increased government regulation of marketing.

The next Likert statement was concerned with setting minimum standards of product quality by the government. A greater percentage of the national sample than the FTC sample did not agree with the need for this activity. Moreover, almost twice the proportion of FTC respondents than respondents representing the public at large strongly agreed that the government should set product quality standards.

The following item concerned with government regulation stated, "The government should exercise more responsibility for regulating the advertising, sales and marketing activities of manufacturers." In response, approximately twice the proportion of FTC respondents than national sample respondents strongly agreed with the statement. In addition, a smaller proportion of the FTC sample than the national sample disagreed with the need for increased government regulation of manufacturers.

The fourth item in this series stated, "A Federal Department of Consumer Protection is not needed to protect and promote the interests of consumers." A slightly larger proportion of the FTC sample than the national sample agreed with the item. Nearly a 10% greater proportion of the FTC sample than the national sample, however, indicated strong disagreement with the need to establish a Federal Department of Consumer Affairs.

The next two items resulted in responses which were in the predicted direction. The difference between responses by the two samples, however, was not statistically significant. One of the items dealt with testing of competing brands of products by the government. Although a larger proportion of the national sample indicated agreement with the item, a larger proportion of the FTC sample strongly agreed with the statement.

The last item in this series stated, "Government price control is the most effective way of keeping the prices of consumer products at reasonable levels." In response, a slightly larger proportion of FTC respondents than national sample respondents strongly agreed with the statement. In addition, however, almost twice the proportion of FTC respondents than respondents representing the general public indicated strong disagreement with the item.

Table 4-7 summarizes the comparison of responses by the two samples to the government regulation items. Included are a frequency distribution of responses and findings of the Kolmogorov-Smirnov two-sample one-tailed tests.

Table 4-7
Government Regulation: Comparison of Responses to Attitude Statements by "FTC" Sample and National Sample

Statements	Level of Agreement					Kolmogorov-Smirnov Statistic (Level of Significance)
	Strongly Agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	Strongly Disagree (%)	
1. In general, self-regulation by business itself is preferable to stricter control of business by the government. "FTC" sample National sample	18.9 17.1	31.1 41.2	11.7 16.6	22.6 18.5	15.7 6.6	16.2391 (p < .001)
2. The government should set minimum standards of quality for all products sold to consumers. "FTC" sample National sample	43.1 22.2	30.2 45.6	6.9 9.5	11.2 16.4	8.6 6.2	39.9351 (p < .001)
3. The government should exercise more responsibility for regulating the advertising, sales and marketing activities of manufacturers. "FTC" sample National sample	33.5 18.1	29.5 41.8	12.4 14.1	15.9 18.7	8.7 7.5	22.1032 (p < .001)
4. A Federal Department of Consumer Protection is not needed to protect and promote the interests of consumers. "FTC" sample National sample	8.6 5.2	9.5 7.3	7.8 10.0	30.2 41.0	44.0 36.4	5.3832 (p < .10)
5. The government should test competing brands of products and make results of these tests available to consumers. "FTC" sample National sample	37.3 32.1	23.7 38.5	7.5 7.5	18.8 15.6	12.7 6.2	2.3299 (Not statistically significant)
6. Government price control is the most effective way of keeping the price of consumer products at reasonable levels. "FTC" sample National sample	10.1 9.3	13.6 21.2	17.9 21.7	33.8 34.0	24.6 13.8	.0596 (Not statistically significant)

Consumerism: A Comparison Between
the Attitudes of Consumer Respondents
and the Public at Large

The fourth major hypothesis states:

Consumer respondents have more positive
attitudes than the public at large toward
the importance of consumerism.

This hypothesis was supported by the data. Six statements on the research instrument dealt directly with this issue. Of the six statements, five resulted in a statistically significant difference indicating more positive attitudes of the FTC sample than the national sample toward the importance of consumerism. The last statement in this series resulted in a frequency distribution of responses by the FTC and national samples in the predicted direction, but was not statistically significant.

One of the items in this section stated, "The information needed to become a well-informed consumer is already available to most people." More than twice the proportion of FTC respondents than respondents representing the general public strongly disagreed with this statement. In addition, over 50% of the national sample agreed with the item in contrast to less than 40% of the FTC sample.

The following item stated, "The problems of consumers are relatively unimportant when compared with the other questions and issues faced by the average family."

Over three-quarters of the FTC sample disagreed with the statement while less than 63% of the national sample indicated disagreement. Moreover, a 10% greater proportion of FTC respondents than national sample respondents strongly disagreed with the item.

The third item in the series concerned with consumerism stated, "Ralph Nader and the work he has done on behalf of consumers has been an important force in changing the practices of business." Over a 12% greater proportion of the FTC sample compared to the national sample indicated strong agreement with the statement. Similarly, more than twice the proportion of FTC respondents than national sample respondents strongly disagreed with the following item stating that consumerism has not been an important factor in changing the practices of business.

"The exploitation of consumers by business firms deserves more attention than it receives" was the next statement in this section. More than 35% of the FTC sample strongly agreed with this statement in contrast to less than one-fourth of the national sample.

The last statement in this series did not result in a statistically significant difference between the two samples in the predicted direction. The item stated, "The problems of consumers are less serious now than in the past." A slightly smaller proportion of the FTC sample than the

national sample strongly agreed with the item while a somewhat greater proportion of the FTC sample strongly disagreed with the statement.

Table 4-8 summarizes the frequency distribution of responses by the two samples to the six consumerism items. Findings of the Kolmogorov-Smirnov tests are also included.

Respondent Participation in Consumer Protection Activities

The fifth major hypothesis states:

The majority of respondents participate in activities which indicate an active interest in consumerism.

Four items on the research instrument sought objective information concerning the extent to which respondents participated in consumer protection activities. These activities included letter writing to members of the Federal government concerning consumer protection issues and subscription to consumer protection publications. To accept the hypothesis, at least 51% of the respondents should have undertaken at least one consumer protection activity. Responses to the four items lend support to the hypothesis. The majority, or over 82% of the respondents, indicated that they had participated in consumer protection activities beyond submission of a single letter of comment to the FTC.

Table 4-8
Consumerism: Comparison of Responses to Attitude Statements by "FTC" Sample and National Sample

Statements	Level of Agreement				Kolmogorov-Smirnov Statistic (Level of Significance)
	Strongly Agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	Strongly Disagree (%)
1. The information needed to become a well-informed consumer is already available to most people. "FTC" sample National sample	4.6 5.9	33.6 46.3	13.5 12.5	35.3 29.4	12.9 5.9
2. The problems of the consumer are relatively unimportant when compared with the other questions and issues faced by the average family. "FTC" sample National sample	3.2 3.9	13.0 15.6	8.6 17.6	52.2 49.8	23.1 13.1
3. Ralph Nader and the work he has done on behalf of consumers has been an important force in changing the practices of business. "FTC" sample National sample	34.0 21.4	46.3 48.2	12.3 20.7	4.6 6.6	2.9 3.2
4. Consumerism or the consumer crusade has not been an important factor in changing the practices of business. "FTC" sample National sample	5.8 2.4	19.6 18.9	14.4 22.0	44.4 49.8	15.9 6.9
5. The exploitation of consumers by business firms deserves more attention than it receives. "FTC" sample National sample	36.6 22.0	44.1 53.2	7.8 15.2	8.1 8.5	3.5 1.1
6. The problems of consumers are less serious now than in the past. "FTC" sample National sample	1.1 2.9	17.8 17.2	13.5 14.2	48.0 49.9	19.5 15.8
					1.2759 (Not statistically significant)

18.2671
(p < .001)

14.3304
(p < .001)

14.7964
(p < .001)

7.5492
(p < .05)

19.8664
(p < .001)

Over 46% of the respondents, for example, indicated that they had submitted two or more letters of comment to the FTC. More than 23% of the sample submitted two letters of comment while nearly 10% of the respondents reported submission of three letters of comment to the Commission. In addition, over 13% of the sample had submitted four or more letters of comment to the FTC.

Similarly, more than 40% of the respondents reported that they had submitted comments concerning consumer protection rules to Federal agencies other than the FTC. Over 11% of the respondents reported that they had submitted one comment while 12% of the sample indicated submission of two letters of comment to other Federal agencies. Moreover, the greatest proportion of respondents undertaking this activity, or over 17% of the sample, had submitted three or more comments to Federal agencies other than the FTC.

Respondents reported an even greater level of activity directed at presenting their views on consumer protection issues to Congressmen. More than 60% of the respondents had written at least one letter dealing with consumer protection to members of Congress. The extent of this activity ranged from nearly 15% of the respondents who had written one letter to over 19% of the respondents who had sent five or more letters dealing with consumer protection issues to Congressmen.

Respondents were also classified according to the total number of times letters were written to members of the Federal government (i.e., the Federal agencies and Congress). It was found that while less than 23% of the sample had written a single letter concerning consumer protection to the Federal government, the overwhelming majority of the respondents had written two or more letters to Federal agencies and Congress. On the average, each respondent submitted a total of nearly five letters concerning consumer protection issues to the Federal government.

Further, more than 42% of the respondents subscribed to at least one consumer protection publication. While nearly 23% of the sample subscribed to one publication, almost 20% of the respondents subscribed to two or more consumer protection publications.

Tables 4-9 and 4-10 summarize the extent to which respondents participated in consumer protection activities.

Table 4-9

Submission of Comments to Government Agencies and Congress

Number of Times Activity Undertaken	Percentage of Respondents		
	FTC	Other Federal Agencies	Congressmen
Never	--	58.9	38.9
Once	53.6	11.4	14.9
Twice	23.1	12.0	15.7
Three times	9.8	6.0	9.4
Four times	4.3	1.4	12.0
Five or more times	9.2	10.3	19.1

Total Number of Letters Written	Percentage of Respondents
1	22.6
2	13.4
3	12.0
4	8.9
5	8.6
6	8.6
7	5.0
8	3.8
9	2.7
10	2.1
11	3.0
12	1.8
13	2.4
14	1.2
15 or more	4.1
Mean	4.797

Table 4-10

Number of Consumer Protection Publications
to Which Respondents Subscribed

<u>Number</u>	<u>Percentage of Respondents</u>
None	57.4
One	22.9
Two	14.3
Three	2.9
Four	0.3
Five or more	2.3

Respondent Attitudes Toward the
Influence of Consumers in the
FTC Rule Making Process

The sixth major hypothesis states:

In general, although respondents believe that
consumer submission of comments concerning rule
proposals is an effective way for the consumer
viewpoint to be presented to the FTC, respondents
are uncertain about the actual consideration given
to consumer comments in the development of the
Commission's consumer protection rules.

Four Likert items on the research instrument were
concerned directly with this issue. Responses by the sample
to each of the four statements together with the results of
the Kolmogorov-Smirnov one-sample two-tailed tests¹ lend
support to the hypothesis. Specific findings are discussed

¹Appendix D summarizes the relevant Kolmogorov-Smirnov one-sample two-tailed test calculations.

in relation to the two sub-hypotheses which were tested under the major hypothesis.

Hypothesis 6-1 states:

In general, respondents believe that consumer submission of comments to the FTC is an effective way for consumers to be represented in the Commission's consumer protection decisions.

Two items on the questionnaire were concerned specifically with this sub-hypothesis. Results of the Kolmogorov-Smirnov one-sample tests support the hypothesis.¹ The data indicated a significantly high level of agreement with the items dealing with the influence of consumers in FTC rule making.

The first item stated, "Submitting a written comment to the FTC is an effective way for consumers to have a say in consumer protection rule making." Nearly 60% of the sample agreed with the item. In contrast, less than 11% of the respondents disagreed with the statement.

Similarly, over 60% of the sample agreed that, "Consumers can influence FTC consumer protection decisions if they make their views known to the Commission." Less than 8% of the respondents disagreed with the item.

¹For purposes of this research, the level of significance for each Kolmogorov-Smirnov one-sample two-tailed test was set at .05. When $p \leq .05$, the null hypothesis was rejected and support was given to the alternate hypothesis.

Table 4-11 summarizes the frequency distribution of responses to the two items and the results of the Kolmogorov-Smirnov tests.

Hypothesis 6-2 states:

The greatest proportion of respondents are uncertain about the actual consideration given to consumer comments in the development of consumer protection rules.

Two Likert statements on the research instrument dealt directly with this hypothesis. These items were: (1) "In general, the FTC agent who writes consumer protection rules cares about what individual consumers think," and (2) "In the development of FTC consumer protection rules, comments submitted by consumers are usually given as much consideration as comments submitted by business firms."

According to the Kolmogorov-Smirnov one-sample tests, a statistically significant difference between the frequencies in the distribution corresponding to the level of respondent agreement was generated by both statements. The data revealed that the greatest proportion of respondents were uncertain about the issue.

Less than the majority of respondents, or less than 35% of the sample, agreed with the first Likert statement. Nearly one-fourth of the sample disagreed

Table 4-11
Respondent Attitudes Toward the Influence of Consumers in FTC Rule Making

Statements	Level of Agreement				Kolmogorov-Smirnov Statistic (Level of Significance)
	Strongly Agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	
1. Submitting a written comment to the FTC is an effective way for consumers to have a say in consumer protection rule making.	16.4	41.4	31.3	6.3	4.6
2. Consumers can influence FTC consumer protection decisions if they make their views known to the Commission.	14.3	46.4	31.8	4.0	3.4
					.326 ($p < .01$)
					.291 ($p < .01$)

that FTC agents are concerned with consumer opinions while over 41% of the respondents indicated uncertainty about the item.

A similar distribution of responses was generated by the second item. Almost 50% of the respondents were uncertain about whether consumer comments were given as much consideration in the development of FTC consumer protection rules as those comments submitted by business firms. Less than 17% of the respondents agreed with the statement while more than double this proportion disagreed with the item.

Table 4-12 summarizes the responses by the sample to the two Likert items. Results of the Kolmogorov-Smirnov tests are also indicated.

Conclusion

Survey findings regarding the six major hypotheses and seven sub-hypotheses under investigation were presented in this chapter. Table 4-13 shows whether or not the data supported each of the research hypotheses. Each hypothesis was stated as an alternate hypothesis. The acceptance of an alternate hypothesis means that the findings supported the hypothesis as stated. The rejection of an alternate hypothesis means that the null hypothesis was accepted.

Table 4-12

Respondent Perceptions of the Consideration Given to Consumer Comments by the FTC

Statements	Level of Agreement				Kolmogorov-Smirnov Statistic (Level of Significance)
	Strongly Agree (%)	Agree (%)	Uncertain (%)	Disagree (%)	
1. In general, the FTC agent who writes consumer protection rules cares about what individual consumers think.	5.5	29.0	41.1	17.0	7.5
2. In the development of FTC consumer protection rules, comments submitted by consumers are usually given as much consideration as comments submitted by business firms.	2.3	14.6	48.7	23.8	10.6
					.156 (p < .01)
					.231 (p < .01)

Table 4-13
Results of Hypothesis Testing

Hypothesis		Research Result
H ₁	The demographic profile of consumer respondents is not representative of the demographic makeup of the United States population at large.	Accept
H ₂	Consumer respondents have more negative attitudes than the public at large toward marketing. More specifically:	
H ₂₋₁	Consumer respondents have more negative attitudes than the public at large concerning the extent to which manufacturers have adopted a consumer orientation.	Accept
H ₂₋₂	Consumer respondents have more negative attitudes than the public at large concerning the level of product quality in the marketplace.	Accept
H ₂₋₃	Consumer respondents have more negative attitudes than the public at large toward the level of promotional integrity existing in the marketplace.	Accept
H ₂₋₄	Consumer respondents have more negative attitudes than the public at large toward the quality of after sales service provided by business firms.	Reject
H ₂₋₅	Consumer respondents have more negative attitudes than the public at large toward the fairness of consumer goods prices.	Reject
H ₃	Consumer respondents have more positive attitudes than the public at large toward increasing government activities to achieve consumer protection.	Accept
H ₄	Consumer respondents have more positive attitudes than the public at large toward the importance of consumerism.	Accept
H ₅	The majority of respondents participate in activities which indicate an active interest in consumerism.	Accept
H ₆	In general, although respondents believe that consumer submission of comments concerning rule proposals is an effective way for the consumer viewpoint to be presented to the FTC, respondents are uncertain about the actual consideration given to consumer comments in the development of the Commission's consumer protection rules. More specifically:	
H ₆₋₁	The greatest proportion of respondents believe that consumer submission of comments to the FTC is an effective way for consumers to be represented in the Commission's consumer protection decisions.	Accept
H ₆₋₂	The greatest proportion of respondents are uncertain about the actual consideration given to consumer comments in the development of the FTC's consumer protection rules.	Accept

Examination of the table reveals that five of the major hypotheses were supported by the data. These hypotheses focused on the demographics, attitudes toward government regulation, consumerism, influence of consumers in FTC rule making and consumer protection activities of respondents.

One of the major hypotheses was concerned with attitudes toward marketing. Five sub-hypotheses were tested under this general hypothesis. Three of the specific hypotheses dealing with product quality, promotion and adoption of a consumer orientation by manufacturers received support. The other sub-hypotheses concerned with manufacturer after sales service and consumer prices were not supported.

CHAPTER V

SUMMARY, CONCLUSIONS AND IMPLICATIONS FOR FUTURE RESEARCH

General Summary of the Study

During the 1970's Federal government agents within the Office of Consumer Affairs, the Office of the Federal Register, and the various Federal regulatory agencies have been engaged in a host of programs centered on broadening consumer involvement in Federal rule making. The programs are designed to inform consumers about the opportunity they have to participate in the rule making procedures of Federal agencies. Moreover, many of the activities sponsored by the Federal government are aimed at facilitating and encouraging the presentation of consumer views to Federal agency administrators. Consumer-citizens, therefore, are becoming more involved in the system which serves to shape the specific regulations governing business. According to an official of the Food and Drug Administration, a proposed consumer protection rule which may have generated two or three

citizen comments in the 1960's now results in two or three hundred comments from consumers.¹

It is clear that Federal agency decision-makers have been and will continue to be presented with the views of involved consumers as well as those of industry. Yet prior to this study, research focused on consumer participation in Federal agency decision-making was non-existent.

The lack of demographic information made it difficult to conclude whether representative interests of a cross section of consumers or those of a particular group or segment of consumers were being presented to the Federal agencies. Furthermore, the absence of empirical research regarding the attitudes of involved consumers toward business, consumerism and government regulation made it difficult to substantiate any implications for industry of consumer participation in Federal rule making.

This study, therefore, focused on selected demographics, attitudes and activities which would serve to identify the nature of consumers who had commented on FTC consumer protection rule proposals. A random sample of 420 consumers was derived from the Commission's files of all letters of comment received for rules proposed during the period November 1, 1974 to October 31, 1975.

¹Ronald G. Shafer, "Federal Register, Written in 'Governmentese' Tries to Make Itself Understood by the Public," Wall Street Journal, 23 October 1975, p. 36.

The research instrument used was a mail questionnaire which consisted of three major sections. The first comprised several Likert-type items designed to measure respondent attitudes toward dimensions of government regulation, marketing, consumerism and consumer participation in FTC rule making. The statements dealing with government regulation, marketing and consumerism were those constructed by other researchers for use in a 1975 national survey of consumer attitudes. Replication of such items in the present study made it possible to compare the attitudes of respondents with the attitudes of the general public as represented by members of the national sample.

The second section of the questionnaire was constructed to measure the extent to which respondents were engaged in activities related to consumer protection. The third and final section comprised questions to gather demographic data. To make a comparative analysis possible, response categories adopted for the demographic items were patterned after those utilized in the latest U.S. Bureau of Census surveys.

Copies of the research instrument were sent to the random sample of consumers in March 1976. Nearly 85% of the FTC sample, or 350 consumers, returned completed questionnaires within a one-month period.

A Summary of the Findings

Six major hypotheses and seven sub-hypotheses were included in the study. The major hypotheses dealt with the following topics: (1) the demographic profile of respondents; (2) attitudes toward marketing; (3) attitudes toward government regulation of business; (4) attitudes toward consumerism; (5) participation in consumer protection activities; and (6) attitudes toward the influence of consumers in the FTC rule making system. The major study findings are summarized.

The demographic profile of respondents. The demographic characteristics of respondents did not reflect those of the U.S. population. In general, respondents were more educated and more affluent than the average U.S. citizen. Similarly, employed respondents and working heads of households overrepresented members of the professional and managerial occupations. A slightly higher proportion of the respondents were females. Respondents also overrepresented the older members of society, and all of them were members of the white race.

In reference to living arrangements, respondents overrepresented U.S. citizens who were married and/or separated or divorced while they underrepresented citizens who were single and/or widowed. In addition, they

overrepresented citizens residing in the Northeast and West while they underrepresented consumers residing in the North Central and Southern regions of the United States.

Attitudes toward marketing. A comparison was made between the responses by respondents and members of the national sample to Likert-type items concerned with five dimensions of marketing. Data from the national survey revealed that the public at large was generally critical of marketing practices. It was found, however, that the respondents expressed even more negative attitudes than members of the national sample to 13 of the 18 attitudinal statements dealing with marketing.

Specifically, respondents indicated more negative attitudes than members of the national sample toward: (1) the extent to which manufacturers have adopted a consumer orientation; (2) the level of product quality existing within the marketplace; (3) the truthfulness of advertising; and (4) most of the items dealing with the quality of after sales service provided by business organizations.

In contrast, the attitudes indicated by respondents were more positive than the attitudes held by members of the national sample toward the fairness of consumer goods prices. The data, however, revealed that the greatest

proportion of respondents believed that the prices of consumer goods were unjustified. For example, more than 50% of the respondents felt that the high prices of consumer goods are caused primarily by wholesale and retail middlemen taking excessive profits.

Attitudes toward government regulation. Respondents indicated more positive attitudes than members of the general public toward increased government regulation of business. Nearly twice as many respondents as members of the general public strongly agreed that: (1) the government should set minimum standards of quality for all products sold to consumers; and (2) the government should exercise more responsibility for regulating the advertising, sales and marketing activities of manufacturers.

In addition, a larger proportion of respondents than the national sample strongly agreed that: (1) the government should test competing brands of products and make results of these tests available to consumers; and (2) government price control is the most effective way of keeping the prices of consumer products at reasonable levels. Moreover, a greater proportion of respondents than the national sample strongly disagreed that: (1) a Federal Department of Consumer Protection is not needed to protect and promote the interests of consumers; and (2) in general, self-regulation by business itself is

preferable to stricter control of business by the government.

Attitudes toward consumerism. Respondents indicated more positive attitudes than the general public toward the importance and effectiveness of consumerism. When compared to the corresponding proportion of the national sample, more than twice the proportion of respondents strongly disagreed that the information needed to become a well-informed consumer is already available to most people and that consumerism has not been an important factor in changing the practices of business.

A greater proportion of the respondents than the national sample strongly disagreed that the problems of consumers are less serious now than in the past. Similarly, over 75% of the respondents as compared to less than 63% of the national sample disagreed that the problems of the consumer are relatively unimportant when compared with the other questions and issues faced by the average family. In addition, over 80% of the respondents in comparison with less than 70% of the national sample agreed that Ralph Nader and the work he has done on behalf of consumers has been an important force in changing the practices of business. Approximately 15% more of the respondents in comparison with the national

sample also strongly agreed that the exploitation of consumers by business firms deserves more attention than it receives.

Participation in consumer protection activities.

Over 80% of the respondents reported that they had participated in at least one consumer protection activity beyond the submission of a single letter of comment to the FTC. The activity items included in the survey dealt with sending letters concerning consumer protection issues to members of the Federal government and subscription to consumer protection publications.

Nearly 50% of the respondents had submitted two or more letters of comment to the FTC. Similarly, over 40% of the respondents had sent one or more comments concerning consumer protection rules to Federal agencies other than the FTC. Further, over 60% of the respondents had written at least one letter dealing with consumer protection to members of Congress.

Surprisingly, almost one-fifth of the respondents had sent a minimum of five letters concerning consumer protection issues to Congressmen. Moreover, on the average, each respondent submitted a total of approximately five letters concerning consumer protection issues to the Federal government. In addition, more than 40% of the respondents subscribed to at least one consumer protection publication.

Attitudes toward the influence of consumers in FTC rule making. It was interesting to find that although respondents believed that an effective way for the consumer viewpoint to be presented to the FTC was through submission of written comments, they were uncertain about the actual consideration given to consumer comments in the development of the Commission's consumer protection rules. Approximately 60% of the respondents agreed or strongly agreed that: (1) submitting a written comment to the FTC is an effective way for consumers to have a say in consumer protection rule making; and (2) consumers can influence FTC consumer protection rules if they make their views known to the Commission.

In contrast, the greatest proportion of respondents were uncertain about whether FTC agents are concerned with the views of individual consumers. Similarly, nearly 50% of the respondents indicated uncertainty about whether in the development of FTC consumer protection rules, comments submitted by consumers are given as much consideration as those submitted by business firms.

Conclusions

In general, the views of a particular segment, rather than a cross section, of consumers are being presented to the FTC.

Based on the demographic data, the profile of the typical consumer involved in FTC rule making is as follows:

1. a white married female,
2. residence in the Northeast or North Central regions of the United States,
3. 45 years of age or older,
4. with at least some college education,
5. both she and her spouse are employed in professional occupations,
6. with a total family income of \$15,000 or more.

This profile characterized over 50% of the respondents. The demographic findings revealed that comments on FTC consumer protection rule proposals have not been submitted by a representative cross section of the United States population. In general, the views of less affluent, less educated citizens employed in all occupations outside of the professional and managerial ranks are being underrepresented to the FTC. Moreover, the opinions of minority groups are not being presented to the Commission.

Many consumers who participate in FTC rule making are uncertain about the actual consideration given to consumer comments in the development of the Commission's consumer protection rules.

The majority of respondents expressed the belief that submitting written comments to the FTC is an effective way for consumers to have a say in FTC consumer protection decisions. The data suggest, however, that respondents may have been rationalizing their participation in rule making. Nearly one-third of the respondents indicated uncertainty about whether consumers can influence FTC consumer protection rule making by submitting written comments. Moreover, the greatest proportion of respondents were uncertain about whether FTC agents are concerned with the opinions of individual consumers. Furthermore, nearly 50% of the respondents were uncertain about whether comments submitted by consumers are given as much consideration in the development of FTC consumer protection rules as those comments submitted by business firms.

In general, consumers who participate in FTC rule making are dissatisfied with marketing practices.

The data revealed that, in general consumers who participated in FTC rule making held negative attitudes toward marketing. A comparative analysis showed that,

in most cases, consumers who presented their views to the Commission were even more critical of marketing than consumers comprising the nation as a whole. Results of the research indicated generally negative respondent attitudes toward each of the five dimensions of marketing included in the study: adoption of a consumer orientation by business firms, product quality, promotion, after sales service and price. The following paragraphs contain a discussion of each of these areas.

Adoption of a consumer orientation by business firms. It is clear that consumers who participate in FTC rule making do not generally believe that manufacturers have implemented the marketing concept. In contrast, the majority of the respondents believed that "Let the buyer beware" is the guiding philosophy of most manufacturers. Moreover, the overwhelming majority of the respondents believed that manufacturers often shirk their responsibility to the consumer and that most manufacturers are more interested in making profits than in serving consumers.

Product quality. It appears that most consumers who participate in FTC rule making procedures are skeptical about the general quality of products. The majority of respondents believed that the quality of most products has not improved over the past several years. Similarly, over 50% of the respondents believed that manufacturers

deliberately design products which wear out as quickly as possible. The overwhelming majority of the sample of consumers who submitted comments to the FTC on proposed regulations believed that manufacturers often withhold important product improvements from the market to protect their own interests.

Promotion. The overwhelming majority of consumers who participate in FTC rule making are cynical about the honesty of advertising. Approximately three-quarters of the respondents did not believe that manufacturers' advertisements usually present a true picture of the products advertised, and that most product advertising is believable. In addition, the majority of respondents did not believe that advertised products are generally more dependable than unadvertised ones.

After sales service. It appears that although consumers who present their views to the FTC believe that business organizations are becoming more responsive to consumer complaints, these consumers feel that the quality of after sales service must be greatly improved. The majority of respondents believed that manufacturers seem to be more sensitive to consumer complaints now than in the past. Moreover, most respondents believed that business firms generally make a sincere effort to adjust consumer complaints fairly.

The majority of respondents, however, also believed that the procedures followed by most manufacturers in handling complaints and settling consumer grievances are not satisfactory. Further, the majority of respondents did not believe that it is generally easy for consumers to have product problems corrected or that the quality of repair service provided by manufacturers and dealers is getting better.

Prices. Consumers who participate in FTC rule making tend to believe that the prices of consumer goods are unjustified. The greatest proportion of respondents did not believe that in view of current wage rates and income levels, most consumer products are priced fairly. Moreover, the majority of respondents believed that the high prices of consumer goods are caused primarily by wholesale and retail middlemen taking excessive profits.

In general, consumers who participate in FTC rule making advocate increased government intervention to achieve consumer protection.

The data strongly suggest that consumers who are involved in FTC rule making espouse more extensive government activity and increased government regulation to alleviate the problems of consumers. Almost three-fourths of the respondents believed that a Federal Department of

Consumer Protection is needed to protect and promote the interests of consumers. In addition, most respondents believed that the government should test competing brands of products and make results of these tests available to consumers.

Nearly 75% of the respondents believed that the government should set minimum standards of quality for all products sold to consumers. Furthermore, most of the respondents believed that the government should exercise more responsibility for regulating the advertising, sales and marketing activities of manufacturers. In addition, a smaller proportion of respondents than members of the public at large believed that self-regulation by business itself is preferable to stricter control of business by the government.

In general, consumers who participate in FTC rule making view consumer activism as an important force in changing the practices of business.

The overwhelming majority of consumers who present their views to the FTC feel that the consumer movement has been effective in improving industry practices. Over 80% of the respondents expressed the belief that Ralph Nader and the work he has done on behalf of consumers has been an important force in changing the practices of business.

In general, consumers who participate in FTC rule making indicated the need for an expanded role of consumerism in the future.

The data clearly indicated that consumers involved in FTC rule making do not feel that consumerism will diminish in importance. In contrast, the majority of respondents believed that the problems of consumers are extremely important and are more serious now than in the past. Moreover, over 80% of the respondents believed that the exploitation of consumers by business firms deserves more attention than it now receives.

In general, consumers who participate in FTC rule making also engage in other activities related to consumer protection regulation.

It appears that the interest of respondents in consumer protection regulation extends well beyond the submission of a single letter of comment to the FTC. Most respondents reported that they were involved in activities directed at shaping consumer protection legislation and the regulations of other Federal agencies. The typical consumer involved in FTC rule making submitted approximately five letters concerning consumer protection issues to members of the Federal government.

Implications of the Research

Implications for the FTC

The demographic data revealed that comments on FTC consumer protection rule proposals have not been submitted by a representative cross section of the American populace. Underrepresentation of certain segments of the public may be due to many factors such as the lack of awareness of the Federal rule making system and the lack of knowledge about specific rule proposals. It might also be due to a characteristic of uninvolved consumers. Some citizens may not be interested in commenting on consumer protection rule proposals. It seems probable, however, that the less educated, less affluent members of society are not cognizant of the rule making system and the opportunity it presents for consumer participation.

The findings suggest that the FTC should communicate information about the regulatory system to the underrepresented members of the public. An educational program for minority and less educated citizens, for example, might be developed by the Rule Making Division located within the FTC's Bureau of Consumer Protection. This Division might prepare materials which could serve as the basis for news releases issued by the FTC's 11 regional offices. News releases could be sent to the

broadcast and print media which have audiences comprising citizens who are not yet involved in FTC rule making.

The printed materials might, for example, deal with the following topics:

1. The difference between legislation and regulations;
2. The importance of consumer participation in FTC rule making;
3. Provisions of the Magnuson-Moss Warranty-FTC Improvement Act of 1975 which deal with consumer participation in FTC rule making;
4. Media which contain notice of FTC rule proposals; and
5. Case histories documenting the impact which consumer involvement has had on the outcome of final rules promulgated by the FTC.

In addition to informing the public about the FTC rule making system, FTC agents might encourage communication of rule proposals through channels which are aimed at those citizens not presently involved in the regulatory system. Two alternative approaches are suggested to the FTC.

The first approach focuses on the expansion of an activity presently undertaken by the FTC. It was noted in Chapter II that the Commission sends an "FTC Call for Comment"¹ to all organizations and individuals requesting to be on the FTC's mailing list. The FTC might undertake

¹Chapter II contains a detailed description of an "FTC Call for Comment." Briefly, it is a news release summarizing an FTC rule proposal in layman language.

an investigation to determine whether media reaching citizens underrepresented in the Commission's rule making system are included on the mailing list. It may be found that news media, such as local radio stations in low income areas and union newsletters, should be added to the FTC's mailing list.

The second suggestion represents a more novel approach. The FTC might consider the possibility of conducting surveys to obtain consumer comments on rule proposals. Mail questionnaires dealing with specific rule proposals could be sent to a stratified random sample of consumer-citizens. This approach would ensure that individuals representing a cross section of consumers have the opportunity to participate in FTC rule making.

Additional findings of the study suggested that most respondents were not confident that FTC agents considered consumer comments in the development of consumer protection rules. Accompanying several completed questionnaires were comments from respondents indicating that they were pleased and/or surprised to be included in the survey. It seems that prior to the study many respondents were uncertain about whether the FTC had received their letters of comment.

Based on the findings it is suggested that the FTC initiate a program of systematic feedback to consumers who have submitted comments on rule proposals. A form letter sent to all participating consumers would serve to acknowledge receipt of the comments. The FTC might also begin to notify the public about the impact which consumer involvement has had on the outcome of a particular rule. Communication of the actual effect of consumer inputs could take the form of an additional letter sent to all involved citizens, or press releases issued to the print and broadcast media.

Implications for Industry

The findings of this study revealed that consumers who participate in FTC rule making are generally dissatisfied with industry practices. The attitudinal data indicated that these consumers:

1. do not generally believe that industry has adopted a consumer orientation;
2. are dissatisfied with the level of product quality;
3. are cynical about the honesty of advertising;
4. feel that there is a need for improvement in the level of after sales service; and
5. believe that the high prices of consumer products are unjustified.

In addition, consumers who are involved in the FTC rule making system feel that the problems encountered by consumers in the marketplace are becoming increasingly serious and should receive greater attention. Further, it is clear that these consumers will seek protection through increased government legislation and regulations. Findings of the present study strongly suggest that consumers who voice their opinions to Federal administrators will be presenting views which are in conflict with those of industry.

It is recommended that in contrast to merely opposing further government regulation, industry should undertake a positive program of self-regulation. The data suggest that efforts by business to respond voluntarily to the demands of consumers will receive at least some support from consumers. Fifty percent of the respondents believed that self-regulation by business itself was preferable to government regulation.

Based on the findings of this investigation, it is recommended that industry encourage and support research which deals specifically with self-regulation. Industry must grapple with a host of issues related to self-regulation. Answers must be sought to questions such as: Why has self-regulation been forestalled? What are the alternative programs which will achieve effective

self-regulation? What should be the extent of consumer participation in self-regulation programs?

Implications for Future Research

The present research comprised an exploratory study of consumers who have participated in FTC rule making. There is a need for further research focused on other dimensions of consumer involvement in Federal agency rule making.

For example, it is not known whether consumers who are participating in the rule making procedures of other Federal agencies have demographic and attitudinal profiles consistent with the profiles characterizing consumers involved in FTC rule making. Research is needed to determine whether the demographic and attitudinal findings of this study may be generalized to all consumers who participate in Federal agency decision-making.

Research is also needed to determine what motivates consumers to become involved in Federal agency rule making. It was found that respondents did not generally believe that consumer comments are given a great deal of consideration in FTC rule making. To understand and predict the future of citizen involvement in Federal decision-making, it is necessary to explore the motivational base underlying participation in the regulatory process.

Moreover, research is needed to determine the extent to which Federal administrators believe that consumers have an influence in the agencies' rule making systems. Further investigation will also reveal how Federal administrators are handling and reacting to the increased input from consumers.

Objective studies or audits of the Federal agency rule making process are also needed. For example, a content analysis of industry and consumer comments concerning a particular rule could be undertaken. The nature of the inputs could be compared to the outcome of the final consumer protection rule. Additional research will uncover the actual influence which consumers as compared to industry members have in Federal decision-making.

The decision-making process of Federal agency administrators is another area where research is needed. A model representing the decision-making process of Federal agency administrators should be developed. In addition to understanding the Federal decision-making process, a behavioral model may be utilized to predict the outcome of future consumer protection rule proposals.

Some of the unexplored dimensions of consumer participation in Federal rule making have been outlined.

It is through systematic research and scientific investigation that the phenomenon of consumer involvement in Federal agency rule making may be understood. The consumer-Federal agency administrator interface represents a challenging and important area that warrants the serious attention of public policy researchers.

APPENDICES

APPENDIX A

**COVER LETTER AND
FINAL RESEARCH INSTRUMENT**

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
DEPARTMENT OF MARKETING AND
TRANSPORTATION ADMINISTRATION

EAST LANSING • MICHIGAN • 48824

March 2, 1976

Dear Consumer:

My doctoral dissertation focuses on consumer-citizen representation and participation in government rule making. Your written comment submitted to the Federal Trade Commission indicates that you have an interest in participating in government decision-making.

Recently I spent several days in Washington D. C. looking through Federal Trade Commission files of proposed rules. These files, as you know, are available for public inspection. Of particular interest to me were files which included comments from individual citizens regarding proposed consumer protection regulations. At that time I discovered that we share a common concern.

One of my research interests is to recommend ways in which submission of consumer comments to the federal agencies could be increased. Progress toward this end can be made by gathering information from those consumers who are already involved in government rule making. Please take a few minutes of your time to complete the enclosed survey and mail it back in the pre-stamped envelope. You may rest assured that all of your responses will remain anonymous.

Sincerely yours,

Priscilla La Barbera

Priscilla La Barbera
Doctoral Candidate

MICHIGAN STATE UNIVERSITY DOCTORAL DISSERTATION SURVEY OF CONSUMERS
WHO HAVE SUBMITTED COMMENTS TO THE FEDERAL TRADE COMMISSION

P. La Barbera, Department of Marketing, Eppley Center,
Michigan State University, East Lansing, Michigan 48824

The following pages contain a series of statements concerning government regulation, marketing and consumerism. There are no right or wrong answers to any of the questions. The purpose of this survey is to find out how you feel about each statement.

PLEASE READ EACH ITEM BELOW CAREFULLY AND CIRCLE THE RESPONSE THAT BEST EXPRESSES YOUR GENERAL FEELING ABOUT THE STATEMENT. Wherever possible, let your own experience determine your answer. If in doubt, circle the response that most closely corresponds to your present feeling about the statement.

1. The government should test competing brands of products and make results of these tests available to consumers.

Strongly Agree Agree Uncertain Disagree Strongly Disagree

2. The government should set minimum standards of quality for all products sold to consumers.

Strongly Agree Agree Uncertain Disagree Strongly Disagree

3. The government should exercise more responsibility for regulating the advertising, sales and marketing activities of manufacturers.

Strongly Agree Agree Uncertain Disagree Strongly Disagree

4. A Federal Department of Consumer Protection is not needed to protect and promote the interests of consumers.

Strongly Agree Agree Uncertain Disagree Strongly Disagree

5. In general, self-regulation by business itself is preferable to stricter control of business by the government.
Strongly Agree Agree Uncertain Disagree Strongly Disagree
6. Government price control is the most effective way of keeping the prices of consumer products at reasonable levels.
Strongly Agree Agree Uncertain Disagree Strongly Disagree
7. In general, the Federal Trade Commission agent who writes consumer protection rules cares about what individual consumers think.
Strongly Agree Agree Uncertain Disagree Strongly Disagree
8. Submitting a written comment to the Federal Trade Commission is an effective way for consumers to have a say in consumer protection rule making.
Strongly Agree Agree Uncertain Disagree Strongly Disagree
9. Consumers can influence Federal Trade Commission consumer protection decisions if their views are made known to the Commission.
Strongly Agree Agree Uncertain Disagree Strongly Disagree
10. In the development of Federal Trade Commission consumer protection rules, comments submitted by consumers are usually given as much consideration as comments submitted by business firms.
Strongly Agree Agree Uncertain Disagree Strongly Disagree
11. Despite what is frequently said, "Let the buyer beware" is the guiding philosophy of most manufacturers.
Strongly Agree Agree Uncertain Disagree Strongly Disagree
12. Manufacturers seldom shirk their responsibility to the consumer.
Strongly Agree Agree Uncertain Disagree Strongly Disagree

13. Most manufacturers are more interested in making profits than in serving consumers.
- Strongly Agree Agree Uncertain Disagree Strongly Disagree
14. Over the past several years the quality of most products has not improved.
- Strongly Agree Agree Uncertain Disagree Strongly Disagree
15. Manufacturers do not deliberately design products which wear out as quickly as possible.
- Strongly Agree Agree Uncertain Disagree Strongly Disagree
16. Manufacturers often withhold important product improvements from the market in order to protect their own interests.
- Strongly Agree Agree Uncertain Disagree Strongly Disagree
17. Most product advertising is believable.
- Strongly Agree Agree Uncertain Disagree Strongly Disagree
18. Generally, advertised products are more dependable than unadvertised ones.
- Strongly Agree Agree Uncertain Disagree Strongly Disagree
19. Manufacturers' advertisements usually present a true picture of the products advertised.
- Strongly Agree Agree Uncertain Disagree Strongly Disagree
20. The games and contests that manufacturers sponsor to encourage people to buy their products are usually dishonest.
- Strongly Agree Agree Uncertain Disagree Strongly Disagree

21. In general, the quality of repair and maintenance service provided by manufacturers and dealers is getting better.

Strongly Agree Agree Uncertain Disagree Strongly Disagree

22. Generally, product guarantees are backed up by the manufacturers who make them.

Strongly Agree Agree Uncertain Disagree Strongly Disagree

23. Manufacturers seem to be more sensitive to consumer complaints now than they have been in the past.

Strongly Agree Agree Uncertain Disagree Strongly Disagree

24. When consumers have problems with products they have purchased, it is usually easy to get them corrected.

Strongly Agree Agree Uncertain Disagree Strongly Disagree

25. Most business firms make a sincere effort to adjust consumer complaints fairly.

Strongly Agree Agree Uncertain Disagree Strongly Disagree

26. From the consumer's viewpoint the procedures followed by most manufacturers in handling complaints and settling grievances of consumers are not satisfactory.

Strongly Agree Agree Uncertain Disagree Strongly Disagree

27. High prices of consumer goods are caused primarily by wholesale and retail middlemen taking excessive profits.

Strongly Agree Agree Uncertain Disagree Strongly Disagree

28. Considering wage rates and income levels today, most consumer products are priced fairly.

Strongly Agree Agree Uncertain Disagree Strongly Disagree

29. The problems of consumers are less serious now than in the past.
Strongly Agree Agree Uncertain Disagree Strongly Disagree
30. The information needed to become a well-informed consumer is already available to most people.
Strongly Agree Agree Uncertain Disagree Strongly Disagree
31. The problems of the consumer are relatively unimportant when compared with the other questions and issues faced by the average family.
Strongly Agree Agree Uncertain Disagree Strongly Disagree
32. Consumerism or the consumer crusade has not been an important factor in changing the practices of business.
Strongly Agree Agree Uncertain Disagree Strongly Disagree
33. Ralph Nader and the work he has done on behalf of consumers has been an important force in changing the practices of business.
Strongly Agree Agree Uncertain Disagree Strongly Disagree
34. The exploitation of consumers by business firms deserves more attention than it receives.
Strongly Agree Agree Uncertain Disagree Strongly Disagree

Now it would be helpful to gather some information about you to help me in this project.

35. Please check the proposal(s) for which you have submitted a written comment to the Federal Trade Commission.

Proposal to regulate the advertising and labeling of protein supplements	<input type="checkbox"/>
Proposal to regulate the advertisement of children's premiums on television	<input type="checkbox"/>
Proposal to regulate the hearing aid industry	<input type="checkbox"/>
Proposal to permit drug stores to advertise prescription drug prices	<input type="checkbox"/>
Proposal to regulate mobile home sales and services	<input type="checkbox"/>
Proposal to set standards for nutrition claims in food advertising	<input type="checkbox"/>
Proposal to make warranties more understandable	<input type="checkbox"/>
Proposal to regulate the funeral industry	<input type="checkbox"/>
Proposal to protect consumers from unreasonable collection practices when they borrow money or make installment purchases	<input type="checkbox"/>
Proposal to regulate health spas	<input type="checkbox"/>

36. How many times have you submitted comments to the Federal Trade Commission in reference to proposed consumer protection rules?

Once <input type="checkbox"/>	Three times <input type="checkbox"/>	Five or more times <input type="checkbox"/>
Twice <input type="checkbox"/>	Four times <input type="checkbox"/>	

37. How many times have you submitted comments to Federal agencies other than the Federal Trade Commission in reference to proposed consumer protection rules?

Never <input type="checkbox"/>	Twice <input type="checkbox"/>	Four times <input type="checkbox"/>
Once <input type="checkbox"/>	Three times <input type="checkbox"/>	Five or more times <input type="checkbox"/>

38. How many times have you written to Congressmen concerning the subject of consumer protection?

Never <input type="checkbox"/>	Twice <input type="checkbox"/>	Four times <input type="checkbox"/>
Once <input type="checkbox"/>	Three times <input type="checkbox"/>	Five or more times <input type="checkbox"/>

39. Please check the block that corresponds to the number of consumer protection publications to which you subscribe.

None	<input type="checkbox"/>	Two	<input type="checkbox"/>	Four	<input type="checkbox"/>
One	<input type="checkbox"/>	Three	<input type="checkbox"/>	Five or more	<input type="checkbox"/>

40. Please check the block that corresponds to your age.

Under 17 years	<input type="checkbox"/>	25-34 years	<input type="checkbox"/>	55-64 years	<input type="checkbox"/>
18-21 years	<input type="checkbox"/>	35-44 years	<input type="checkbox"/>	65 years and over	<input type="checkbox"/>
22-24 years	<input type="checkbox"/>	45-54 years	<input type="checkbox"/>		

41. Please check the block that corresponds to the highest grade level you have achieved.

Less than eighth grade	<input type="checkbox"/>	1-3 years of college	<input type="checkbox"/>
Eighth grade	<input type="checkbox"/>	College graduate	<input type="checkbox"/>
1-3 years of high school	<input type="checkbox"/>	Some graduate training	<input type="checkbox"/>
High School graduate	<input type="checkbox"/>	Post graduate degree	<input type="checkbox"/>

42. Please check the block that corresponds to your total gross family income.

Less than \$4,999	<input type="checkbox"/>	\$10,000-\$14,999	<input type="checkbox"/>
\$5,000-\$5,999	<input type="checkbox"/>	\$15,000-\$24,999	<input type="checkbox"/>
\$6,000-\$6,999	<input type="checkbox"/>	\$25,000-\$49,999	<input type="checkbox"/>
\$7,000-\$9,999	<input type="checkbox"/>	\$50,000 and over	<input type="checkbox"/>

43. Please check the block that corresponds to your race.

White	<input type="checkbox"/>	Indian	<input type="checkbox"/>	Chinese	<input type="checkbox"/>
Negro	<input type="checkbox"/>	Japanese	<input type="checkbox"/>	Filipino	<input type="checkbox"/>
		Other	<input type="checkbox"/>		

44. Please check the block that corresponds to your sex.

Male	<input type="checkbox"/>	Female	<input type="checkbox"/>
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45. Please check the block that corresponds to your marital status.

Married	<input type="checkbox"/>	Separated or Divorced	<input type="checkbox"/>
Single	<input type="checkbox"/>	Widow/Widower	<input type="checkbox"/>

46. Please check the block that corresponds to the geographic region in which you reside.

Northeast	<input type="checkbox"/>	South	<input type="checkbox"/>
North Central	<input type="checkbox"/>	West	<input type="checkbox"/>

47. Please check the block that corresponds to the occupation of the head of your household.

Professional or technical worker	<input type="checkbox"/>
Manager or administrator (excluding farm managers)	<input type="checkbox"/>
Salesworker	<input type="checkbox"/>
Clerical worker	<input type="checkbox"/>
Craftsman or kindred worker	<input type="checkbox"/>
Operative	<input type="checkbox"/>
Nonfarm laborer	<input type="checkbox"/>
Service worker	<input type="checkbox"/>
Farmer or farm manager	<input type="checkbox"/>
Farm laborer or farm foreman	<input type="checkbox"/>
Student	<input type="checkbox"/>
Retired	<input type="checkbox"/>
Unemployed	<input type="checkbox"/>
Deceased	<input type="checkbox"/>

48. If you are not the head of your household, please check the block that corresponds to your occupation.

Professional or technical worker	<input type="checkbox"/>
Manager or administrator (excluding farm managers)	<input type="checkbox"/>
Salesworker	<input type="checkbox"/>
Clerical worker	<input type="checkbox"/>
Craftsman or kindred worker	<input type="checkbox"/>
Operative	<input type="checkbox"/>
Nonfarm laborer	<input type="checkbox"/>
Service worker	<input type="checkbox"/>
Farmer or farm manager	<input type="checkbox"/>
Farm laborer or farm foreman	<input type="checkbox"/>
Unemployed	<input type="checkbox"/>
Housewife	<input type="checkbox"/>
Retired	<input type="checkbox"/>
Student	<input type="checkbox"/>

Thank you for your cooperation in this survey. Please use the enclosed stamped envelope in returning the survey to me.

APPENDIX B

KOLMOGOROV-SMIRNOV ONE-SAMPLE TWO-TAILED TEST

APPENDIX B

KOLMOGOROV-SMIRNOV ONE-SAMPLE

TWO-TAILED TEST

The Kolmogorov-Smirnov one-sample two-tailed test is a test of goodness of fit which takes advantage of the ordinal nature of data. In all cases to which it is applicable, the Kolmogorov test seems to be the most powerful goodness of fit nonparametric statistical test available.¹

The Smirnov test focuses on the degree of agreement between the distribution of a set of sample values and some specified theoretical distribution. In this case, the set of sample values refers to the distribution of responses by the FTC sample and the national sample to each of the 30 Likert statements dealing with attitudes toward marketing, government regulation and consumerism. The theoretical distribution refers to a distribution of responses which reflects no difference in the frequency of responses between categories (i.e., one-fifth of each sample falls into one of the five response categories). The Smirnov test is concerned with whether the scores for the samples

¹Sidney Siegel, Nonparametric Statistics for the Behavioral Sciences (New York: McGraw-Hill Book Co., 1956), p. 59.

can reasonably be thought to have come from populations having the theoretical distributions.

The null hypothesis states that for each sample there is no difference between the frequency of responses to each of the five categories (i.e., "strongly agree," "agree," "uncertain," "disagree," and "strongly disagree"), and any observed differences are chance variations to be expected in a random sample from the populations where the frequencies corresponding to each response category are all equal. The alternate hypothesis states that the frequencies of responses are not equal.

The procedure utilized to compute the Kolmogorov-Smirnov test for each of the two samples was:

1. The theoretical cumulative step function, i.e., the cumulative distribution expected under the null hypothesis was specified. Since under H_0 there is no difference between the frequency of responses to each of the five response categories, the theoretical cumulative distribution was 20%, 40%, 60%, 80% and 100% corresponding to intervals of "Strongly Agree," "Agree," "Uncertain," "Disagree," and "Strongly Disagree."
2. The observed sample scores were arranged in a cumulative distribution so that each interval of the observed score was paired with the same interval of the theoretical score.
3. For each step on the cumulative distributions, the observed score was subtracted from the theoretical score. The maximum absolute difference (calculated Kolmogorov-Smirnov statistic) was determined by inspection.

4. The calculated Kolmogorov-Smirnov statistic was compared with the critical value of the statistic. For a sample size greater than 35 and for a .01 level of significance the critical value is:

$$\frac{1.63}{\sqrt{N}}$$

where N = sample size.

N = 350 in the present study and N = 697 in the Barksdale et al. study.

$$\text{For } N = 350, \quad \frac{1.63}{\sqrt{N}} = \frac{1.63}{18.71} = .087$$

$$\text{For } N = 697, \quad \frac{1.63}{\sqrt{N}} = \frac{1.63}{26.40} = .062$$

5. Since the calculated Kolmogorov-Smirnov statistic ranged from .100 to .407 in the present study and from .107 to .379 in the Barksdale et al. study, the null hypothesis was rejected at the .01 level for each of the 30 Likert statements.

APPENDIX C

KOLMOGOROV-SMIRNOV TWO-SAMPLE ONE-TAILED TEST

APPENDIX C

KOLMOGOROV-SMIRNOV TWO-SAMPLE

ONE-TAILED TEST

The Kolmogorov-Smirnov two-sample one-tailed test is used to determine whether the values of the population from which one of the samples was drawn are stochastically larger than the values from which the other sample was drawn.¹ This test, therefore, was used in the present study to decide whether the "FTC" sample held more negative (positive) attitudes toward marketing, government regulation and consumerism than the national sample.

Underlying the Smirnov test are two assumptions. First, an ordinal level of measurement is assumed. Second, it is assumed that the samples are random and independent. Both assumptions were met in this study. The Smirnov test is better than the chi-square goodness of fit test for ordinal data since it is more powerful in almost all cases.²

¹Sidney Siegel, Nonparametric Statistics for the Behavioral Sciences (New York: McGraw-Hill Book Co., 1956), pp. 127-136.

²William L. Hays and Robert L. Winkler, Statistics: Probability, Inference and Decision, Vol. 2 (New York: Holt, Rinehart and Winston, 1970), p. 224.

The test is based on differences, in the predicted direction, between the cumulative frequency distributions of the two samples. If the two samples have been drawn from the same population distribution, then the cumulative distributions of both samples may be expected to be fairly close to each other indicating only random deviations from the population distribution. In contrast, if the two sample cumulative distributions differ significantly in the predicted direction, this suggests that the samples come from different populations.

The null hypothesis states that the two samples have been drawn from the same population. This hypothesis is tested against the alternative hypothesis that the values of the population from which one of the samples was drawn are stochastically larger than the values of the population from which the other sample was drawn.

The procedure followed in the use of the Kolmogorov-Smirnov two-sample, one-tailed test is outlined:

1. Each of the two groups (that is, the "FTC" sample and the national sample) of scores were arranged in a cumulative frequency distribution using the same intervals (i.e., "strongly agree," "agree," "uncertain," "disagree," and "strongly disagree") for both distributions.
2. The difference between the two-sample cumulative distributions was determined at each listed point.

3. The largest of these differences in the predicted direction was determined by inspection.
4. The significance of the observed difference was determined by solving the following formula:

$$\text{Kolmogorov-Smirnov statistic} = \frac{4D^2 (n_1 \cdot n_2)}{(n_1 + n_2)}$$

where:

D = observed maximum difference in the predicted direction of the two cumulative distributions

n_1 = size of FTC sample (350)

n_2 = size of national sample (697)

and referring to the chi-square distribution with degrees of freedom equal to two.¹

5. If the observed value was equal to or larger than that given in the chi-square table for the .10 level of significance, the null hypothesis was rejected.

The relevant section of the table of critical values of chi-square is as follows:²

¹It has been shown that:

$$\frac{4D^2 (n_1 \cdot n_2)}{(n_1 + n_2)}$$

has a sampling distribution which is approximated by the chi-square distribution with $df = 2$. See L. A. Goodman, "Kolmogorov-Smirnov Tests for Psychological Research," Psychology Bulletin 51 (1954): 160-168.

²Siegel, Nonparametric Statistics, p. 249.

Degrees of Freedom	Probability Under H_0 that Kolmogorov-Smirnov Statistic = Chi-Square				
	.10	.05	.02	.01	.001
2	4.60	5.99	7.82	9.21	13.82

APPENDIX D

CALCULATIONS FOR KOLMOGOROV-SMIRNOV

ONE-SAMPLE TWO-TAILED TESTS

APPENDIX D

CALCULATIONS FOR KOLMOGOROV-SMIRNOV

ONE-SAMPLE TWO-TAILED TESTS

In this study the Kolmogorov-Smirnov one-sample test was also used to determine the significance of Likert statements dealing with consumer influence in FTC rule making. The set of sample values in this situation refers to the distribution of responses by the FTC sample to each of the four Likert statements. The theoretical distribution refers to a distribution of responses which reflects no difference in the frequency of responses between categories (i.e., one-fifth of the sample falls into each of the five response categories).

The calculated Kolmogorov-Smirnov statistic was compared with the critical value of the statistic. For a sample size greater than 35 and for a .01 level of significance the critical value is: $\frac{1.63}{\sqrt{N}}$ where N = sample size. Due to missing data, the sample size ranged from 348 to 349.

$$\text{For } N = 348, \quad \frac{1.63}{\sqrt{N}} = \frac{1.63}{18.65} = .08739$$

$$\text{For } N = 349, \quad \frac{1.63}{\sqrt{N}} = \frac{1.63}{18.68} = .08725.$$

Since the calculated Kolmogorov-Smirnov statistic ranged from .156 to .326, the null hypothesis was rejected at the .01 level for each of the four Likert statements.

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