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TO ALL NEWSPAPERS, RADIO AND TV STATIONS

March 14, 1962

Office of the White House Press Secretary

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Pierre Salinger
White House Press Secretary

THE WHITE HOUSE

SPECIAL MESSAGE ON PROTECTING THE CONSUMER INTEREST

TO THE CONGRESS OF THE UNITED STATES:

Consumers, by definition, include us all. They are the largest economic group in the economy, affecting and affected by almost every public and private economic decision. Two-thirds of all spending in the economy is by consumers. But they are the only important group in the economy who are not effectively organized, whose views are often not heard.

The Federal Government -- by nature the highest spokesman for all the people -- has a special obligation to be alert to the consumer's needs and to advance the consumer's interests. Ever since legislation was enacted in 1872 to protect the consumer from frauds involving use of the U.S. mail, the Congress and Executive Branch have been increasingly aware of their responsibility to make certain that our Nation's economy fairly and adequately serves consumers' interests.

In the main, it has served them extremely well. Each succeeding generation has enjoyed both higher income and a greater variety of goods and services. As a result our standard of living is the highest in the world -- and, in less than 20 years, it should rise an additional 50 percent.

Fortunate as we are, we nevertheless cannot afford waste in consumption any more than we can afford inefficiency in business or Government. If consumers are offered inferior products, if prices are exorbitant, if drugs are unsafe or worthless, if the consumer is unable to choose on an informed basis, then his dollar is wasted, his health and safety may be threatened, and the national interest suffers. On the other hand, increased efforts to make the best possible use of their incomes can contribute more to the well-being of most families than equivalent efforts to raise their incomes.

The march of technology -- affecting, for example, the foods we eat, the medicines we take, and the many appliances we use in our homes -- has increased the difficulties of the consumer along with his opportunities; and it has outmoded many of the old laws and regulations and made new legislation necessary. The typical supermarket before World War II stocked about 1,500 separate food items -- an impressive figure by any standard.

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But today it carries over 6,000. Ninety percent of the prescriptions written today are for drugs that were unknown 20 years ago. Many of the new products used every day in the home are highly complex. The housewife is called upon to be an amateur electrician, mechanic, chemist, toxicologist, dietitian, and mathematician -- but she is rarely furnished the information she needs to perform these tasks proficiently.

Marketing is increasingly impersonal. Consumer choice is influenced by mass advertising utilizing highly developed arts of persuasion. The consumer typically cannot know whether drug preparations meet minimum standards of safety, quality, and efficacy. He usually does not know how much he pays for consumer credit; whether one prepared food has more nutritional value than another; whether the performance of a product will in fact meet his needs; or whether the "large economy size" is really a bargain.

Nearly all of the programs offered by this Administration -- e. g., the expansion of world trade, the improvement of medical care, the reduction of passenger taxes, the strengthening of mass transit, the development of conservation and recreation areas and low-cost power -- are of direct or inherent importance to consumers. Additional legislative and administrative action is required, however, if the Federal Government is to meet its responsibility to consumers in the exercise of their rights. These rights include:

(1) The right to safety -- to be protected against the marketing of goods which are hazardous to health or life.

(2) The right to be informed -- to be protected against fraudulent, deceitful, or grossly misleading information, advertising, labeling, or other practices, and to be given the facts he needs to make an informed choice.

(3) The right to choose -- to be assured, wherever possible, access to a variety of products and services at competitive prices; and in those industries in which competition is not workable and Government regulation is substituted, an assurance of satisfactory quality and service at fair prices.

(4) The right to be heard -- to be assured that consumer interests will receive full and sympathetic consideration in the formulation of Government policy, and fair and expeditious treatment in its administrative tribunals.

To promote the fuller realization of these consumer rights, it is necessary that existing Government programs be strengthened, that Government organization be improved, and, in certain areas, that new legislation be enacted.

I. Strengthening of Existing Programs

This Administration has sponsored a wide range of specific actions to strengthen existing programs. Major progress has already been achieved or is in prospect in several important areas. And the 1963 budget includes recommendations to improve the effectiveness of almost every major program of consumer protection.

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(1) Food and drug protection. Thousands of common household items now available to consumers contain potentially harmful substances. Hundreds of new uses for such products as food additives, food colorings and pesticides are found every year, adding new potential hazards. To provide better protection and law enforcement in this vital area, I have recommended a 25 percent increase in staff for the Food and Drug Administration in the budget now pending before the Congress, the largest single increase in the agency's history. In addition, to assure more effective registration of pesticides, a new division has been established in the Department of Agriculture; and increased appropriations have been requested for pesticide regulation and for meat and poultry inspection activities.

(2) Safer transportation. As Americans make more use of highway and air transportation than any other nation, increased speed and congestion have required us to take special safety measures.

-- The Federal Aviation Agency has reexamined the Nation's air traffic control requirements and is designing an improved system to enhance the safety and efficiency of future air traffic.

-- The Secretary of Commerce has established an Office of Highway Safety in the Bureau of Public Roads to promote public support of highway safety standards, coordinate use of highway safety research findings and encourage cooperation of State and local governments, industry, and allied groups -- the Department of Health, Education, and Welfare is likewise strengthening its accident prevention work -- and the Interstate Commerce Commission is strengthening its enforcement of safety requirements for motor carriers.

-- In addition, I am requesting the Departments of Commerce and of Health, Education, and Welfare, to review, with representatives of the automobile industry, those changes in automobile design and equipment which will help reduce the unconscionable toll of human life on the highways and the pollution of the air we breathe. Additional legislation does not appear required at this time in view of the automobile industry's action to incorporate in the new model design changes which will reduce air pollution.

(3) Financial protection. Important steps are being taken to help assure more adequate protection for the savings that prudent consumers lay aside for the future purchase of costly items, for the rainy day, for their children's education, or to meet their retirement needs.

-- Legislation enacted last year has strengthened the insurance program of the Federal Savings and Loan Insurance Corporation.

-- The Securities and Exchange Commission has undertaken at the request of the Congress a major investigation of the securities market which should provide the basis for later legislation and administrative measures.

-- The Postmaster General and the Department of Justice have stepped up enforcement of the mail fraud statutes. Arrests for mail fraud last year set an all-time record; and convictions increased by 35 percent over the previous year.

(4) More effective regulation. The independent regulatory agencies also report increased emphasis on programs directly helpful to consumers.

-- The Interstate Commerce Commission has instituted proceedings designed to prevent excessive charges for moving household goods in interstate commerce.

-- The Civil Aeronautics Board has recently taken action to protect air travellers from abuses of overbooking.

-- The Federal Trade Commission has intensified its actions against deceptive trade practices and false advertising affecting a variety of goods, including refrigerators, house paint, sewing machines, vacuum cleaners, kitchen utensils, food wrapping, and carpets.

-- The Federal Power Commission is initiating a vigorous program to assure consumers of reasonable natural gas prices while assuring them of adequate supplies -- revitalizing all of its regulatory programs in the electric power field -- and undertaking a national power survey designed to identify ways of bringing down power costs in the decades ahead by making the best possible use of our capital and energy resources; and I recommend that the Congress enact legislation and make available funds to enable the Commission to provide for 34 million natural gas consumers the information similar to that now provided electrical consumers on typical bills in various areas, thus spotlighting abnormally high rates and stimulating better industry performance.

-- The Federal Communications Commission is actively reviewing the television network program selection process and encouraging the expanded development of educational television stations; and it will also step up in fiscal year 1963 its enforcement program to prevent interference with air navigation signals, distress calls, and other uses of radio important to public safety.

-- For all of the major regulatory agencies, I am recommending increased appropriations for 1963 to provide the increased staff necessary for more effective protection of the consumer and public interest.

-- Of the important changes in agency organizational procedure recommended last year to eliminate delays and strengthen decision-making, the great majority have been authorized by reorganization plans or legislation and are being put into practice by agency heads; and, to permit similar improvements in the operations of the Securities and Exchange Commission and the Federal Power Commission through greater delegation of assignments, I recommend enactment this year of legislation along the lines of S. 2135 for the SEC and S. 1605 and H. R. 6956 for the FPC.

(5) Housing costs and quality. The largest purchase most consumers make in their lifetimes is a home. In the past year, significant steps have been taken to reduce the cost of financing housing and to improve housing quality. The level of interest rates and other charges on mortgage loans has been reduced by a variety of Federal actions. Under authority provided by the Housing Act of 1961, new programs have been started (a) to encourage experimental construction methods likely to develop better housing at lower cost, (b) to provide lower interest rates and longer maturities on loans for rehabilitation of existing housing, (c) to provide especially low cost rental housing for moderate income families, and (d) to provide housing for domestic farm labor. The same legislation also authorized demonstration grants to develop better methods of providing housing for low income families.

(6) Consumer information and research -- and consumer representation in Government. Government can help consumers to help themselves by developing and making available reliable information.

-- The Housing and Home Finance Agency will undertake, under the budget proposed for fiscal 1963, new studies to discover ways of reducing monthly housing expenses, lowering the cost of land for home building, and minimizing financing charges.

-- The Department of Agriculture is undertaking similar research designed to help raise rural housing standards and reduce costs.

-- The Food and Drug Administration will expand its Consumer Consultant Program which, together with the home demonstration program of the Agriculture Extension Service, now provides valuable information directly to consumers on product trends, food standards and protection guides.

-- The Bureau of Labor Statistics is now conducting a nationwide survey of consumer expenditures, income, and savings, which will be used to update the widely-used Consumer Price Index and to prepare model family budgets.

-- Too little has been done to make available to consumers the results of pertinent government research. In addition to the types of studies mentioned above, many agencies are engaged -- as aids to those principally concerned with their activities, in cooperation with industry or for Federal procurement purposes -- in testing the performance of certain products, developing standards and specifications and assembling a wide range of related information which would be of immense use to consumers and consumer organizations. The beneficial results of these efforts -- in the Departments of Agriculture, Commerce, Defense, and Health, Education and Welfare, and in the General Services Administration and other agencies -- should be more widely published. This is but one part of a wider problem: the failure of governmental machinery to assure specific consideration of the consumer's needs and point of view. With this in mind, I am directing:

--- First, that the Council of Economic Advisers create a Consumers' Advisory Council, to examine and provide advice to the government on issues of broad economic policy, on governmental programs protecting consumer needs, and on needed improvements in the flow of consumer research material to the public; this Consumers' Council will also give interested individuals and organizations a voice in these matters;

--- Second, that the head of each Federal agency whose activities bear significantly on consumer welfare designate a special assistant in his office to advise and assist him in assuring adequate and effective attention to consumer interests in the work of the agency, to act as liaison with consumer and related organizations, and to place increased emphasis on preparing and making available pertinent research findings for consumers in clear and useable form; and

--- Third, that the Postmaster General undertake a pilot program by displaying, in at least 100 selected post offices, samples of publications useful to consumers and by providing facilities for the easier purchase of such publications.

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II. New Legislative authority for Added Consumer Protection

In addition to the foregoing measures, new legislative authority is also essential to advance and protect the consumer interest.

(A) Strengthen regulatory authority over foods and drugs.

The successful development of more than 9,000 new drugs in the last 25 years has saved countless lives and relieved millions of victims of acute and chronic illnesses. However, new drugs are being placed on the market with no requirement that there be either advance proof that they will be effective in treating the diseases and conditions for which they are recommended or the prompt reporting of adverse reactions. These new drugs present greater hazards as well as greater potential benefits than ever before -- for they are widely used, they are often very potent, and they are promoted by aggressive sales campaigns that may tend to overstate their merits and fail to indicate the risks involved in their use. For example, over 20 percent of the new drugs listed since 1956 in the publication New and Non-Official Drugs were found, upon being tested, to be incapable of sustaining one or more of their sponsor's claims regarding their therapeutic effect. There is no way of measuring the needless suffering, the money innocently squandered, and the protraction of illnesses resulting from the use of such ineffective drugs.

The physician and consumer should have the assurance, from an impartial scientific source, that any drug or therapeutic device on the market today is safe and effective for its intended use; that it has the strength and quality represented; and that the accompanying promotional material tells the full story -- its bad effects as well as its good. They should be able to identify the drug by a simple, common name in order to avoid confusion and to enable the purchaser to buy the quality drugs he actually needs at the lowest competitive price.

Existing law gives no such assurance to the consumer -- a fact highlighted by the thoroughgoing investigation led by Senator Kefauver. It is time to give American men, women and children the same protection we have been giving hogs, sheep and cattle since 1913, under an act forbidding the marketing of worthless serums and other drugs for the treatment of these animals.

There are other problems to meet in this area:

-- An extensive underground traffic exists in habit-forming barbiturates (sedatives) and amphetamines (stimulants). Because of inadequate supervision over distribution, these drugs are contributing to accidents, to juvenile delinquency and to crime.

-- Two billion dollars worth of cosmetics are marketed yearly, many without adequate safety testing. Thousands of women have suffered burns and other injuries to the eyes, skin and hair by untested or inadequately tested beauty aids.

-- Factory inspections now authorized by the pure food and drug laws are seriously hampered by the fact that the law does not clearly require the manufacturer to allow inspection of certain records. An uncooperative small minority of manufacturers can engage in a game of hide-and-seek with the Government in order to avoid adequate inspection. But protection of the public health is not a game. It is of vital importance to each and every citizen.

-- A fifth of all the meat slaughtered in the United States is not now inspected by the Department of Agriculture, because the coverage of the Meat Inspection Act is restricted to meat products moving across state lines. This incomplete coverage contributes to the diversion of un-healthy animals to processing channels where the products are uninspected and can, therefore, be a threat to human health.

In short, existing laws in the food, drug, and cosmetic area are inadequate to assure the necessary protection the American consumer deserves. To overcome these serious statutory gaps, I recommend:

(1) First, legislation to strengthen and broaden existing laws in the food and drug field to provide Consumers with better, safer, and less expensive drugs, by authorizing the Department of Health, Education, and Welfare to:

- (a) Require a showing that new drugs and therapeutic devices are effective for their intended use -- as well as safe -- before they are placed on the market;
- (b) Withdraw approval of any such drug or device when there is substantial doubt as to its safety or efficacy, and require manufacturers to report any information bearing on its safety or efficacy;
- (c) Require drug and therapeutic device manufacturers to maintain facilities and controls that will assure the reliability of their product;
- (d) Require batch-by-batch testing and certification of all antibiotics;
- (e) Assign simple common names to drugs;
- (f) Establish an enforceable system of preventing the illicit distribution of habit-forming barbiturates and amphetamines;
- (g) Require cosmetics to be tested and proved safe before they are marketed; and
- (h) Institute more effective inspection to determine whether food, drug, cosmetics, and therapeutic devices are being manufactured and marketed in accordance with the law;

(2) Second, legislation to authorize the Federal Trade Commission to require that advertising of prescription drugs directed to physicians disclose the ingredients, the efficacy, and the adverse effects of such drugs; and

(3) Third, legislation to broaden the coverage of the Meat Inspection Act administered by the Department of Agriculture, to promote adequate inspection -- in cooperation with the States and industry -- of all meat slaughtered in the United States.

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(B) Require "truth in lending".

Consumer debt outstanding, including mortgage credit, has almost tripled in the last decade and now totals well over \$200 billion. Its widespread availability has given consumers more flexibility in the timing of their purchases. But, in many instances, serious abuses have occurred. Under the chairmanship of Senator Douglas, a subcommittee of the Senate Banking and Currency Committee has been conducting a detailed examination of such abuses. The testimony received shows a clear need for protection of consumers against charges of interest rates and fees far higher than apparent without any real knowledge on the part of the borrowers of the true amounts they are being charged. Purchasers of used cars in one study, for example, paid interest charges averaging 25 percent a year, and ranging well above this; yet very few were aware of how much they were actually paying for credit.

Excessive and untimely use of credit arising out of ignorance of its true cost is harmful both to the stability of the economy and to the welfare of the public. Legislation should therefore be enacted requiring lenders and vendors to disclose to borrowers in advance the actual amounts and rates which they will be paying for credit. Such legislation, similar in this sense to the "Truth-in-Securities" laws of 1933-34, would not control prices or charges. But it would require full disclosure to installment buyers and other prospective credit users, and thus permit consumers to make informed decisions before signing on the dotted line. Inasmuch as the specific credit practices which such a bill would be designed to correct are closely related to and often combined with other types of misleading trade practices which the Federal Trade Commission is already regulating, I recommend that enforcement of the new authority be assigned to the Commission. The Government agencies most concerned in this area have been cooperating with the subcommittee in developing the information necessary to prepare a workable and effective bill; and in view of the exhaustive hearings already held, I hope that the Congress can complete action on this important matter before it adjourns.

(C) Manufacture of all-channel television sets

Five out of six home television receivers today are equipped to receive programs on only the 12 very-high frequency (VHF) channels. As a result, in most areas, stations desiring to operate on any of the 70 ultra-high frequency (UHF) channels would usually have such small audiences that there is little incentive to make the substantial initial investment and continuing expenditures that effective broadcasting requires. The result is a sharply restricted choice for consumers.

After extensive study, the Federal Communications Commission has concluded that an effective and genuinely competitive nationwide television service, with adequate provision for local outlets and educational stations, is not possible within the narrow confines of 12 VHF channels. Legislation now before the Congress would authorize the Commission to prescribe the performance characteristics of all new television receivers shipped in interstate commerce to assure that they can receive both VHF and UHF signals. I strongly urge its passage as the most economical and practical method of broadening the range of programs available. This step, together with the Federal aid for construction of educational television stations which is nearing final passage by the Congress, will speed the full realization of television's great potential.

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(D) Strengthen laws promoting competition and prohibiting monopoly.

The most basic and long-standing protections for the right of consumers, to a choice at a competitive price, are the various laws designed to assure effective competition and to prevent monopoly. The Sherman Act of 1890, the Clayton Act of 1914, and many related laws are the strongest shields the consumer possesses against the growth of unchecked monopoly power. In addition to the measure now nearing final passage which would provide subpoena powers for civil as well as criminal anti-trust investigations, several other improvements are needed:

(1) The Federal Trade Commission should be empowered to issue temporary cease-and-desist orders against the continuance of unfair competitive practices while cases concerned with permanent relief from such practices are pending before the Commission. Under the present law, smaller competitors may be driven into bankruptcy or forced to accept merger on adverse terms long before present remedies become effective, thus reducing the competitive safeguards vital for the consumer. Similarly, deceptive trade practices in consumer goods may do their damage long before the Commission can "lock the barn door." I, therefore, reiterate my previous recommendation that the Congress give prompt consideration to effective legislation to accomplish this purpose.

(2) The consumer's right to a reasonable price can also be adversely affected by mergers of two business firms which substantially reduce effective competition. As in the case of unfair methods of competition, damage once done is often irreparable, and the Government, acting through the courts, cannot readily restore the degree of competition existing prior to the merger. Accordingly, I strongly recommend enactment of legislation to require reasonable advance notice to the Department of Justice and to the appropriate Commission or Board of any merger expected to result in a firm of substantial size. This will enable the businessman to obtain advice in advance, without litigation, as to whether a proposed merger would be regarded as contrary to the public interest. In addition, along with the recommended authority for the FTC to issue cease-and-desist orders, it is an essential safeguard against combinations which might cause unwarranted increases in consumer prices.

(3) In view of the potentially anti-competitive abuses to which the use of patents and trademarks are by nature subject, I recommend

-- enactment of legislation requiring publication of the terms of all settlement agreements between different persons applying for patent rights on the same invention -- for recent hearings have shown that such agreements may include features designed to weaken future competition at the expense of the consumer; and

-- enactment of legislation authorizing the FTC to apply for the cancellation of any trademark which is, or becomes, the common descriptive name of an article and thus should be in the public domain. While a competitor has such a right today, it is important -- if the FTC is to have clear authority to halt this kind of unfair commercial advantage -- that the Senate insert this provision in its review of trademark legislation (H. R. 4333) already approved by the House.

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(E) "Truth in packaging." Just as consumers have the right to know what is in their credit contract, so also do they have the right to know what is in the package they buy. Senator Hart and his subcommittee are to be commended for the important investigation they are now conducting into packaging and labelling practices.

In our modern society good packaging meets many consumer needs, among them convenience, freshness, safety and attractive appearance. But often in recent years, as the hearings have demonstrated, these benefits have been accompanied by practices which frustrate the consumer's efforts to get the best value for his dollar. In many cases the label seems designed to conceal rather than to reveal the true contents of the package. Sometimes the consumer cannot readily ascertain the net amount of the product, or the ratio of solid contents to air. Frequently he cannot readily compute the comparative costs per unit of different brands packed in odd sizes, or of the same brand in large, giant, king size, or jumbo packages. And he may not realize that changes in the customary size or shape of the package may account for apparent bargains, or that "cents-off" promotions are often not real savings.

Misleading, fraudulent or unhelpful practices such as these are clearly incompatible with the efficient and equitable functioning of our free competitive economy. Under our system, consumers have a right to expect that packages will carry reliable and readily useable information about their contents. And those manufacturers whose products are sold in such packages have a right to expect that their competitors will be required to adhere to the same standards. Upon completion of our own survey of these packaging and labelling abuses, in full cooperation with the Senate Subcommittee, I shall make recommendations as to the appropriate roles of private business and the Federal Government in improving packaging standards and achieving more specific disclosure of the quantity and ingredients of the product inside the package in a form convenient to and useable by the consumer.

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As all of us are consumers, these actions and proposals in the interest of consumers are in the interest of us all. The budgetary investment required by these programs is very modest -- but they can yield rich dividends in strengthening our free competitive economy, our standard of living and health and our traditionally high ethical patterns of business conduct. Fair competition aids both business and consumer.

It is my hope that this Message, and the recommendations and requests it contains, can help alert every agency and branch of government to the needs of our consumers. Their voice is not always as loudly heard in Washington as the voices of smaller and better-organized groups -- nor is their point of view always defined and presented. But under our economic as well as our political form of democracy, we share an obligation to protect the common interest in every decision we make. I ask the Congress, and every Department and Agency, to help in the fulfillment of that obligation.

JOHN F. KENNEDY

THE WHITE HOUSE,

March 15, 1962.

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