



## JUMP START

Emilio was upset about a smart phone he purchased about three months ago at a large electronics store. He had various problems when using the phone. Each time he returned to the store and explained the problems, the service department seemed to correct them, but they would always reoccur. It became obvious that this expensive product was not of the quality that he expected. The store's representatives said that they could not do anything more for him. Emilio made a list of the problems that occurred over the previous three months. Then he made an appointment to meet with the store owner. He presented his sales receipt and the list of problems. The owner agreed that there had to be some basic defects in the device. She contacted the manufacturer, and a replacement for the smart phone was sent to Emilio. Did Emilio act responsibly? Did the retailer act responsibly? Why or why not?

### GOALS

State the seven rights in the Consumer Bill of Rights

Name five consumer responsibilities

### KEY TERMS

consumer movement, p. 132

fraud, p. 132

monopoly, p. 133

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## Your Consumer Rights

In a market economy, businesses and consumers interact in selling and buying goods and services. In most business transactions, buyers and sellers are satisfied. However, not all businesses are honest and reputable. When a problem arises, consumers have both rights and responsibilities.

The pleasant relationship consumers desire with businesses does not always exist. Some businesses try to take advantage of consumers. They may make false claims about products. They may set unreasonably high prices. Or they may sell unsafe or ineffective products.

To help correct unfair business practices, consumers have organized and taken steps to get assistance. The uniting of consumers to get fair treatment from businesses is known as the **consumer movement**. The consumer movement led to the creation of some public and private consumer agencies. It also resulted in consumer protection policies and laws.

## The Consumer Bill of Rights

One outgrowth of the consumer movement was President John F. Kennedy's presentation in 1962 of the Consumer Bill of Rights. This document declared the following consumer rights.

1. **Right to be informed**—to be given correct information needed to make an informed choice
2. **Right to safety**—to be protected from goods and services that are hazardous to health or life
3. **Right to choose**—to be assured of the availability of a variety of goods and services at competitive prices
4. **Right to be heard**—to be assured that consumer interests will be fully considered when laws are being written and enforced

Three other rights were added by later presidents.

5. **Right to a remedy**—to be assured of the right to legal correction of wrongs committed against consumers (Richard M. Nixon, 1969)
6. **Right to consumer education**—to have access to programs and information that help consumers make better economic decisions (Gerald R. Ford, 1975)
7. **Right to service**—to be entitled to convenience, courtesy, and responsiveness to problems and needs (William J. Clinton, 1994)

## Right to Be Informed

You have the right to know what a product or service is and what it will do for you.

**Fraud** occurs when consumers are given false information deliberately in an effort to make a sale. If a salesperson knowingly sells you a car on which the odometer has been turned back 30,000 miles, fraud has occurred.

You cannot expect all product information to be perfectly accurate, however. For instance, if a used-car salesperson said you could get 25 miles per gallon with a car you purchased and you get only 20 miles per gallon, this would not be considered fraud. No guarantee of that mileage was made.

Being informed is the first line of defense against fraud. It can help you make well-informed decisions.



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Why do you think consumers have the right to be informed?

The Federal Trade Commission also protects your right to be informed by regulating advertising to ensure it contains informative and truthful statements. If you are misled by false statements when making a purchase, you can complain directly to this agency.

## Right to Safety

You have a right to be safe from harm when using products or services.

Agencies that work to ensure the safety of consumers include

- The Consumer Product Safety Commission (CPSC), which protects the public from unreasonable risks or injury from thousands of consumer products. It sets standards and recalls dangerous products from the market.
- The Food and Drug Administration (FDA), which promotes and protects the nation's public health. It regulates and supervises the safety of many products, including food, drugs, medical devices, and cosmetics.
- The U.S. Department of Agriculture (USDA), which sets quality standards for farm products to help ensure consumer safety. It also supervises the processing, inspection, and labeling of meat products and assigns grades of quality.

## Right to Choose

One of the main activities of the Federal Trade Commission (FTC) is to prevent one company from using unfair practices to force competing companies out of business. When a business has no competition and controls the market for a good or service, it is said to have a **monopoly**. By driving away competition, monopolies limit your right to choose.



## Cross-Cultural Relationships

### CONSUMER PROTECTION IN ESTONIA

Estonia is one of the Balkan states that received freedom from Russia in 1994. Because Estonia was no longer a controlled economy, its businesses and consumers could participate in a free market. In 2005, Estonia established the European Consumer Education Centre of Estonia. It set up a Consumer Complaints Committee and established consumer protection through a Consumer Protection Board. The Board has three important functions: to supervise the consumer market, to settle consumer complaints, and to inform and advise consumers. There are also nongovernmental Consumer Associations that advise and assist consumers and protect the collective interests of consumers.

### Think Critically

Was it wise for Estonia to establish a Consumer Protection Board? Why or why not? Why are nongovernmental associations also important?



How can consumers exercise their right to be heard?

## Right to Be Heard

Businesses usually want to take care of problems that consumers have with their products or services. They may have a customer service department or one person designated to handle complaints.

In addition to voicing concerns with businesses, consumers can file complaints with the FTC's Bureau of Consumer Protection. The Bureau works to protect consumers against unfair, deceptive, or fraudulent practices by enforcing a variety of consumer protection laws. It represents the interests of consumers, develops consumer education materials,

and contributes to actions of the FTC that could have an impact on consumers.

State governments, through their Attorneys General and Offices of Consumer Affairs, also take action to help and protect consumers. Better Business Bureaus can be contacted if your consumer rights have been violated. After you put your complaint in writing, the Bureau usually contacts the business involved and tries to help mediate the dispute.

## Right to a Remedy

Your right to have action taken to correct a problem is protected by several laws. These laws include the Fair Packaging and Labeling Act, National Traffic and Motor Vehicle Safety Act, Truth in Labeling Act, and Fair Debt Collection Practices Act. These laws and others provide assurances that you can go to court to seek a legal remedy if, as a consumer, you have been wronged and cannot settle the matter out of court.

Consumers also have protection through a guarantee. A *guarantee* is a promise by the manufacturer or dealer, usually in writing, that a product is of a certain quality. It may promise that the product will be replaced if a problem, that is not the result of misuse, occurs during a specified period of time.

Guarantees are sometimes called express warranties. An *express warranty* is made orally or in writing and promises a specific quality of performance. It is wise to review any guarantee before buying. It is your right to require the business to put in writing any guarantee that has been offered orally. Written guarantees are important if you need to return a faulty product. It is important to read a guarantee thoroughly to find out exactly what is covered and for what period of time.

A guarantee that is imposed by law and is understood to apply even though it has not been stated is an *implied warranty*. It is assumed that the product being sold will meet an ordinary buyer's expectations and that the product is what it says it is. For example, it is implied that an over-the-counter health care product you take from a shelf at a pharmacy will not harm you when carefully selected and used according to directions.

### DID YOU KNOW ?

All 50 states have "lemon laws" to protect car buyers from purchasing cars with defects.

## Right to Consumer Education

Consumer education programs focus on the interaction of consumers and producers. The buying decisions of consumers are important to themselves and their families. Educated consumers know that their decisions have an effect not only on their own lifestyles but also on the overall economy. Informed consumers are good for businesses and also good for the economy.

## Right to Service

Consumers should be able to expect convenience, courtesy, and responsiveness to consumer problems and needs. The consumer right to service is also important to businesses. Businesses that take steps to ensure that their products and services meet stated quality and performance standards are those that become the most successful over time.

### CheckPOINT

What does the right to a remedy help ensure?

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## Your Consumer Responsibilities

Consumers are protected by hundreds of laws, and there are many agencies that look after their rights. Yet consumer problems are common. Just as some businesses have not met their responsibilities to consumers, some consumers are not always careful to meet their own consumer responsibilities. That can lead to difficulties. Consumers have a responsibility to be honest, reasonable, active, informed, and involved.

### Be Honest

As a responsible consumer, you must be as honest with a business as you want it to be with you. Most consumers are honest, yet there are those who shoplift and think little of it. Taking a small item may seem harmless, but shoplifting anything is a crime. It is also a business expense. Shoplifting losses are estimated to be in the billions of dollars each year. Businesses make up for those losses by charging higher prices.

Some consumers are dishonest in other ways. For example, not telling a cashier that she gave you too much change or that she forgot to charge you for an item is dishonest. Dishonesty results in higher prices for all consumers.

### TEAMWORK

Margarita bought an expensive purse at a boutique. Less than a month later, the zipper broke and one of the seams started to come apart. She knows that she overstuffed the purse several times but is unhappy and feels the boutique did not sell her a quality purse. Work in groups to decide on possible courses of action by Margarita. Regroup as a class and select the best course of action.



## COMMUNICATE

You bought an expensive camera from the ABC Camera Company on the Internet. When the camera arrived, the package was somewhat damaged. The camera seemed to work until you used the zoom, and then the pictures were out of focus. Write a letter to the company explaining the problem and how you want it to be resolved.

### Be Reasonable

It is important to complain when something is wrong with a product or service you have purchased. But make sure that something really is wrong before you complain. When you are certain there is a problem, make your complaint in a reasonable way with a complete explanation of what is wrong.

Present the details with a positive attitude, assuming the problem will be taken care of properly. Becoming hostile will not help the situation and often delays the desired solution. If you cannot get satisfactory action, it is proper to take your complaint to the owner or an officer of the business. It is also proper to write to a consumer agency or a Better Business Bureau if you do not receive satisfaction. Being businesslike in presenting your case will help you get the solution you desire. In most cases, a business will be glad to correct the problem because it will not want to lose you as a customer.

### Be Active

Reporting unethical business practices is an activity you should participate in as a responsible consumer. It is important to report unethical business practices to prevent other consumers from becoming victims in similar situations. By reporting the matter to a consumer agency, you might be able to get the business to keep its word both to you and to future customers. A business community will not approve of unethical behavior by a business.

### Be Informed

Just having the right to be informed will not make you an informed consumer. You must find and use the information available to you. Knowing about laws and consumer agencies that protect your rights and knowing how to handle violations of those rights will make your consumer role much more effective. Although staying informed is hard work, the extra effort will help you get better value for your money.

### Be Involved

In your citizen role, your votes can put into office those who are concerned with consumer rights. As a consumer, you should make your concerns known to elected government officials and to consumer advocate agencies. Your involvement helps governments and agencies perform their functions and pass appropriate laws that help consumers and businesses.

### CheckPOINT

As a consumer, why is it your responsibility to be active?

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