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## Consumer Product Safety: A Public Policy Issue

By  
Nancy Harvey Steorts

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### **Nancy Harvey Steorts**

Nancy Harvey Steorts served as chairman of the U.S. Consumer Product Safety Commission (CPSC) from 1981 through 1984. She is now president of Nancy Harvey Steorts and Associates, a business consulting firm in Dallas, Texas.

Ms. Steorts received her B.S. degree from Syracuse University and has enjoyed a varied career in government and in the private sector. Prior to her appointment as chairman of CPSC, she was consultant to the director of the U.S. Office of Consumer Affairs in the White House, special assistant for consumer affairs to the secretary of agriculture and chairman of the CPSC's National Advisory Committee on Flammable Fabrics. Although most of her career has been spent in the consumer-oriented areas, she has been involved in retailing, real estate and public utilities.

Ms. Steorts has been honored by a variety of organizations for her professional achievements. She has received the George P. Arents Medal for Excellence in Government, the highest alumni honor of Syracuse University, and has served as chairman of the Executive Women in Government, an organization of women serving in the judiciary, elected office and government employment. She is listed in *Who's Who in America*, *Who's Who of American Women*, *Outstanding Young Women in America*, *Community Leaders of America*, *Who's Who of Women of the World*, and *The Directory of Distinguished Americans*.

As a representative of the consumer, of government and of industry, she has spoken before more than 500 organizations nationwide.

## Preface

The Consumer Product Safety Commission was created by the Consumer Product Safety Act of 1972 "to protect the public against unreasonable risks of injury associated with consumer products." Capturing the spirit of the consumer movement of the 1970s, the broadly worded mandate gave the five-member commission considerable latitude in setting priorities and methods of regulation.

Since the beginning, the Commission has actively used its authority to set safety standards, ban and recall products deemed to be risky, and monitor performance of both old and new consumer goods. The sweep of the CPSC's oversight is broad, ranging from toys, cribs and sleepwear to swimming pools, lawn mowers, safety matches, electrical wire and insulation materials. In 1980, the CPSC initiated 132 recall actions against 23 million products.

As might be expected, given the form and level of its activity, the agency became heavily criticized for its many interventions in the market. As regulatory reform emerged in the early 1980s, the CPSC faced an uncertain future.

When Nancy Harvey Steorts was named chairman of the CPSC by President Reagan in late 1981, she faced the challenge of changing the Commission's regulatory strategy while maintaining the respect and confidence of consumers and manufacturers.

On October 5, 1984, Clemson University students and faculty had the pleasure of hearing Nancy Steorts describe her strategy of providing safety through cooperation. Under her leadership, the CPSC replaced confrontation and intervention with formal negotiations and cooperation involving the agency and the businesses it regulates.

Following her formal remarks, sponsored by The Strom Thurmond Institute, Nancy Steorts recounted a number of specific success stories illustrating how important goals of safety can be achieved effectively without using heavy legal artillery. Her timely comments demonstrated how change can be made in complex regulatory processes.

Bruce Yandle  
Alumni Professor of Economics  
Clemson University and  
Senior Fellow  
Strom Thurmond Institute

[Editor's note: Professor Yandle was executive director of the Federal Trade Commission, 1982-84.]

## **Consumer Product Safety: A Public Policy Issue**

I am very pleased to have this opportunity to share with you my experiences and views as chairman of the U.S. Consumer Product Safety Commission.

Since becoming chairman in 1981, I have witnessed and been part of dramatic changes in the Commission's approach to the protection of the American consumer. During the past three years, a new, more positive, open and constructive relationship among the consumer, business and government has evolved. In and of itself, this new relationship is very significant.

But perhaps more importantly, it reflects a change in national attitude, a maturing of American consumerism, and a new willingness of American business and government to communicate and cooperate.

### **Government-Business Cooperation: An American Tradition Reborn**

In characterizing the relationship between the U.S. Consumer Product Safety Commission and American business over the past three years, the words that always come to mind are "communication" and "cooperation."

From its inception, the U.S. Consumer Product Safety Commission had been too often cast in an adversarial role in its relationships with American business and industry. Too often it was assumed that this independent regulatory agency and those whom it regulated were natural enemies with no common purpose.

As we entered the decade of the 1980s, though, the time had arrived to question that basic assumption. Whether because of enlightened self-interest or a genuine concern for the American consumer, American business has come to learn the marketing advantages of safer consumer products.

President Reagan set the tone and provided the framework for a new cooperative relationship between government and business while simultaneously maintaining the paramount importance of consumer protection.

The time was right for the growth of a new partnership among business, the consumer and government. I am happy to report that this new approach has worked because, for the most part, business has made a new commitment to safety, government has been willing to listen, and the consumer has a new sense of confidence in both business and government.

While this new partnership represented a dramatic departure from the government's approach to regulation of the immediate past, it also symbolized a return to a philosophy of government-business compatibility espoused in Colonial America.

## Erosion of the Cooperative Approach

Last year I had the pleasure of chairing a seminar entitled "Business, Government and Public Policy" during the third annual Donald S. McNaughton Symposium at Syracuse University.

As part of this seminar, Bruce L. R. Smith of Brookings Institution pointed out that, in its early days, our nation took a posture that fostered cooperation between business and government. That philosophy subsequently was eroded by social, political and economic trends.

It was Alexander Hamilton in his "Report on Manufacturers" who laid out a blueprint for a partnership between business and government. But as Smith went on to point out, in the 19th and early part of the 20th centuries, a new pattern of business-government relations emerged when the social Darwinists entered the picture. During this period, William Graham Sumner developed his doctrine of "business survival of the fittest," and the concept of laissez-faire capitalism became popular.

It was also during this period that the nation's giant corporations were experiencing their most dramatic growth. America's industrial complex had been formed, and big business was becoming the foundation of the nation's economic structure. Not only was the business-government partnership being brushed aside, but the stage was being set for a new relationship, one in which the government and business would be at odds.

Journalists aroused the ire of the nation's citizenry by spotlighting the abuses that grew up along with the new industrial America. Government stepped in with legislation and regulation designed to control American business.

The gap between government and industry had grown wider, and there arose a new relationship in which partnership was replaced by confrontation. The fact that this pattern existed for at least six decades helps explain the significance of the new cooperative business-government relationship we are now witnessing.

The technological revolution that began after World War II, and that has accelerated ever since, spawned a new breed of consumers, fanning the flames of the adversarial relationship that had grown up between business and government.

Technology began delivering new, more complex and more diverse products. Consumers began to feel they needed help in making wise decisions in the marketplace.

But just as importantly, technology gave rise to a revolution in communication. Mass marketing of products reached new levels of effectiveness, and activists quickly gained access to a new network of instantaneous national communication, primarily television.

At the Consumer Product Safety Commission's National Conference for Retailers last week, Virginia Knauer, special adviser to the

president for consumer affairs, put this into perspective when she described the mood of the American consumer during the 1960s.

She said, "In the field of consumerism, distrust between the public and business was rampant. All the faults—and there were many real ones—were magnified by the television camera, and picket lines by protesting consumers were not unusual sights. The public was concerned about shoddy and unsafe products, warranties that offered little or no protection, and about the 'runaround' from business."

It was a group of housewives in Denver that captured the attention of this nation's consumers when they called for a national boycott of beef in 1966. Their message spread overnight, and the new battle lines between the consumer and business had been drawn.

### **The Consumer Product Safety Commission Is Born**

It was in this atmosphere that our federal government formed a national commission to address the problem of consumer product safety. One of the outgrowths of this two-year study group was the establishment of the Consumer Product Safety Commission.

In justifying the creation of the Consumer Product Safety Commission, the report of the group stated, ". . . hazards must be controlled and limited not at the option of the producer but as a matter of right for the consumer. Many hazards described are unnecessary and can be eliminated without substantially affecting the price to the consumer."

With this as its credo, and amidst the business-government-consumer tensions that prevailed, the Consumer Product Safety Commission was born on October 27, 1972.

Perhaps as a product of its roots or perhaps as a reflection of the mood of the era in its early years, the Commission took an adversarial stance toward business. Its emphasis was on mandatory decrees and litigation of violations.

### **A New Approach to the CPSC Mandate**

When President Ford initiated a series of deregulation efforts in the mid-1970s, the groundwork was being laid for a new, healthier relationship between government and business. This trend culminated under President Reagan, who took the process one step further. He called on the states and the private sector to be equal partners with the federal government in developing solutions to public needs.

Nowhere is the wisdom of President Reagan's approach more evident than in the achievements of the Consumer Product Safety Commission on behalf of the American consumer during the past three years.

In 1981, the Commission embarked on a new course characterized by communication and cooperation. The Commission has opened up, its activities are focused, and it serves as a catalyst for voluntary action by American industry.

Although the Commission's philosophy and approach have changed, its congressional mandate to protect the consumer from unreasonable risk of injury associated with consumer products has not.

The Commission administers five safety laws: the Consumer Product Safety Act, the Federal Hazardous Substances Act, the Flammable Fabrics Act, the Poison Prevention Packaging Act and the Refrigerator Safety Act. It has jurisdiction over 15,000 generic consumer products.

As a direct result of its programs, thousands of accidents, injuries and deaths have been averted, and billions of dollars have been saved. However, its job is far from complete.

Every year, consumer products are involved in the deaths of 28,000 Americans and injuries to 38 million others. The annual cost of these accidents is a staggering \$12 billion.

### **Meeting the Challenge: The Commission's Program**

The Commission strives to reduce this annual toll in five ways:

1. by working with industry to develop voluntary standards;
2. by recalling products from the marketplace;
3. by issuing packaging or labeling requirements;
4. by issuing bans or creating mandatory standards;
5. by informing and educating consumers on the safety use of products.

As I indicated, I prefer to emphasize voluntary, cooperative action before using the regulatory power of the Commission. However, because consumer product safety is the Commission's overriding concern, we do not hesitate to regulate when an industry or manufacturer does not respond. When we regulate, we regulate fairly by taking into consideration the needs of the consumer as well as the limitations of industry.

### **Opening up the Commission**

As John Naisbitt said in his book *Megatrends*, "People whose lives are affected by a decision must be a part of the process of arriving at that decision." The lines of communication between the Commission and consumer and industry have opened up in specific, programmatic ways, such as outside involvement in the Commission's priority setting, national conferences, open meetings and special meetings.

1. **Priority-Setting.** Last year the Commission held its first public meeting on priority-setting, soliciting the views of a wide range of consumer and industry representatives. This input was invaluable to us in charting the future course of the Commission and setting the national agenda for consumer product safety.

2. **Open Meetings.** I believe it is crucial for the Commission to get direct, unfiltered information. For this reason, I insist on meeting directly with chief executive officers, not the legal officers of industry. Many CEOs make presentations before the Commission, and the im-



proved communication and understanding have resulted in the more efficient resolution of problems in an atmosphere of cooperation.

3. **Public Participation.** A major change in the Commission's meeting policy permits members of the public to participate in policy issue discussions on a case-by-case basis.

4. **Special Meetings.** In addition, the Commission has special meetings with consumers and industry to allow for the exchange of views and information.

## **Business Sees Safety as Good Business**

Business is responding to these new opportunities to communicate more openly and more effectively with the Consumer Product Safety Commission. Manufacturers and industries find that it is much better to work with the Commission than against it, especially in view of the trend of increasing consumer demand for safety.

Below are three studies that indicate industry's concerns about a range of consumer attitudes toward product safety.

1. **The Food Marketing Institute Study.** A study conducted earlier this year for the Food Marketing Institute provides evidence of the importance of quality and safety in today's marketing program. Robert O. Aders, president of the Institute, has said the study clearly shows that consumers are demanding excellence in the products they purchase and that they shop until they find that excellence.

2. **The Whirlpool Study.** A landmark study conducted for the Whirlpool Corporation noted that when making judgments of the quality of manufactured goods, consumers place safety at the top of the list of indicators. Some 80 percent of Americans named safety as an always important indicator. Safety was followed by workmanship (74 percent) and materials (66 percent).

3. **Consumer Federation of America Findings.** Further, research done for the Consumer Federation of America indicates that while product safety may be somewhat of an intangible, it is an important factor in a consumer's decision to buy a product. If consumers have doubts about the safety of a product, sales decrease and, because consumers will be demanding more consumer product safety information, they will increasingly buy the products of those manufacturers and retailers that emphasize consumer information and education.

The corollary to these findings is that those manufacturers identified by consumers with excellence and safety have a definite marketing edge in this new era of consumerism.

While there are many case studies I could cite to illustrate this point, there are two I feel deserve our attention and recognition.

The first is the General Electric Answer Center, a 24-hour, toll-free information service. The Answer Center employs 150 trained specialists, handling calls not only about major appliances, but all GE consumer products. Consumers can ask questions about the use, in-

stallation and maintenance of products and even do-it-yourself advice.

General Electric has opened its doors to consumers through its Answer Center. The information it provides consumers is valuable in itself, but the underlying message is even more important. Through its Answer Center, GE is showing its sense of corporate responsibility to the American consumer. It is hard to imagine that this would not be a factor in the purchasing decisions of the consumers it has reached.

A second example that comes to mind is the chain saw industry. Every year there are more than 23,000 injuries and a dozen deaths resulting from the rotational kickback of chain saws. We worked with that industry to develop new safety standards to minimize this problem.

I am happy to report that in March 1985, the new standard for low-energy chains goes into effect. It is anticipated that 80 percent of those kickback injuries and possibly all of the deaths will eventually be eliminated as a result.

### **The New Status of Product Safety**

Why is American industry now taking actions such as these? Because the importance of product safety has been upgraded in the mind of today's corporate executive. Product safety is no longer an esoteric, technical issue in American industry. There is a clear trend to make it part of the overall management agenda, moving it from the technical laboratory to the CEO's desk and boardroom.

This trend signals a new era for consumer product safety and an environment in which the Consumer Product Safety Commission can work in a more fruitful manner with both industry and the consumer. There is growing and convincing evidence that we can achieve so much more for the American consumer when we work together.

### **Cooperative Information and Education**

None of the three partners in this relationship can do it alone. Should government try to solve these problems without the involvement of industry, the process would be expensive and inefficient. A case in point of this cooperation is the ongoing consumer information and education programs of the Commission.

During the past three years, the Commission has conducted several high-impact information and education campaigns in cooperation with industry, consumer and volunteer groups, and state and local governments.

1. **Electrical Safety Awareness.** Our most recent success story in this regard is the National Electrical Safety Awareness Campaign, launched in February of this year. We wanted to reach consumers with vital information on the safe use of electricity in their homes.

Each year 600 Americans are electrocuted in and around their homes. Some 205,000 residential fires of electrical origin cause 1,100 deaths and an estimated 16,300 injuries. Property losses total about \$950 million from such fires.

The goal of the program is to have consumers check the electrical safety of their homes through the use of a room-by-room checklist developed by the Commission.

To date, more than four million of these checklists have been distributed to American consumers, and government has not footed the bill. Most of these checklists have been printed and distributed by business and industry at their own expense.

More than 70 organizations including trade associations, consumer and volunteer groups, fire organizations, state and local governments, and businesses were involved. The 500,000-member General Federation of Women's Clubs lent major support to the campaign, with many local affiliated clubs reproducing the document at their own expense.

Several companies reprinted the checklist and distributed it to their employees and customers; and, most recently, daily and weekly newspapers have printed it as a service to their readers.

**2. The Smoke Detector Program.** In a similar effort, the Consumer Product Safety Commission cooperated with nearly 1,600 communities, 26 states, and scores of businesses and volunteer groups in a program to place smoke detectors in American homes.

By joining forces, we were able to have 1.5 million smoke detectors installed in low-income homes. Countless more were installed as a result of the information and education aspects of this campaign.

A partnership? Yes, but more importantly it is an indication that government can serve as a catalyst and an equal partner in cooperative efforts to meet public needs.

## **The Changing Role of the Regulator**

Partnerships. Cooperation. Communication. It may strike you as being somewhat incongruous with the role of the head of a federal regulatory agency. You may ask, as others have, if there is not an inherent danger in conciliatory relationships between the regulator and the regulated. But the greater danger is insulation of one from the other. Consumerism is a force with which American business has reckoned, and American business is increasingly recognizing its responsibility to the American consumer and the advantages of being responsive.

Under these conditions, to attempt to improve consumer product safety within a federal regulatory cocoon would not be cost-effective for the American taxpayer or efficient for the American consumer.

In the vast majority of cases, our new approach has worked. Millions of products have been recalled voluntarily; safety standards for scores of products have been upgraded; and consumer information and education have been improved and increased.

However, the Commission has encountered resistance and lack of responsiveness by some manufacturers and industries. When it has, it

has acted in the best interests of the consumer.

We have made great progress through the development of voluntary standards. For example, the Upholstered Furniture Action Council has worked with the Commission in developing furniture far more resistant to ignition from a smoldering cigarette, the single most frequent cause of fire death.

Voluntary standards for lawn mowers are beginning to reduce the thousands of injuries associated with those products in the past.

While the voluntary approach has worked in most instances, the Commission has had to issue mandatory standards, ban products or require certain labeling and packaging. However, it has used these regulatory powers only after encountering a lack of cooperation or an inability by manufacturers and industries to solve the problems themselves.

### **The Retailer as the Missing Link**

The emphasis of the Commission has most definitely been on manufacturers. We recognize that to solve the problems we face, everyone in the consumer product safety chain must be involved.

The missing link in this chain is the retail industry, and we are now taking steps to build that link by developing a cooperative program with retailers similar to the one we have with manufacturers.

At the first National Consumer Product Safety Conference for Retailers held in September, we began the process of communication and information that is essential to the success of this new initiative.

Frankly, I was very impressed by the retailers' presentations at that conference. Many have well-established, sophisticated consumer product safety programs. We need retailers if we are to make even further progress in consumer product safety.

We want retailers involved in our major consumer information and education campaigns; we need retailers to make product recalls more effective; and we will help retailers meet their legal responsibilities to report potential product hazards.

### **Rediscovering the Cooperative Philosophy**

Business-government cooperation may not be the simple proposition it was when Alexander Hamilton wrote his "Report on Manufacturers." The implementation of the principle is certainly more complex in technical, political, social and economic terms, but our return to a philosophy that emphasizes communication and cooperation over litigation and confrontation is yielding benefits for all three members of our new partnership: the consumer, business and government.

The record of the Consumer Product Safety Commission during the first half of this decade symbolizes a rebirth of an American tradition. Our goal of "safer products, safer people" is being realized. I know that our nation will be stronger as a result.

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