

Chapter 24: Protecting Consumers

I-Summary: This chapter describes governmental and nongovernmental consumer organizations and consumer protection laws. Consumer advocate organizations work to protect, inform, and defend consumers. Nongovernmental organizations include: The Consumer Federation of America. The National Consumers League, Consumers Union, which publishes the product testing and rating magazine, *Consumer Reports*, and the Major Appliance Consumer Action Program. Federal government consumer organizations include the Federal Trade Commission, U.S. Department of Agriculture, The Food and Drug Administration, the National Highway Traffic Safety Administration, and the Consumer Product Safety Commission. At the state level, public utilities commissions, insurance commissions, and licensing agencies are concerned with protecting consumers. Consumers are also protected by a variety of laws. The Clayton Act of 1914 and the Robinson-Patman Act of 1936 are aimed at prohibiting price discrimination. Other laws include the Fair Packaging and labeling Act, The Uniform Commercial Code, which regulates sales warranties, and the Consumer Credit Protection Act, which requires those who give credit to reveal all the costs, terms, and conditions of their credit agreements. The Federal Trade Commission enforces truth-in-advertising laws protecting consumers from false and misleading advertising.

I-Quiz

Quiz yourself to check your understanding. For each question, you will hear four answer choices. After you hear all four answer choices, choose your answer during the pause. Then you will hear the correct answer. Let's begin.

Question 1

Which is a nongovernmental consumer advocacy organization that tests products and reports findings in *Consumer Reports* magazine?

- a. Consumer Advocate
- b. Consumers Union

- c. The Federal Trade Commission
- d. U.S. Department of Agriculture

Question 2

Which government agency might issue a recall on a motor vehicle because of a defect?

- a. The Food and Drug Administration
- b. National Highway Traffic Safety Administration
- c. Consumer Federation of America
- d. Consumer Product Safety Commission

Question 3

Which type of company is most likely to operate as a legal monopoly?

- a. insurance services
- b. consumer advocacy
- c. medical services
- d. water utility

Question 4

What is the most important reason the U.S. government passes laws that regulate and restrict businesses?

- a. to preserve competition
- b. to encourage price discrimination
- c. to protect manufacturers
- d. to control advertising

Question 5

Which has to do with product warranties and guarantees?

- a. Truth-in-Advertising laws
- b. Better Business Bureau
- c. Uniform Commercial Code
- d. Fair Labeling and Packaging Act

Answer Key

1. The correct answer is B, Consumers Union. Consumers Union is a nonprofit company that publishes the magazine Consumer Reports. Researchers with Consumers Union test products and report their findings in the magazine.
2. The correct answer is B, National Highway Traffic Safety Administration. This agency sets and enforces safety standards for motor vehicles. It can order an automobile manufacturer to recall a product that has defective parts.
3. The correct answer is D, water utility. Electric, gas, and water companies are allowed to operate as legal monopolies and are regulated by the public utilities commission in each state.
4. The correct answer is A, to preserve competition. The U.S. government allows businesses to operate with relative freedom, however, laws have been passed to preserve competition and protect consumers.
5. The correct answer is C, Uniform Commercial Code A warranty is a promise or guarantee given to a consumer that a product will meet certain standards. Under the Uniform Commercial Code, a group of laws regulating commercial business transactions, a seller may make an express warranty, a full warranty, or a limited warranty.