

Consumer policy in urgent need of empirical consumer research support

Key address

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Nordic Consumer Policy Research Conference 2007
Helsinki 3. – 5. 10. 2007

Ladies and Gentlemen,

first of all, I would like to thank the organizers of this conference for the invitation and for the honour to be chosen as one of the key speakers. In the invitation that I got last year from the **Aarhus School of Business** it was mainly one sentence that raised d my interest: “One of the leading ideas of the conference is to increase and improve the two-way communication between policy-makers and researchers”. I welcome this intention and I cannot agree more about the need ef-for a better interaction between researchers and policy-makers.

I come from the policy-makers side. It may be interesting for you to know, who I am and what I have done so far. Let me therefore briefly **introduce myself**. I am a political scientist by education. For more than 30 years I worked in several governmental functions in Germany - as a civil servant in the Federal Ministry of the Interior and the Federal Ministry for the Environment, Nature protection and Nuclear Safety, in the Chancellor’s Office and as a staff member of the Federal Environmental Agency. I was Minister for Nature and Environment in Schleswig-Holstein (a state in the north of Germany) and Deputy Director of the European Environmental Agency. I learned-learnt my lessons about the political process in environmental policy. This is a policy field which has a lot of similarities to consumer policy mainly concerning the cross-cutting nature of policy fields and governmental responsibilities involved. There are also differences. One is that environmental policy has been rather successful in influencing politics, the content of political programmes and political competition. In 2001 I changed from the governmental side of the “table of policy-making” and from environmental policy to the civil society and consumer

side, when I ~~took over the responsibility~~accepted the position of Executive Director of the then newly created Federation of German Consumer Organisations, ~~the~~ ~~It is the~~ umbrella organisation of 41 German consumer associations. I recently retired from this position and have more time now to concentrate on my academic work at the German University of Administrative Sciences in Speyer.

If mMy subject “**Consumer policy in urgent need of empirical consumer research support**” sounds ~~like as~~ a cry for help it is ~~on purpose~~meant like that.

There is no intention to blame the consumer policy research community for a lack of support.

I have organised my **presentation in four sections**:

- In the **first section** I will talk about the special role of consumer research in the democratic policy making process.
- The **second section** will deal with the scope (objectives, purposes and content) of consumer policy and of consumer policy research.
- In the **third section** I will describe a special tool to improve agenda setting and to help DG Sanco and the consumer policy makers at national level to be heard and to bring consumer issues onto the political agenda. It is a permanent observation and regular reporting system on the state of consumer protection and consumption in the European Union.
- In the **forth and concluding section** I will summarise my wishes and recommendations for consumer policy research topics .

The special importance of consumer research in the democratic policy making process

To state the importance of research for good and successful policy making is a truism, ~~however c-~~Concerning consumer policy it is not. I am convinced that the weight of consumer policy in the democratic policy-making process can only be improved when the following **strategies** are properly combined:

1. Consumer research ~~has to be strengthened~~ concerning the analy~~sis~~sisse of the macro-economic impact of consumer demand and of the impact of the market and of competition on the structural problems of our society has to be strengthened. What we need is a demand oriented market theory of the

functioning of our economy and society based on empirical research and findings.

2. The institutional setting for the planning, programming and enforcement of consumer policy has to be improved. Here again consumer research should give advice and provide legitimacy for adequate political decisions. In particular, I would like to see peers from my own discipline, the political scientists playing a more active role here.
3. The role of the EU-Commission and of the European political decision making process is of major importance for the further development of consumer policy. Because of its greater independence from short term political deliberations and the national “power play”, it may be able to compensate for some of the political weaknesses of consumer policy. Again consumer policy research should play a major role here in the context of the commitment of the EU-Commission to move towards a more “knowledge based consumer policy”.

Consumer policy has to live with a number of **structural particularities** which lead to the weakness of consumer interests and of consumer policy in the democratic political process. As tThese particularities are well-thoroughly examined and described by research. I will simply outline them here~~therefore just remind them~~ briefly:

- The difficulties of organising consumer interests due to the collective good nature of these interests and the diffuse character of consumer interests (Mancur Olson).
- The isolation of consumers as actors on the market together with the “lemons problem”, the lack of proper information to be able to judge the quality of a purchased product or service (I refer to Akerlof and others).

To understand the impact of the structural particularities and weaknesses of consumer interests representation on the political process the nature of politics has to be understood. F. W. Scharpf defined politics in his famous book “Games real actors play” as follows: “Politics is about many things. But foremost among these, in modern democratic polities, is the function of selecting and legitimating public policies that use the powers of the collectivity for the achievement of goals and the resolution of problems that are beyond the reach of individuals acting on their own or through

market exchanges”¹. His conclusion is also most relevant for the problem of consumer policy: “... social phenomena are to be explained as the outcome of interactions among intentional actors – individual, collective, or corporate actors, that is – but these interactions are structured, and the outcomes shaped, by the characteristics of the institutional settings within which they occur”².

The reality of consumer policy power resources and democratic support is – I talk about the German case but I think it is not ~~much-very~~ different from ~~the-situation-in~~ other countries - that consumer interests do not play a role in elections and are not a subject of competition in the programmes of the different parties which compete in the elections. Its institutional setting is weak on the public ~~side-and~~ on the private side ~~as-well~~. We ~~have-should~~ therefore not ~~to~~blame policy-makers for not being able to enforce better consumer policy ~~but-We~~ rather ~~have-to~~wonder how why they nevertheless succeeded ~~in-to-financ~~ing the work of consumer organisations, ~~and-to~~ bringing ~~into~~ force a broad set of legislative and administrative measures in favour of consumer protection.

Historical evidence shows that ~~very-often~~ consumer policy was often pushed by crisis and catastrophes and by media support. In most cases it was not the change in consumer behaviour neither in their purchasing behaviour nor in their political preferences at the ballot box that changed the political framework conditions for consumer policy. These catastrophes had only a sustainable effect if they led to an improvement of the institutional setting, including the enforcement of legislative reforms. Here consumer interests profit from the double nature of politics. On the contrary to economic theories of politics, policy-makers are not only influenced by the interest to stay in power but also by the intention to serve the public welfare and those general interests that do not have an effective veto-power or impact on the outcome of elections. If this is the case - and I believe it is – then good consumer policy research, together with a solid institutional setting, will make a difference. However, the example of environmental policy shows that politics and the right institutional arrangements ~~have-to~~must come first. When at the end of the ~~sixties~~60s and the beginning of the ~~70sseventieths-of-the-last-century~~ environmental policy

¹ F. W. Scharpf: Games Real Actors Play. Actor-Centered Institutionalism in Policy Research, Westview Press, Colorado, Oxford 1997, p. 1

² ibidem

started in Germany, it immediately and meticulously shaped its institutional support structure: The environment department of the Federal Ministry of the Interior established the Federal Environmental Agency with its main task to manage a comprehensive research and development programme. It installed an Advisory Council of researchers of various disciplines and initiated and financed the creation of modern environmental interest groups and environmental associations. When, as a consequence of the BSE-crisis, consumer policy in Germany was institutionally strengthened ~~through the creation of by creating~~ the Federal Ministry for Consumer Protection, Nutrition and Agriculture ~~nearly almost~~ nothing of this kind happened. Neither in the files ~~drawers~~ of the administration nor – as far as I know – in the research community “blue prints” for such institutional improvements were ready to make use of the “window of opportunity”.

The scope of consumer policy and consumer policy research

The scope of consumer policy, of its objectives, the perception of competition, of the ideas behind terms like “well-functioning” and “efficient” markets, the role of norms, values and of social justice, the degree of protecting consumers against risks and detriments and of their own responsibility and autonomy cannot be defined by research. It must be decided by politics. If so, in a democratic political system it should be the object of a political debate and of the sanctioning power of the voters. And cConsumer policy research should provide the necessary input for these political debates. It should be more politically relevant and help consumers and politicians understand, that consumption is not only a private exercise but that the rules governing business, world trade, ~~and~~ financial markets and the market system as such ~~have a~~ greatly impact ~~on~~ the functioning of our societies, ~~on~~ social integration ~~and,~~ justice, the environment and general well-being.

The contribution I would like to see from consumer policy research is to look behind these concepts, to detect and analyse the concrete effects on different groups of consumers and on the market conditions as such. Research should provide data and evidence of whether political concepts could reach the objectives and who ~~are~~ the winners and losers of certain concepts are. ~~To Let me~~ give you some examples to, ~~which may~~ clarify what I mean. Today the liberalisation of basic services for citizens

and consumers ~~are is~~ high on the political agenda. This year in Germany, the last step of the liberalisation of postal services will be decided. Also the delivery of mail will be open to the competition of different commercial providers. Consumers should profit from cheaper mailing costs and better services. Their information costs and possible inconveniences in case of problems are ~~politically~~ not being discussed ~~politically~~. The privatisation of communal services such as water supply and sewage is on the agenda in many German municipalities. Here again a more effective service and lower prices are promised. No reliable data from independent sources are available if this will really be the case.

In general I would like to see consumer research being more active and politically relevant when major changes that affect consumers' life and basic citizens rights are at stake. I would like to see research results that would fuel political discussion on questions such as the consequences of the introduction of the digital technology in the media on the right of free access to information and freedom of opinion. Or to give another example which may fit more ~~into~~ existing consumer research programmes: I would like to know what the effect of the "New Approach" of the EU-Commission will have on the safety of consumer products. The new approach deals with the harmonisation of technical standards and will change the requirements for accreditation and market surveillance relating to the marketing of products. ~~Or~~ I would ~~also~~ like to know what the famous deregulation of the size of packages for certain goods will mean in an aging society where more and more consumers will need spectacles to compare the prices of packaged food.

Finally I would be happy to get research support about the limits of strategies that rely on better and more information for consumers as a tool to empower consumers as equal partners to competing businesses. We can see that competitive market actors tend to make it more and more difficult for consumers to compare ~~in this situation~~. How realistic is it ~~in this situation~~ to expect ~~from~~ all groups of consumers to be fully informed and adequately educated to avoid detrimental purchases? How many informational tools are acceptable and how much binding regulation is needed? These are topics for research which ~~good could~~ help consumer policy ~~to~~ play a more active and less defensive role in the policy-making process.

Proposal for a regular reporting mechanism on consumption and consumer protection in the EU market

The proposal for the establishment of a regular reporting mechanism on consumption and consumer protection in the EU market should contribute to three objectives:

1. **To strengthen consumer policy-makers at the EU level.** The policy of the European Union is still very much determined ~~ent~~ by the free trade ideas of the founders of the European Community and the preoccupation for the welfare of ~~the~~ actors on the supply side of the European market. But it is also characterised by the will to cover all sectors of policy-making that are relevant ~~for to~~ the welfare of ~~the~~ European citizens. While many decisions that affect consumer policy are prepared in the Departments responsible for the internal market or for ~~enterprises~~ enterprises, a special department for consumer affairs has been established – DG Sanco. The political weight of this DG is rather weak. The intention of the proposal is to strengthen the pro-active and agenda-setting role of DG Sanco.
2. **The second objective is to** contribute to efforts of **improving the institutional setting** of consumer policy not only at EU-level but also at the level of the EU-member states.
3. To make **consumer policy research politically relevant and needed.**

~~Allow me to~~ will now describe ~~now~~ the basic idea of the proposal and ~~will~~ explain **why** a regular reporting mechanism is needed, **what** should be done and **how** it should be organised.

The idea – why we should have a regular reporting system?

The political discussion and political decision making process is mainly driven by the actors of the supply side of the internal market. Consumer policy actors have difficulties ~~to bring putting~~ the demand side perspective on the political agenda. The reason is that policy making on the demand side and consumer protection ~~is~~ are very often perceived as a zero sum game: Activities to protect consumers, measures to empower consumers in their role as equal and necessary actors to ensure the

prosperity of the internal market are perceived as barriers for the economic performance of EU industry, producers and traders.

The advocates for a strong consumer policy within the Commission, the EU-Parliament, the Council and civil society are institutionally rather weak. Consumer policy is a cross cutting issue. Consumer relevant decisions have to be dealt with in many policy fields, such as energy policy, transport policy, environment policy, research policy, competition policy and others. The specific consumer perspective has to be integrated in the programming of those policy fields. The result of the necessary administrative and political coordination process is very much dependent on the political impact and visibility of consumer demands.

A regular reporting mechanism on consumption and consumer protection ~~will be~~ is a tool that would help DG Sanco ~~to bring place~~ consumer issues on the political agenda and to initiate a comprehensive public debate every three years on developments related to consumption and consumer protection. It will also help to shape the awareness of the public for the developments on the demand side of the market. Furthermore, ~~an the need to~~organised monitoring system within the member states will help national consumer policy actors and consumer organisations to have a role and mandate to collect data from different sources.

What ~~shall~~will be reported

The basis of the reporting mechanism ~~shall~~will be the establishment of a permanent **consumer information and observation system** at EU level. It ~~shall~~will collect, process and analyse **relevant data** to provide objective, reliable and comparable information which will enable the Community and Member States

- to take the ~~requisite~~necessary measures to improve competition,
- to protect consumers
- to assess the results of such measures
- to stimulate the exchange of information on best practices and
- to ensure that the public is properly informed about the state of consumption in the internal market.

The consumer information and observation system shall gather information to describe the present and foreseeable state of consumers demand from the following point of view:

- i) the quality of consumer protection
- ii) the pressure (behaviour of the market forces) on consumers
- iii) the sensitivity of competition for new economic, technological and social developments.

The concrete **topics** have to be ~~identified~~ identified together with **indicators** that will allow to measure the success or failure of consumer policies.

The topics: Not all sectors of consumption ~~should-need to~~ be monitored. Relevant topics could be specific problem markets and market failures. It could be anti-competitive behaviour such as monopoly power, price-fixing, or an abuse of a dominant position in the market. It could also be the lack of confidence in a specific market, an inability to make informed choices about complex issues. In identifying those problem markets, special attention ~~should-could~~ be given to vulnerable consumers such as young or elderly consumers, low-income households and to markets for goods and services that are a necessity of life such as e.g. energy, water, transport or to markets that could ~~be-damaging~~ the environment or public health.

The indicators: A high level of complaints could be one indicator. Another indicator could be a wide range of prices for similar products or services. The institutional provisions for the empowerment of consumers could also be important indicators. This implies consumer representation and institutional arrangements to give consumers access to independent information and advice, consumer education and the system for redress and the handling of complaints.

How the reporting could be organised?

The “European Environmental Information and Observation Network- EIONET” could serve as an example how to organise the reporting mechanism.

It has three levels:

- An European Topic Centre
- National Focal Points and
- National Reference Centres

According to the “European Consumer Information and Observation Network – ECIONET – the structure would be the following:

At the European level an institution will be needed to coordinate the methods of data collection at the national level, to analyse the data and to prepare the report. The institution should be close to, but independent from the European political institutions and also from the representation of Consumer organisations – BEUC. A research oriented **European Consumer Agency** could do this job.

For the collection of data for the different topics and indicators **national reference centres** will be needed. This could be administrative bodies or national consumer organisations. For the European wide processing of these data a coordinator and **national focal point** - in one of the Member States - should be identified. Here again the appropriate institution could be found in the public, the private or the research sector.

The **consumer organisations** in the Member States will certainly be a prominent source for of information concerning problematic markets, the situation of vulnerable consumers and complaints. BEUC and its member organisations will therefore ~~will~~ be important providers for data ~~and but~~ also for the assessment of the collected data.

Consumer research should be asked to give advice and to identify the right choice of topics and indicators for the proposed permanent consumer information and observation system. This should include the analysisises of existing statistics at EU level and in the Member States that could be used and further developed together with proposals for institutions ~~that could be as~~ part of a data collecting network.

To conclude

Consumer research is about many things. The variety and multitude of subjects is not to be criticized. It mirrors the different aspects of consumption, of groups of consumers and of consumer policy preoccupation and it certainly helps consumer policy-makers to improve their decisions. I am not in a position to tell the consumer research community what they should do. Knowing the problems of policy-makers I can only tell you, where they need help. Let me therefore formulate some wishes – ~~may-be~~ visions - for consumer policy research support:.

Consumer policy is in a defensive role. One reason may be that consumer policy suffers from a **theory-deficit**. An independent political, macro-economic and social theory on consumption is needed. The competition theories together with modern improvements such as information economics offer some analytical tools to explain why political intervention is needed. But they do not answer questions such as how much competition, how much intervention, how ~~much-many~~ public services and how ~~much-many~~ commercial services and free trade are good for consumers and for the society as a whole.

The scope of consumer policy and its responsibility ~~are-is~~ unclear. ~~As a~~ ~~consequently~~ its activities are very often reactive instead of pro-active. They are punctual instead of comprehensive. An example may illustrate ~~thise~~ situation. When in Germany at a very late stage after the liberalisation of the European electricity and gas market the energy law was amended, aiming at establishing a regulatory control mechanism for the electricity and gas sector, the role and intervention of the Ministry for Consumer Affairs in the governmental coordination and decision-making process was ~~mainly-largely~~ restricted to an information tool on the composition of electricity (the amount of fossil, nuclear and renewable energies used for the electricity production and its percentage in the electricity mix).

Consumer policy is not able to forecast or to monitor new developments on the market which are caused by technological innovation, by demographic factors, by the privatisation of services of general interests such as transport, water supply or waste policy or by international agreements such as Basel II or the Convention on Biological Diversity. The reason is that consumer policy actors do not really know which situation they are fighting ~~for~~ and what they ~~would like to~~ should avoid. This

does not mean that politics should dictate how people should live or how the “best of the world” should look ~~like~~. But as long as consumer policy defines itself only as ~~the~~ auxiliary ~~of the~~ to the market forces and its function only to “protect” consumers against health, financial and economic risks, it will not gain ~~get~~ political weight and power in our democratic system. It would be different if consumer politicians and their political parties competed in the elections with programmes ~~which~~ offering different views and solutions for questions such as how consumers living in remote areas have access to services such as public transport, post offices and other basic services.

My proposal for a regular reporting mechanism on consumption and consumer protection in the EU market is meant to empower both sides – the consumer policy actors at EU and EU-member states level and consumer policy research. I ~~submitted~~ this proposal already some years ago to the Director General of DG Sanco, Mr. Mister ~~Madelin~~, who welcomed the idea. It is evident that only an efficient two-way communication and collaboration between the policy-makers in DG Sanco (and the EU-Parliament because of the financial resources needed to properly implement the proposal) and consumer policy researchers will ~~lead to~~ have the intended effect.

The EU-Commission delivers many reports. The challenge is whether this kind of reporting system will be different. It should not only provide data to justify agreed EU-policy but it should provide data and facts that invite ~~to~~ controversial political discussions about the benefit of European policy for the European citizens and for further political decisions relevant for consumers. The institutions of the **European Union have a legitimacy problem.** The EU is best understood as a government of governments, rather than a government of citizens. Consumer policy could bridge the gap between governors and citizens. All European citizens are consumers. Their identification and support of European Union policy will be increasingly more and more ~~be~~ dependent on the impact of European Union policy on their daily life. In cases of consumer dissatisfaction, ~~of consumers~~ national governments tend to shift their responsibility to the bodies of the European Union. This is a very unsound situation for the democratic constitution of our societies. It, however, offers chances opportunities for consumer policy and for a broadening of the scope of consumer

policy and its influence on the policy-making process at the European and at the national level. Without the help of consumer policy research it will be difficult to make good use of the theseis-chance opportunities.

HThank you very much for your attention.