

January 13, 2006

Scientific Advice to Consumer Protection Policy

Statement at the Berlin-Brandenburg Academy of Sciences & Humanities

Fritz Thyssen Stiftung

Expert Symposium: Quality Control In Scientific Policy Advice

in Berlin

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My subject is the **role, quality and effectiveness of scientific advice to consumer protection policy**. Before I present my point of view, I would like to take a moment to describe my relationship to this subject and the background of experience against which my ideas have taken shape.

I am a **political scientist**. In my view the main task of scientific advice to policy consists in providing help regarding the main problem of policy formation. This is to find a consensus for the realization of timely solutions and the implementation of comprehensive action programs. Scientific policy advice needs not only to provide the necessary knowledge but should also set agendas and establish the legitimacy of policy requirements that have to be met in the face of contrary concepts and interests in other policy areas.

My main professional role is that of **Executive Director of the Federation of German Consumer Organizations (vzbv)**. We commission scientific policy advice, and our effectiveness as an interest group stands or falls with our ability to provide the political decision-making process with objective, empirically supported, scientifically based, high-quality information and recommendations for action.

In the political sphere the allies consumer interests rely on are notoriously weak. This weakness can be identified in terms of three major points:

1. **Institutionally:** The advocates of a strong consumer policy within the polity and civil society are rather weak institutionally. Consumer policy is a cross cutting issue. Decisions relevant to consumers have to be dealt with in many policy fields, such as energy policy, transport policy, environment policy, agricultural policy and competition policy.
2. **Policy style:** The style of policy formation is reactive rather than active. Policy agenda-setting is usually dominated by scandals that suddenly flare up, such as the BSE crisis.
3. **Supply-driven thinking:** In general, the political discussion and political decision-making process are mainly driven by actors from the supply side of the market. Consumer policy actors have difficulties bringing the demand side perspective onto the political agenda because policy making on the demand side and consumer protection are very often perceived as a zero sum game: Activities to protect consumers and measures to empower consumers in their role as equal and necessary actors ensuring the prosperity of the domestic, European and global economy are perceived as barriers to the economic performance of industry, producers and traders.

In view of this constellation of political actors, consumer policy is in urgent need of the support provided by scientific expertise. In the following I will explain the current situation. I would first like to present my understanding of the role and tasks of consumer policy in relation to economic activity and the need for scientific advice to policy that this gives rise to. I will then describe the situation in the field of consumer research and finally present a number of recommendations for strengthening the scientific foundation of a modern consumer policy.

Towards a modern consumer policy

In recent years consumer protection has taken on a new dynamism in

Germany. The establishment of the Federal Ministry for Consumer Protection, Nutrition and Agriculture in January 2001, the creation of the Federal Agency of Consumer Protection and Food Safety and the Federal Institute for Risk Assessment in Autumn 2002 have improved **institutional structures particularly with regard to the protection of consumers' health within the framework of federal policy.** These improvements also include the establishment of a scientific advisory board connected to the Federal Ministry for Consumer Protection. **2001 also saw an organizational strengthening of the conveying of consumer interests by civil society in relation to federal policy** due to the bundling of consumer-protection instruments and consumer organizations in the Federation of German Consumer Organizations.

These institutional reforms have meant an improvement in the perception of the classic tasks of consumer **protection.** However, an **enduring guarantee for the viability of consumer protection as a political force has not yet been achieved.** At present consumer policy legitimates and defines itself in terms of the individual consumer's interests in protection without adequately substantiating its specific contribution to economic and overall societal goals in theoretical, institutional and programmatic terms. Modern consumer policy must understand itself as more than the sum of individual consumer-protection regulations. It must amount to more than merely adding further regulations to what is already a considerable list. The protection of the consumer will remain a central pillar of every consumer policy in the future but it must be supplemented by a second approach that understands the task of consumer policy as oriented to the demand side of the market. Its goal should be to anchor the role and contribution of consumers and their demand for goods and services in all policy fields as a necessary basis for action. In the global market general policy goals such as securing qualitative growth and employment in Germany, social justice and equal life chances for all citizens, as well as protection for the environment cannot be achieved

exclusively by specialist policies, e.g. economic, employment, environmental and social policy. Successfully realizing such goals requires the contribution of consumers and a modern consumer policy that supplements its protective task with a formative dimension. **We are talking here about the development of a policy field with an expanded intellectual approach, a specific theoretical grounding, solid institutional structures and a program and instruments with which consumer policy can move beyond its purely defensive and protective function to take an active role in shaping the demand side of the market.** Scientific advice on consumer protection policy – or better – consumer policy has an important contribution to make here.

State of the art of consumer research and scientific advice

Current consumer research deals primarily with individual sectors of consumption and consumer behavior and with protective mechanisms for consumers as individuals. It has a multidisciplinary orientation although a leading role is assumed by lawyers in the field of scientific policy advice and by marketing research in the context of supporting economic enterprises. An analysis of the **state of consumer research in Germany** conducted by the vzbv in 2004 characterized the current state of research and its contribution to a modern consumer policy in the following terms: “At present, research related to consumer policy is conducted predominantly by only few research groups and individuals. The research map exhibits a “point cloud” of research initiatives that are networked to only a small degree. This is hardly surprising given that, with the exception of several EU research programs focusing on consumer law, there are no research or funding programs or institutional research networks dealing specifically with consumer policy. Only the political concept of sustainable development, which required scientific input to establish its theoretical basis, has generated points of contact, particularly within the framework of research into sustainable consumption.”

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In particular consumer research has as yet failed to make the collective effect of the demand side of the market and the economic significance of demand in a global market an object of research and specific theoretical analysis. The global market can hardly be steered by national political actors using the traditional instruments of regulative policy. By deriving the legitimacy of consumer protection solely from the principle of the individual, i.e. the protection of individual consumers and the satisfaction of their needs, which are not necessarily compatible with general public and economic interests, it has found itself on the defensive in relation to the primarily supply-oriented competition theories in the field of economics. In this

¹ Verbraucherforschung in Deutschland. Schriftenreihe des Verbraucherzentrale Bundesverbandes zur Verbraucherpolitik, Vol 1, Berlin 2005, p. 16f

context, particular significance has been attributed to scholarly efforts to establish the necessity of consumer education and awareness raising as a means of directing consumer behavior in a direction compatible with the public interest. However, these efforts have as yet failed to lead to a consistent concept of action. Consumer education, i.e. the conveying of capacities to shape everyday life in a way compatible with the individual and public interest, has almost no role in school education or vocational or university training. Calls for an intensification of consumer education and improved consumer information tend to be suspected of ideological underpinnings and accused of “patronizing” the consumer.

Apart from the deficits of consumer research one of the reasons for this lies in the highly **effective policy advice provided by economic scientists**, which is in particular a source of orientation for economic policy and enterprise associations. Such advice argues that maximum scope for free trade by market suppliers, the privatization of areas of public services and opening them up to entrepreneurial competition, deregulation and de-bureaucratization constitute the correct recipe for the market economy and consumers. This concept for the most part regards frameworks that set limits to the competition of enterprises as socio-political philanthropy that tends to hinder the positive development of entrepreneurial market forces.

The astounding effectiveness of such schools of thought is, in my opinion, not only shaping political debate in Germany. It is also evident in the application of the so-called Lisbon strategy of the EU Commission and the complete disregard for consumers’ right to know by the World Trade regime. It is not only assumed that both producers and consumers are completely informed and are therefore proceeding from the same initial position. It is also overlooked that the social, economic and ecological frameworks, which democratic principles require political actors to establish, create completely different starting points and cost situations for enterprises. Finally, the political pursuit and defense of values outside the economic sphere is denied any legitimacy.

The recognition of “asymmetric information,” i.e. the fact that consumers have less information about the qualities of products than do suppliers, has now led – at least in some areas of economic scholarship - to a correction of the fiction of the fully informed market model. However, resistance to an improvement of the consumers’ rights to know, e.g. by means of a consumer information law or the inclusion of information rights in the law against unfair competition, shows that economic policy has not yet caught up with the learning process of economic scholarship. For this reason it continues to ignore Akerlof’s recognition of the fact that the **lack of transparency in the market supply is damaging for good and**

efficient enterprise.² Akerlof developed his theory of “information asymmetry” with reference to product characteristics. However, this makes it all the more relevant to the process quality of goods and services, i.e. for the assessment of characteristics by the consumer that concern the social and ecological conditions of the production of a good or the provision of a service. It is precisely these factors that have a central significance for the German and European economy in a framework of international competition that, in view of environmental and social dumping, requires comparison by the consumer not only in terms of price but also quality.

What to do?

Consumer policy and consumer research obviously have a “chicken-and-egg problem.” Until now the weakness of both has hindered effective, mutual support. However, it is my impression that possibly as a result of an increased significance of consumer protection in the political arena the interest of the science community in consumer themes is increasing. Chairs of consumer research and consumer science have now been established at a number of German universities. There has been an increase in the warnings coming from economic scientists and economic research institutes against a retreat by the state from public services, a rash policy of liberalization and privatization and a neglect of the demand side of the market.

These beginnings of a **revitalization of consumer research** are in need of support from consumer and research policy at the national and EU level. This would involve both the initiation of comprehensive research programs and help with the institutionalization of consumer research as a source of scientific policy advice. In terms of its structure and problems of asserting itself in the context of political and scientific disputes, consumer policy has a great deal in common with environmental policy. Both have a cross-sectional character. Their challenges involve both the integration of objectives in other policy fields and the overcoming of short-term economic calculation in favor of a long-term, sustainable perspective and form of action.

In my view consumer policy is today in a similar situation to that in which environmental policy found itself in the 1970s. With the establishment of the German Advisory Council on the Environment, environmental policy was able to draw on the advice of an interdisciplinary, independent, scientific advisory board. The Federal Environment Agency was set up as a scientific think tank with the capacity to manage a comprehensive research program and

² See Akerlof, G: The Market for “Lemons”. Quality Uncertainty and the Market Mechanism, Quarterly Journal of Economics, 1970, 84, p. 488-500

adequate finance for research. Consumer policy should follow this example. The concern here should not only be with support for applied research but also with support for fundamental research.

Consumer policy can formulate goals and questions; it can identify problems and specify the need for viable instruments for action. The scientific concepts must come from science itself. In 2004, as a way of initiating scientific dialog, the vzbv asked a group of scientists to work out a research design.³ However, presumably due to the lack of appropriate research funding, the kind of dialog and dispute that is desired within the scientific community concerning the elements of a new policy-oriented consumer research has as yet not developed.

Impetus therefore needs to be provided by both **EU consumer policy** and **EU research policy**. In the context of the updating of the EU consumer protection program and the research framework program we have submitted proposals relating to the strengthening of scientific support for DG Sanco and the inclusion of consumer research in the 7th research framework program.

We are also recommending that DG Sanco should follow environmental policy and establish a European Consumer Agency on the model of the European Environment Agency as well as a “regular reporting mechanism on consumption and consumer protection in the EU market“. A **system of regular reporting on the demand situation and consumer protection within the EU market** should be conceived and coordinated by the European Consumer Agency. It will be a tool to help DG Sanco bring consumer issues on to 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 in relation to developments on the demand side of the market. Furthermore, the need to organize a monitoring system within the member states will not only help national consumer policy actors and consumer organizations to have a role and mandate to collect data from different sources. It will also fuel consumer research, which has to identify the right topics and indicators that should be monitored by a permanent **consumer information and observation system** at EU level.

The 6th research program of the EU exhibited several program aspects which were also relevant to the questions raised by consumer research, e.g. research into food and food safety, quality of life and sustainability. In our opinion the **7th research program** should go

³ Reisch, Lucia/Becker, Tilman/Schatz, Heribert/Voelzkow, Helmut: Research for a New Consumer Policy, in: Verbraucherforschung in Deutschland, op.cit., p. 77-119

further and bundle the interdisciplinary fields of consumer research in a specific **consumer research program**. The current outline does not do this, but we are persisting in this demand for the following reasons:

The supranational structure of the European economic zone makes the EU itself an active agent in the establishment of frameworks for economic policy and consumer policy. For this reason, not only supply-side market conditions but also demand-side conditions require specific research. This applies, for example, to consumer-oriented research in connection with EU policy concepts regarding the liberalization of services in the public interest, steering models of new forms of governance, concepts of sustainable development and questions of the competitive capacity of the European economy within the context of world trade.

Furthermore, the fragmented consumer research in the member states of the EU requires a platform and coordinating body, the aim of which is to utilize synergies, to bundle research in a goal-oriented way, and to support cooperation between scholars within and across disciplines and the exchange of research strategies and results. We are now in discussion with DG Research, one result of which has been the decision to organize a workshop in 2006 in which the initial steps and themes for consumer research at the EU level can be discussed and agreed upon.

To conclude:

Scientific advice for a more pro-active consumer policy is urgently needed. Consumer protection policy and the sectoral consumer research that supports it are on the defensive. A revitalization of consumer research is therefore required, research that focuses not only on the consumer as an object to be protected but also on the collective role of demand under the prevailing conditions of the global market. As a source of advice for an active, formative consumer policy, such consumer research would be oriented not only to the satisfaction of the individual consumer's needs but also to the collective benefit of demand for the society as a whole.