

SPEECH BY ROBERT MORGAN

TO INTERNATIONAL MANAGEMENT ASSOCIATION  
GREENSBORO, N. C.

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"CONSUMER PROTECTION AND BUSINESS"

LET ME TELL YOU HOW MUCH I APPRECIATE YOUR ASKING ME TO BE WITH YOU TODAY. IN MY OPINION THE VARIOUS CIVIC CLUBS AND PROFESSIONAL ORGANIZATIONS OF OUR STATE CAN AND DO MAKE A SIGNIFICANT CONTRIBUTION TO OUR POLITICAL PROCESS BY PROVIDING CANDIDATES WITH A FORUM FROM WHICH TO ADDRESS THE ISSUES OF THE DAY. THIS PERSONAL CONTACT IS ESSENTIAL AT A TIME WHEN PEOPLE THROUGHOUT THIS STATE AND NATION ARE DEMANDING A RETURN TO OPENNESS IN GOVERNMENT AND MORE CONTACT BETWEEN VOTERS AND THOSE WHO SERVE OR SEEK TO SERVE.

I URGE YOU TO INVITE ALL THE CANDIDATES TO APPEAR BEFORE YOU. AS VOTERS IT IS TO BOTH YOUR BENEFIT AND THE BENEFIT OF GOOD GOVERNMENT TO MAKE FIRST-HAND EVALUATIONS OF THOSE WHO ARE ASKING FOR YOUR SUPPORT.

I'M ALWAYS PLEASED TO RECEIVE AN INVITATION TO MEET WITH A CHAPTER OF THE INTERNATIONAL MANAGEMENT ASSOCIATION BECAUSE YOU AND ALL ITS MEMBERS ARE THE BULWARK OF SOMETHING THAT I BELIEVE IN VERY DEEPLY — THE FREE ENTERPRISE SYSTEM.

THERE IS NO DOUBT IN MY MIND THAT THE LIBERTIES AND THE COMFORTS WHICH WE AS AMERICANS ENJOY ARE THE DIRECT RESULT OF OUR NATIONAL DEVOTION TO FREE ENTERPRISE, AND I KNOW THAT YOU SHARE MY DETERMINATION TO PRESERVE IT.

IT IS MY FIRM BELIEF THAT OPEN AND FREE COMPETITION GENERATED BY THE INITIATIVE AND IMAGINATION OF PRIVATELY OWNED ENTERPRISES SUCH AS THOSE FOR WHOM YOU WORK IS THE BEST REGULATING FACTOR IN THE MARKETPLACE.

BUT, WE ALL REALIZE THAT THE CONCEPT OF FREE ENTERPRISE HAS NEVER INCLUDED ALLOWING BUSINESSES TO PREY UPON THEIR COMPETITORS OR DECEIVE CONSUMERS IN THE MARKETPLACE. UNFAIR AND DECEPTIVE BUSINESS PRACTICES BENEFIT NO ONE EXCEPT THE UNSCRUPULOUS OPERATOR, AND IT IS FOR THIS REASON THAT SOME CURBS ARE NECESSARY IN ORDER TO PRESERVE, NOT INJURE, THE FREE ENTERPRISE SYSTEM.

I NOTE THAT BACK IN 1890, IT WAS A VERY CONSERVATIVE MEMBER OF THE UNITED STATES SENATE, JOHN SHERMAN OF OHIO, WHO INTRODUCED THE SHERMAN ANTITRUST ACT WHICH IS STILL THE LAW TODAY. THIS ACT WAS NOT REFERRED TO AS AN ACT TO REGULATE BUSINESS BUT AS AN ACT TO "MAKE FREE ENTERPRISE FREE," WHICH IT DOES BY INSURING COMPETITION AND PREVENTING OPPRESSIVE BUSINESS PRACTICES BY THOSE IN A DOMINANT POSITION IN THE MARKETPLACE.

EARLY IN THIS CENTURY, NORTH CAROLINA POLITICAL LEADERS RECOGNIZED THE NEED FOR PROTECTING FREE ENTERPRISE IN NORTH CAROLINA AND ENACTED WHAT IS STILL CONSIDERED ONE OF THE MOST COMPREHENSIVE STATE ANTI-TRUST STATUTES IN THE NATION. WHEN WE STARTED CONSIDERING NEW LEGISLATION SHORTLY AFTER I BECAME ATTORNEY GENERAL, I WAS AMAZED TO FIND THAT WE HAD SUCH A SOLID BASE OF EXISTING LEGISLATION TO BUILD UPON.

AS A RESULT, WE HAVE HAD TO ENACT FEW ADDITIONAL LAWS. WE DID AMEND OUR STATE ANTI-TRUST SECTION, CHAPTER 75, IN 1969 TO ADD FURTHER PROHIBITIONS AGAINST CERTAIN KINDS OF DECEITFUL COMMERCIAL ACTIVITIES WHICH HAD NOT BEEN COVERED. THIS ACT, CALLED BY MANY "THE LITTLE FTC ACT," STATES IN THE SIMPLEST LANGUAGE THAT UNFAIR AND DECEPTIVE TRADE PRACTICES ARE UNLAWFUL IN NORTH CAROLINA.

IT IS A TRIBUTE TO THE BUSINESS COMMUNITY IN THIS STATE THAT THEY RECOGNIZED READILY THE BENEFITS OF THIS LEGISLATION TO HONEST BUSINESSES AND THAT IT PASSED THE GENERAL ASSEMBLY ALMOST WITHOUT A WORD OF OPPOSITION.

WHILE ATTORNEY GENERAL, I ALWAYS REFERRED TO OUR ACTIVITIES WITHIN THE DEPARTMENT OF JUSTICE AS CONSUMER AND BUSINESS PROTECTION, EMPHASIZING OUR DESIRE TO PROTECT HONEST TRADESMEN AND SUPPLIERS FROM UNFAIR COMPETITIVE PRACTICES JUST AS WE SOUGHT TO PROTECT THE CONSUMER FROM DECEPTIVE TRADE PRACTICES.

LET ME CITE AN EXAMPLE.

A LARGE STORE IN RALEIGH ADVERTISED IN A RALEIGH NEWSPAPER, WITH A FULL PAGE, THAT IT WAS SELLING TIRES AT A VERY LOW PRICE.

I KNOW OF ONE MAN IN MY HOME TOWN OF LILLINGTON WHO DROVE TO RALEIGH AS SOON AS HE GOT HIS MORNING PAPER TO TAKE ADVANTAGE OF THE LOW PRICES.

BUT, WHEN HE GOT TO RALEIGH, EVEN THOUGHT IT WAS STILL EARLY IN THE MORNING OF THE FIRST DAY OF THE SPECIAL SALE, HE WAS TOLD THAT THE LOW-PRICED TIRES WERE SOLD OUT AND, OF COURSE, THEY TRIED TO SELL HIM SOME HIGHER PRICED TIRES. IT WAS THE OLD CLASSIC "BAIT AND SWITCH" TACTIC.

HE ASKED TO SEE THE MANAGER WHO ADMITTED THAT ONLY ABOUT SEVEN OF THE TIRES HAD BEEN AVAILABLE AT THE ADVERTISED PRICE.

IT IS OBVIOUS THAT THE STORE WAS ATTEMPTING TO TAKE ADVANTAGE OF THE CONSUMER. BUT, WE SHOULD RECOGNIZE THAT AT THE SAME TIME, IT WAS ALSO HURTING OTHER MERCHANTS.

THE SMALLER TIRE DEALER IN LILLINGTON COULDN'T AFFORD TO RUN A FULL PAGE AD IN THE RALEIGH PAPER, BUT IF THE BUYER HADN'T BEEN LURED TO RALEIGH BY THE DECEPTIVE ADVERTISING HE WOULD IN ALL PROBABILITY HAVE BOUGHT HIS TIRES FROM HIS NEIGHBOR WITH WHOM HE TRADED REGULARLY.

AND I DON'T HAVE TO TELL YOU THE HARM DONE BY FLY-BY-NIGHT OPERATORS WHEN THEY MOVE INTO A COMMUNITY AND THROUGH DECEPTIVE PRACTICES TAKE MONEY THAT WOULD ORDINARILY GO INTO LOCAL BUSINESS CHANNELS, INTO THE CASH REGISTERS OF MERCHANTS WHO PAY TAXES, SUPPORT LOCAL COMMUNITY ACTIVITIES AND HELP BUILD SOUND GOVERNMENT.

SO I FEEL THAT IN PROTECTING THE CONSUMER ONE ALSO IS PROTECTING THE DECENT, RESPONSIBLE BUSINESSMAN.

FOR THIS REASON, IT IS VERY APPROPRIATE THAT YOUR ORGANIZATION AND YOU INDIVIDUALLY BE CONCERNED ABOUT DISHONEST PRACTICES AND SUPPORT RESPONSIBLE EFFORTS TO HALT THEM.

LET ME COMMENT ON ONE OTHER AREA OF CONSUMER PROTECTION THAT I FEEL IS VERY IMPORTANT TO THE PEOPLE OF OUR STATE AND THAT IS PUBLIC ADVOCACY BEFORE STATE RATE-MAKING AGENCIES.

I GUESS WHEN YOU GET AWAY FROM RALEIGH AND THE STATE GOVERNMENT AREA, FEW PEOPLE IN NORTH CAROLINA EVEN KNOW THAT THE STATE UTILITIES COMMISSION EXISTS, MUCH LESS WHAT IT DOES. WHAT THEY DON'T REALIZE IS THAT EVERY DAY THE COMMISSION IS MAKING DECISIONS WHICH DIRECTLY AFFECT THEIR POCKETBOOKS AND THE QUALITY OF PUBLIC SERVICES THEY WILL RECEIVE. IT IS THE COMMISSION WHICH DECIDES WHAT YOUR PHONE BILL WILL BE, HOW MUCH YOU WILL PAY FOR ELECTRIC POWER, WHETHER YOU WILL HAVE BUS SERVICE IN YOUR AREA, AND ON AND ON.

BUT DO YOU KNOW THAT FOR YEARS THESE DECISIONS WERE MADE ALMOST WITHOUT ANY REPRESENTATION OF THE INTERESTS OF THE CONSUMING PUBLIC -- THE SAME AS SAYING WITHOUT ANY REPRESENTATION OF YOUR INTERESTS? THIS IS TRAGIC BUT TRUE.

WE TRIED TO TURN THIS SITUATION AROUND. WE DIDN'T SAY TO THE COMPANIES, "YOU ARE NEVER ENTITLED TO A RATE INCREASE," BUT WE DID SAY, "IF YOU THINK THAT YOU ARE ENTITLED TO A RATE INCREASE COME IN AND PROVE IT WITH COMPETENT EVIDENCE AND ALLOW THE COMMISSION TO HEAR THE CONSUMER'S SIDE."

THIS IS ONLY FAIR. THIS IS WHAT OUR ADVERSARY SYSTEM USED IN THE COURTS IS ALL ABOUT. AND WE THINK WE WERE EFFECTIVE. ONE MEMBER OF THE COMMISSION ITSELF MADE A PUBLIC STATEMENT TO THE EFFECT THAT WE HAD SAVED THE CONSUMING PUBLIC AT LEAST \$100 MILLION A YEAR BY OUR EFFORTS.

OUR POSITION THROUGHOUT ALL THESE HEARINGS HAS BEEN THAT WE RECOGNIZE THAT UTILITIES ARE ENTITLED TO A FAIR RETURN ON THEIR INVESTMENTS, JUST AS OTHER BUSINESSES ARE, BUT THAT THEY MUST PROVE THEIR NEED FOR THE REQUESTED RATE INCREASES AND PERMISSION TO ALTER SERVICES.

FRANKLY, IT HAS CONCERNED ME ON MANY OCCASIONS TO SEE NEWSPAPER HEADLINES WHICH READ SIMPLY, "DUKE POWER OR C. P & L GRANTED 5% RATE HIKE." THE READER SELDOM UNDERSTANDS THAT THE COMPANY MAY HAVE ASKED FOR TWICE THAT MUCH AND THAT HALF OF IT WAS DENIED AS BEING EXCESSIVE.