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the audience with visions of wealth and rhetorical doubletalk. One pyramid sales organization advised their recruiters to "buy a Cadillac, assure everybody you are making a fortune, hand out big checks at opportunity meetings, advise people they better get in fast because only a few slots are left." Prospective investors bombarded with carefully staged selling talks are misled through the use of shills, making a rational choice impossible.

Second. As readily becomes obvious, there are simply not enough bodies around to keep the promised chain in motion. Assume one consumer is successful in recruiting six "friends" into his scheme, and these friends recruit six more friends. The repetition of this process only nine times would result in a chain of 10,077,696 persons. Obviously, this is a process which cannot be sustained. Simple mathematics makes the pyramid scheme self-defeating. An investigator in New York found that, if all of the people in a single pyramid organization operating in that State were able to make the promised profits, there would be 150 million distributorships in New York alone at the end of the second year.

Finally, although some early investors do occasionally make a profit, the pyramid sales schemes invariably result in large losses for the consumer. In the case of a single company which told its investors to expect \$45,600 per year for part-time work and \$108,000 per year for full-time work, the SEC found that "90 percent of all investors are currently inactive, while the remainder average a total return of less than \$1,000." An investigation of a single company operating in Pennsylvania revealed that only about 26 percent of the money invested in the company was ever recouped by investors. Millions and millions of dollars are lost to pyramid promoters every year.

There are, of course, many ways to deal with a problem like this. Unfortunately, the remedies currently available are woefully inadequate. While the Federal Trade Commission and Securities and Exchange Commission have taken important steps to deal with the pyramid problem, their procedures are time-consuming, their statutes are not specifically tailored to deal with this scheme, and their personnel are limited.

Many States have good laws already on the books to use in their fight against pyramiders. Many States, including my own State of Minnesota, where Attorney General Warren Spannaus has been a leader in vigorously pursuing pyramid sales companies which have taken millions of dollars from Minnesota citizens, have made a sincere and successful effort to eliminate pyramiders. However, their efforts have frequently been frustrated by neighboring States with no law covering these organizations or no enforcement efforts. Pyramid sales simply flee to States with weak or nonexistent legislation.

It is because there is now no specific, effective way to promptly deal with pyramiders that I introduce this bill to-

day. I am proud to say that this legislation is cosponsored by the distinguished chairman of the Commerce Committee (Mr. MAGNUSON) and the distinguished chairman of the Consumer Subcommittee (Mr. MOSS).

In brief, the bill imposes criminal and civil penalties on those fraudulent pyramid sales operators who prey on the public with unfounded presentations of future earnings through endless chain promotions.

Specifically, the bill provides for a fine of up to \$10,000 or imprisonment for up to 1 year, or both, for those selling or attempting to sell a participation in a pyramid sales scheme.

In addition, any person who induces another person to participate in such a scheme is made liable to that person for three times the amount of the consideration paid, as well as court costs and reasonable attorneys' fees.

Pyramid sales schemes are specifically defined by the bill. I sincerely believe that the definitional language isolates out the fraudulent pyramid sales operation without affecting the hundreds of legitimate companies which do business using commission arrangements or franchise organizations, in which the primary aim is sales to the consuming public rather than recruitment of additional persons into an endless chain.

The bill also provides that either the Department of Justice or the chief law enforcement officer or attorney general of any State in which an illegal pyramid sales practice has occurred may seek injunctive relief in the U.S. district court.

The combination of remedies—prosecution by the Department of Justice for criminal violations, action by an aggrieved person to recover treble damages plus costs and legal fees, and suits brought by either Federal or State authorities to gain injunctive relief—affords the variety and flexibility of procedures necessary to protect the consuming public.

This piece of legislation has been developed in consultation with Federal authorities, State authorities, trade associations, and individual companies. During hearings during the 93d Congress, it received the endorsement of the National Association of Attorneys General, the Securities and Exchange Commission, and the relevant trade associations—the Direct Selling Association and the International Franchise Association.

The legislation also received the approval of the Consumer Subcommittee of the Senate Commerce Committee, the full Commerce Committee, and passed the full Senate during the 93d Congress. I am confident that it offers real promise of ending this enormous consumer fraud.

By Mr. MONTROYA:

S. 1511. A bill to amend the Internal Revenue Code of 1954 to insure the confidentiality of individual income tax returns and to provide procedural safeguards governing access to such returns by Government agencies. Referred to the Committee on Finance.

Mr. MONTROYA. Mr. President, during

the past 2 years it has become increasingly evident that the return filed by every American taxpayer has not been afforded the confidentiality and privacy such an individual and personal document deserves. This was borne out in the hearings of the Senate Watergate Committee, the House Judiciary Committee in its investigations into impeachment of former President Nixon, and the IRS oversight hearings of the Senate Appropriations Committee held only a year ago. All three of these investigations disclosed random and sometimes politically motivated disclosures of the tax returns of many individual taxpayers. Clearly, the tax return is not a confidential document.

Our tax laws, in fact, do not even pretend that tax returns are confidential. Instead, the Internal Revenue Code states that "returns constitute public records." This condition of publicity and disclosure of the most private of our financial lives as represented in our income tax returns is something the Congress may not permit to continue.

Therefore, I am now reintroducing a bill to prevent unauthorized intrusions into the private lives of the American taxpayer. On August 21 of last year, I introduced S. 3935, my tax return access bill of 1974. The measure I offer today is essentially the same bill, with certain improvements. Under my bill, the IRS and other Federal and State bodies will be prevented from making unnecessary and unwarranted exchanges and disclosure of tax returns and information from tax returns without the knowledge and consent of the taxpayer concerned. Clearly, there are those situations where Government agencies or even individuals must have tax returns or information for purely legitimate purposes. My proposal provides returns for these legitimate purposes, but denies unconsented to examination of tax returns for other than legitimate purposes.

The first part of my bill provides that tax returns are no longer to be considered public records. Hereafter, the income tax return each of us files will be considered confidential. Furthermore, under present law, the President or Secretary of the Treasury can allow any agency or persons to receive and inspect any tax return, or any group of tax returns. Under my bill, such authority would be denied them. The bill would take away this power and leave tax returns open to inspection only in those situations Congress determined were just. The privacy of tax returns requires statutory solidarity, not the flexibility or easily changed structure of the current law.

The first part of my bill also provides that the Commissioner of Internal Revenue may release all the statistical data he desires from tax returns, without disclosing the identity of taxpayers considered. This will be for those agencies who argue that they need tax returns for statistical purposes, including the Bureau of the Census and the Department of Commerce. Their functions will not be impaired, but the sanctity of the indi-

States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Canal Zone, and American Samoa.

PROVISION OF FUEL INFORMATION

SEC. 4. (a) (1) After the effective date of this section, the shipment, transportation, or sale of gasoline in interstate commerce, or the shipment, transportation, or sale of gasoline which has been shipped in interstate commerce, is prohibited unless the person offering such gasoline for shipment, transportation, or sale to one other than a consumer has certified in writing at or prior to the time of delivery of such gasoline to the person receiving such gasoline for resale or distribution the octane rating.

(2) After the effective date of this section, the sale to a consumer of gasoline which has been shipped, transported or sold, or is offered for sale, in interstate commerce, is prohibited unless the person offering such gasoline for sale to consumers has affixed to the unit from which gasoline is dispensed to the consumer a label clearly stating the octane rating.

(3) After the effective date of this section, no gasoline which has been shipped or transported in interstate commerce shall be sold or offered for sale to any consumer unless all advertising and other promotional information about such gasoline clearly discloses the octane rating and such other information about such gasoline as the Administrator shall by regulation prescribe.

(b) No automobile manufactured after the effective date of this section which has been manufactured, shipped, or transported in interstate commerce shall be sold or offered for sale to a consumer unless the manufacturer of such automobile provides written information to the buyer of such automobile stating the octane or octanes of gasoline appropriate for use in the engine of such automobile.

(c) The information required to be disclosed under subsection (a) shall meet such requirements as to form and content, and any label required to be displayed shall be affixed in such location on the unit from which gasoline is dispensed, as the Administration shall by regulation prescribe. The information required to be disclosed under subsection (b) shall be posted in or on the automobile or included in literature furnished by the manufacturer to the buyer of the automobile, or both, as the Administrator shall by regulation prescribe.

PENALTIES

SEC. 5. (a) (1) Violation of the provisions of section 4(a) (1) of this Act or any regulation promulgated pursuant to such section is a misdemeanor punishable by a fine not in excess of \$5,000 for each day in which any delivery of such gasoline is made.

(2) Violations of the provisions of section 4(a) (2) of this Act or any regulation promulgated pursuant to such section is a misdemeanor punishable by a fine not in excess of \$100 for each day on which any sale of such gasoline is made.

(3) Violation of the provisions of section 4(a) (3) of this Act or any regulation promulgated pursuant to such section is a misdemeanor punishable by a fine not in excess of \$5,000 for each publication of an advertisement.

(4) Violation of the provisions of section 4(b) of this Act or any regulation promulgated pursuant to such section is a misdemeanor punishable by a fine not in excess of \$300 for the sale of an automobile by a manufacturer, and not in excess of \$100 for the sale of an automobile by a person other than the manufacturer.

(b) Violation of any provision of this Act or any regulation promulgated under this

Act is an unfair or deceptive act or practice in commerce under section 5(a) (1) of the Federal Trade Commission Act.

STANDARDS, STUDIES, AND ENFORCEMENT

SEC. 6. The Administrator shall—

(1) establish standard methods to measure octane and to establish other methodologies and testing procedures to insure the purity and content of gasoline;

(2) conduct a full and complete study of gasoline of which substantial sales in interstate commerce are made, the impact of such gasoline on automobile deterioration, and the feasibility of standardizing gasoline formulas, and report the findings of such study to the Congress; and

(3) perform spot tests of the quality of various brands of gasoline which have been moved in interstate commerce or in commerce affecting interstate commerce, and provide semiannual reports on such testing procedure and the results disclosed by such tests.

TIME FOR ISSUANCE OF REGULATIONS

SEC. 7. The Administration shall issue regulations prescribing the form, content, and location of the information required under section 4 not later than six months after the enactment of this Act.

AUTHORIZATION OF APPROPRIATIONS

SEC. 8. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

EFFECTIVE DATE

SEC. 9. Sections 4 and 5 of this Act shall take effect one year after the date of enactment of this Act.

TABLE I.—ESTIMATED GASOLINE OVERBUYING BY OCTANE GRADE AND CONSUMER NEED, BY YEAR

	1970	1971	1972	1973	1974 (as of Jan. 1)
Premium (100 RON):					
Percentage of cars needing premium....	32.3	30.2	27.1	24.0	22.3
Percentage of gas needing to be premium.....	32.3	27.0	20.1	14.6	12.3
Percentage of gas sold as premium.....	42.6	41.1	38.1	35.1	33.6
Premium overbuying (percent).....	10.3	14.1	18.0	20.5	21.3
Regular (94 RON):					
Percentage of gas needing to be regular.....	67.7	61.75	52.8	44.4	40.8
Percentage of gas sold as regular.....	57.4	53.9	56.9	59.9	61.4
Regular overbuying (percent).....			4.1	15.5	20.6
Economy (91 RON):					
Percentage of gas needing to be economy.....	0	11.25	27.1	41	46.9
Percentage of gas sold as economy.....	0	5	5	5	5
Economy underbuying (percent).....		6.25	22.1	36	41.9

By Mr. MONDALE (for himself, Mr. MAGNUSON, and Mr. Moss) :
S. 1509. A bill to prohibit pyramid sales transactions and for other purposes. Referred to the Committee on Commerce.

Mr. MONDALE. Mr. President, I am today introducing a revised and improved version of a bill which received the overwhelming support of the Members of the Senate during the 93d Congress. The

bill, which was S. 1939 during the 93d Congress, prohibits the so-called pyramid sales scheme, which has rightly been called America's No. 1 consumer fraud problem.

Although it is impossible to accurately estimate the number of victims of this fraud or the amount of money lost to the pyramiders, we must regard the estimate of the former Chairman of the Securities and Exchange Commission—that these enterprises have taken over \$300 million in investment money from the American public—as conservative when we see the SEC recently charging a single company with bilking 80,000 people of more than \$250 million.

Suffice it to say that, as the vice chairman of the consumer protection committee of the National Association of Attorneys General has stated to me, these operations are "perhaps the most serious pending consumer fraud problem." In the words of business writer Sylvia Porter, pyramid sales schemes are—

Among the most vicious and pervasive of all "business-opportunities" swindles flourishing in the United States today.

Although the basic scheme has as many variations as there are companies, the pattern is essentially the same. The pyramid sales organization is composed of a number of different marketing levels. Consumers are encouraged to make an initial investment in a lower level of the organization. This investment yields an inventory of the product which the organization is ostensibly selling—an inventory with an actual value usually considerably below the investment.

The initial investment is usually sought at a high-pressure sales meeting, featuring such tactics as intense peer pressure, the use of skills, inflated promises, and fast-talking speakers.

Once the initial investment is made, the consumer is encouraged to move up along the various marketing levels of the company—by, of course, investing more and more money—on the promise that he will be able to share in the promised, lucrative profits to be earned through the recruitment of still others to join the scheme.

It is consistently made clear that the real "riches" come to those who recruit others to join, not to those who sell the product. Pyramiding is not concerned primarily with retailing a product, but instead with the right to sell the right to sell. Although the pyramiders may push products that range from soaps, cosmetics, cleaning agents, and clothing to gasoline additives, food supplements, burglar alarms, and personality improvement courses and may entice victims through advertisements, mail solicitations, buttonholing on the street, or invitations, their primary concern is with selling the right to recruit.

The pyramid sales scheme presents the innocent consumer with several problems.

First. These operations almost universally use the high-pressure sales tactics of the rally or meeting. The fast-talking, enormous-promising salesman spellbinds