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CENTER FOR CONSUMER SERVICES

Dr. William Johnston*

The end product of any consumer education program should be educated consumers. The author discusses issues and processes to follow to accomplish that goal. Consumer education has as its basis buymanship and money management. These are brought together to form a proper budgeting plan. Consumer education is most effective when many disciplines are involved with the teaching of the subject.

The end product of any consumer education program should be educated consumers. An immediate problem is determining what is an educated consumer.

An educated consumer should have a degree of competence and confidence in marketplace interactions. An educated consumer should also display a healthy skepticism in the marketplace. That is, the consumer should be inquisitive and not accept statements heard as gospel.

What is the role of consumer education? Consumer education should change consumer behavior more than consumer information does. Consumer education is people-oriented. Consumer education professionals should constantly re-evaluate objectives, lesson plans, organization of materials, etc. The skeleton for organizing the curriculum should have as its basis: (1) buymanship, (2) money management.

Buymanship includes the knowledge and use of all assistance available. Examples may include labeling information, Consumer Reports, shopping skills, etc.

Money management should include banking services, credit, financial problems, insurance, savings, investments, etc. These two areas have as their main goal an effective budgeting process.

Three other areas should be included in the broad organization of the consumer education curriculum. First, humanities--that aspect of education that is concerned with values and values clarification. Second, citizenship which deals with legislation, investigative techniques, enforcement, etc. Third, economic understanding which permits the consumer to operate in a positive economic environment.

The consumer educator should interject everyday living experiences into the class. Consumer education will occur by choice or by chance. The questions becomes one of delivery systems. That is, who does it and how.

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The education of a consumer cannot be isolated into one subject matter area. Consumer education involves all aspects of life and, therefore, should be multi-disciplinary.

In order to be effective, consumer education should stress current consumption the "hands on" approach to consumer education. Further, the consumer educator should consider the "tone" of the class; that is, how should the students feel about the marketplace? Remember that profit is not bad.

We should consider the "inventory" approach. We should determine what is already available in the school and what aspects of the total plan is each instructor emphasizing. This clearly relates to the multi-disciplinary approach. We must then subtract what is done from what is needed to determine changes that should be considered. We should further analyze where "traditional" subjects can assist with consumer education.

In summary, we have challenges and opportunities before us. Perhaps the best way to attack these challenges and opportunities is through a multi-disciplinary approach to consumer education.

AN EVALUATIVE PROJECT TO FIND MORE COST-EFFECTIVE
MEANS OF PRESENTING EXTENSION PROGRAMS
IN HIGHLY POPULATED COUNTIES

Ms. Veronica Carmack*

The Cooperative Extension Service at Clemson University is involved in a project to find more cost-effective means of presenting extension programs in highly populated counties. Two counties provide extension agents at a branch office located in a shopping mall. Various techniques are used to present home economics and agricultural subject matter. These include live demonstrations, video cassettes, slide/tape programs, displays and printed materials.

The Cooperative Extension Service has been and remains an organization capable of bringing important educational programs to a number of different audiences. In the past, many of the successes have been in rural areas and in small towns. Extension agents in rural locations have been well known, and the site of the Extension office has been familiar to the people in the county.

Traditional means of communicating with Extension clientele in the highly populated counties are being threatened. Radio time is being reduced. The agent's column in the local newspaper is being reduced or eliminated. Television time, if available, is not usually at a prime viewing hour. Extension offices once were easily accessible during the days when the county courthouse was the focal point of rural life and rural living. Today, we find that the county Extension offices are moving out of the mainstream for many people in our state. It does not have to be that way. Urban audiences are being sought. Educational programs, especially in home economics, know no boundaries. All ages and income levels can benefit from information available through the county Extension offices.

The cost of doing Extension work continues to rise. Extension budgets go largely for salaries and travel costs, two items that tend to move higher each year. Accountability is becoming a key word in public agencies. There is an urgent need to make more effective use of our Extension workers' time. The most significant possibilities for increased efficiencies lie in the more populated counties with high audience potentials. We feel that there are ways to both serve more people and at the same time improve the quality of our educational program.

The Extension Service at Clemson University is currently conducting a pilot project in presenting consumer materials in shopping centers and malls. The results thus far demonstrate that malls are an excellent setting in which to do money management education. Other specialists have been equally successful with plant problem clinics and other subjects.

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Objectives of Project

The overall objective of the project is to evaluate the effects of some new approaches in presenting Extension programs in one of South Carolina's most heavily populated counties. The search for greater effectiveness and/or efficiency involves several basic ideas:

1. Extension programs should be located where Extension workers have daily contact with large numbers of people.
2. Extension services should try to use the latest technology to present Extension programs in ways that are eye-catching, interesting, and educational.
3. The Extension worker should feel that he is part of a dynamic organization at work on the problems that face many of today's people.
4. The Cooperative Extension Service should have greater identity among all segments of the population.
5. The Service should take advantage of the fact that people will respond to some fairly complicated educational programs if those programs are broken into small segments. We have observed that people often take time for educational experiences as they pass through a shopping center or while they wait for a shopping partner.

Methods/Procedures

The experimental branch office for this project is located at the Dutch Square Shopping Mall located in Columbia, South Carolina. This mall has several advantages. The mall management is very cooperative and has worked with the local Extension staff in the past. Extension staffs were eager to assist in the pilot project. We feel that all these factors and attitudes increased the probability that the pilot effort will be successful and that the work will be continued beyond the initial project.

Last summer we presented our problem to a class of graduate students in Architecture. They were asked to design a structure to meet our complex needs using the constraints imposed upon us by the mall. Several outstanding models were selected to be used as a basis for the final plans which were prepared by a licensed architect. After the modular units were constructed on campus, they were transported by truck to the site where they were quickly reassembled by the local staff. The small 10' x 18' enclosed structure was placed in the main traffic stream within the mall. This branch office is similar to some bank and specialty shops now located in many malls.

The design of the facility is critical to the success of the project. It must be both functional and attractive in order to capture client interest and enhance the image of Extension and our Extension workers. It is stocked with equipment needed to do the best job possible in presenting chosen topics from all areas of Extension work. Local Extension agents were consulted in planning the programs and featured topics.

Several problems had to be overcome early in the planning stages. A plan had to be developed for staffing and scheduling the office on a rotating basis. In addition, two part-time employees were hired. Both of these employees were former Extension workers. By keeping the branch office open during the same hours as the mall, we are able to extend the traditional work hours into the evening and weekends. These extended hours are perhaps a more effective time period for urban contacts.

Each county agent spent approximately 1½ days per month at the branch office. He or she must come prepared to present information on a special topic that they alone select. Agents have specialized areas of emphasis in which they work. It is from these areas that features are chosen. If for example, Mr. County Agent works primarily with entomology then during his time at the mall, he will speak to shoppers about insect problems. He may bring posters, slides or any other visuals to aid him in his presentation. If Ms. County Agent has been assigned the clothing area in her county, perhaps her featured presentation will be a display of new sewing notions that she can introduce to the public.

Tally sheets are kept daily to record the number of contacts made. This number includes the people who stop by to select a publication or to ask about a display. It also includes those who bring in soil samples or branches from an ailing shrub. The tally sheets results indicate a much higher exposure than is normally expected in other branch offices throughout the state.

They also show clearly that featured subjects draw the most comments and questions. This is to be expected. Between special features presented by agents and those presented by specialists, shoppers may find topics of interest to almost everyone.

It should be reiterated that in terms of manhours expended versus audience contacted, the only teaching method to surpass the mall experience would be mass media.

New Audiences

Project workers have observed that many people were not familiar with the Cooperative Extension Service. In some cases ideas about the organization were not completely true. Many people thought that we worked mainly with farmers or low income families.

Specialists are asked to select a few of their most popular publications to be displayed in large catalogs at the branch office. If a shopper is interested in a particular subject he or she is given an opportunity to flip through loose leaf notebooks which contain actual copies of the publications. Selections are made and recorded on cards which are sent in bulk to the campus where the orders are processed.

Since this procedure began four months ago, we have mailed 523 agriculture publications, 848 home economics and 57 4-H publications. That is a total of 1428 publications. This does not include the thousands of single-concept leaflets which have been distributed directly from the mall.

Use of State Specialists

The biggest potential cost saving element has to be the conservation of specialists time and travel. By utilizing the mass media facilities on campus, specialists are able to produce high quality video tapes of demonstrations and lectures. Audio cassettes are also being produced for sale at cost. These cassettes may parallel a complicated bulletin to explain in layman's language the charts and figures included in tables.

Video tapes have a great future ahead for them. One video tape player and monitor is in use at the branch office. Twelve additional sets are being purchased for us in other counties. The tapes that have already been produced can easily be duplicated for distribution to those counties.

Evaluation

The pilot project is nearing completion. Various evaluation methods will be used in determining future directions for this approach to Extension work. A Home Economics graduate student at Winthrop College will be doing her Master's thesis on this project. She will be investigating the influence that the branch office has had upon shoppers who stop by for information. Questionnaires will be mailed to a random sampling of persons who filled out publication request cards. On-site interviews will also be made.

It is our hope that this project will be allowed to continue and that other similar branch offices will begin to show up in shopping centers all across the state.

TEACHER PREPARATION FOR TEACHING CONSUMER EDUCATION

Dr. Rose Davis*

The purposes of this research were to provide insight into the preparation of teachers for teaching consumer education and to assess the consumer education needs of teachers which should be met by colleges and universities. Findings of a random sample of teachers grades K-12 indicate that of those teaching consumer education, a third do not feel competent to teach consumer education, almost half have not had a consumer education course or workshop, and over two thirds indicated they needed help in developing effective methods of teaching consumer education.

Introduction

Armstrong and Uhl in a 1972 Consumer Education Survey reported a national shortage of qualified teachers in consumer affairs and stated this would continue to be the principle limiting factor to the growth of consumer education in the schools. The report further stated that consumer education teachers may have their roots in any one of a number of areas, especially home economics, business education, and social studies. Armstrong and Uhl stated that training in only one of these areas is not sufficient for the needs of consumer educators. In order to foster training and development in consumer affairs, they recommended that colleges of education develop special emphasis in the area. Specifically, this report recommended a program of teacher certification in consumer education to insure adequate numbers and preparation of teachers in consumer education.¹

Since the publication of this report several states now require consumer education and a number of others encourage the teaching of consumer education. Yet, to date little specific preparation has been required for teachers who teach this subject matter.

Another study conducted in 1973 by Davis found a statistically significant difference in the emphasis of consumer issues by teachers who have had no college credit in consumer education or related subjects and those who have had preparation in these areas. This study also found a statistically significant difference in emphasis of consumer issues between teachers who feel competent and those who do not feel competent to teach consumer education.²

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In discussing a variety of problems encountered when incorporating consumer education into the curricula, among those listed by Nader was teachers lack of good motivational materials and a sufficient background in consumer education.³

A fall 1977 ERIC search identified no studies specifically concerned with teacher preparation or certification for teaching consumer education.

Need for Research

Recent research findings by various authors revealed that a course in consumer education or consumer economics does not significantly change a student's consumer competency.^{4,5,6,7,8,9} A national study conducted at the University of Texas¹⁰ and a state study conducted in 1977 by Davis¹¹ along with numerous other studies indicate a lack of consumer competency. The purpose of this research was to test the hypothesis, "Teachers are adequately prepared for teaching consumer education."

Research Design

The sample of this study consisted of a stratified group of 300 elementary teachers and 300 secondary teachers from one state. In this state, 1974 legislation mandated that consumer education be provided in grades K-12. The randomly selected teachers were sent questionnaires by mail with return self-addressed stamped envelopes. The sample was well-balanced with respect to age, number of years teaching experience, and geographical location.

The questionnaire used in the study was adapted by the researcher from the Basic Skills Questionnaire developed by the Kentucky Department of Education.¹² This instrument was validated by using a modified form of the Delphi Technique. In its final form it contained 15 statements to which responses were given on a Likert type four point scale. The total number of usable responses which were received prior to a predetermined set date was slightly more than 50 percent. Preliminary statistical analysis provided frequency tables, Corrected Chi Square and Phi Correlation.

Findings

A survey of the responses of all teachers gives a total of 8.9 percent having had a consumer education course and a workshop, 17.9 percent having had a course, 30.1 percent having had a workshop and 38.4 having had either a course or a workshop.

The responses of teachers who had taught consumer education shows 15.1 percent had both a course and a workshop, 24.2 percent had a course, 44.8 had a workshop and 53.6 percent had either a course or a workshop.

Teachers teaching consumer education indicated the following needs for preparation: 32.7 percent do not feel competent to teach consumer education, 46.4 percent have not had a course or a workshop, 48.1 percent do not feel their teacher preparation has prepared them to teach consumer education, and 68.5 indicated they needed help in developing effective methods of teaching consumer education.

Table 1
Teacher Preparation--Competency

	Course	Workshop	Both	Either
Competent	30.1%	48.9	20.1	58.2
Not Competent	8.2	15.3	0.6	22.9
Chi Sq.	22.83*	38.46*	31.99*	37.89*

*Significant at .01 level

As shown in Table 1, of those teachers who felt competent to teach consumer education a significantly greater number had either a consumer education course or a workshop.

Also, as expected the implication here is that teachers who have had specific preparation for teaching consumer education are more likely to feel competent to teach consumer education.

Table 2
Teacher Preparation--Teacher Education

	Course	Workshop	Both	Either
Prepared	37.3%	52.0	25.5	63.7
Not Prepared	7.5	18.0	1.0	24.5
Chi Sq.	39.30*	35.87*	45.30*	42.58*

*Significant at .01 level

Of those teachers who indicated their teacher preparation had prepared them to teach consumer education, as indicated in Table 2, a significantly greater number had either a consumer education course or a workshop.

Again, as expected these findings imply that teachers are more likely to feel their teacher preparation has prepared them for teaching consumer education if they have some type of formal training in this area.

Table 3
Teacher Preparation--Need for Help

	Course	Workshop	Both	Either
Need help	14.7%	27.3	7.1	34.9
Do not need help	29.0	42.0	17.1	52.9
Chi Sq.	6.48**	4.78**	5.22**	6.62**

** Significant at .05 level

As depicted in Table 3, of those teachers who indicated they needed help in developing effective methods of teaching consumer education, there was a significant difference between the number who had taken either a consumer education course or a workshop and the number who had not taken a course or workshop.

Although a large percentage of both those who had preparation and those who did not have preparation for teaching consumer education indicated a need for help in developing effective

methods, those who had not had a consumer education course or workshop were more likely to indicate a need for help.

Table 4
Teachers Feeling Prepared

	Competent
Prepared	71.3%
Not prepared	3.0
Chi Sq.	149.64*

*Significant at .01 level

Table 4 shows 71.3 percent of those who felt their teacher preparation had prepared them to teach consumer education felt competent to teach. Therefore, if a teacher feels prepared the teacher is likely to feel competent to teach consumer education.

Table 5
Teachers Feeling Prepared and Competent

	Competent	Prepared
Need Help	33.6%	24.9
Do not need help	82.4	64.7
Chi Sq.	48.58*	35.28*

*Significant at .01 level

As depicted in Table 5, teachers who indicated a need for help and those who did not indicate a need for help differed significantly in respect to their feeling competent and feeling their teacher preparation had prepared them to teach consumer education. This implies that those who feel competent and prepared may also desire assistance for making their teaching effective but they are not as apt to need help as those who do not feel competent and prepared.

Table 6
Teacher Preparation

	Competent	Prepared	Need Help
Taught	67.3%	51.9	68.5
Not Taught	16.7	12.7	88.1
Chi Sq.	75.45*	48.17*	15.28*

*Significant at .01 level

As shown in Table 6, a significant difference was found between teachers who had taught and those who had not taught consumer education in regard to feeling competent to teach, feeling their preparation had prepared them to teach and their need for help in developing effective methods of teaching consumer education. As one would expect, teachers who are teaching consumer education are more likely to be prepared and feel competent for teaching than those who are not teaching consumer education.

Conclusions

One reason for the lack of a significant difference in the consumer competency of students who have had a consumer education

course and those who have not may very well be that teachers are not adequately prepared to teach consumer education.

With one third (32.7%) of the teachers teaching consumer education not feeling competent to teach, one half (48.1%) not feeling their teacher preparation has prepared them to teach and slightly less than one half (46.4%) not having had a course or workshop, it is not surprising to find students who have had consumer education are no more competent than those who have not had consumer education.

Results of this research indicate teachers do need specific preparation for teaching consumer education in order to feel prepared and competent to teach and to be able to effectively teach this subject matter.

In all instances those who had a course, a workshop, or both felt significantly more competent, more prepared, and more effective. Therefore, it is highly probable that if teachers are better prepared and more competent for teaching consumer education, students will become more competent consumers. This information not only identifies teachers need for preparation but also implies responsibility for colleges and universities to meet these needs.

FOOTNOTES

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A NATIONAL ASSESSMENT OF THE CONSUMER EDUCATION LITERACY
OF PROSPECTIVE TEACHERS FROM ALL ACADEMIC DISCIPLINES

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This investigation included an assessment of the cognitive consumer education knowledge of prospective teachers from all academic disciplines. Teachers scored less than sixty percent correct on the "Test of Consumer Competencies." Prospective teachers were most knowledgeable in the consumer education areas of "Recreation," "Clothing," and "The Individual in the Marketplace"; they scored lowest in the areas of "Taxes," "Food," and "Savings and Investment." Those who were majoring in "Social Studies, History or Geography," "Science," and "Home Economics" scored higher on the test than others; those scoring the poorest included majors in "Physical Education," "Art and Music," and "Special Education." The prospective teachers who had completed a consumer education related course, approximately twelve percent of the total, scored higher than those who did not.

The problem of the study was to determine the competencies of prospective consumer education teachers as measured by the Test of Consumer Competencies and to identify student and demographic information variables that are related to the achievement scores on the test.

The National Council for Accreditation of Teacher Education (NCATE) was selected as the sampling frame since it is the only national accrediting organization for teacher education. Procedures included a mail census survey of all 540 colleges and universities which are members of NCATE to determine the number of students who would graduate between fall 1976 and summer 1977 and also be certifiable to teach. Responses were received from 461 (85%) institutions. The institutions were stratified into six size categories according to the number of certifiable graduates. Due to cost and other constraints, the study was designed to sample about 8% of the total number of certifiable graduates from all NCATE institutions. Thus, proportional representation from each size strata was obtained randomly, resulting in a total sample of 130 institutions. Eighty-four (64.6%) participated in this study. Thus 15.5% of all NCATE schools, or one-sixth of the total, are represented in the study.

Each school, through the student teaching office, administered the Test of Consumer Competencies to the prospective teachers

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during February, March and April of 1977. In addition to the cognitive consumer education test data, certain demographic factors were identified by the prospective teachers on the test answer sheet.

Statistical analysis included means, standard deviations, Kuder-Richardson Formula 20, point biserial correlations, one-way analysis of variance, Duncan's multiple range test, and student's t-test.

At the 84 institutions of higher education accredited by the National Council for Accreditation of Teacher Education, 5,602 prospective teachers completed the Test of Consumer Competencies. Of this total 191 were not eligible to teach, 867 were graduating after August 1977, and some respondents failed to accurately complete the information section, resulting in 4,309 usable answer sheets.

The two test forms were virtually equivalent with the mean score on Form A for 2,162 prospective teachers being 32.35 and the mean score on Form B for 2,147 prospective teachers being 32.99. The standard deviation was 6.24 for Form A and 5.85 for Form B. The Kuder-Richardson Formula Number 20 reliability estimates were 0.73 on Form A and 0.69 on Form B. Overall achievement on the Test of Consumer Competencies by the 4,309 prospective teachers was 32.67 with a standard deviation of 6.06. This converts to 59.4 percent correct on the 55-item test.

Achievement on the test was examined in 14 sub-areas. In descending order the four areas in which the prospective teachers were most knowledgeable in terms of percentage correct were Recreation (76%), Clothing (73%), The Individual in the Marketplace (68%), and Furnishings and Appliances (68%). The three areas of lowest achievement were Savings and Investment (50%), Food (48%), and Taxes (45%).

Achievement was not statistically related to the size of the teacher education program nor was the expected date of graduation (January - August, 1977). Somewhat unexpectedly, the socio-economic status of the prospective teachers as measured by O.D. Duncan's "A Socio-Economic Index for All Occupations" was not statistically related to achievement on the test. Another unexpected finding was that males scored significantly higher (34.04) than females (32.13) at or beyond the 0.001 level. Those prospective teachers who were certifiable to teach secondary subjects scored 34.03, elementary subjects 31.99 and both elementary and secondary subjects 31.76. These differences were significant at or beyond the 0.001 level.

The 84 institutions were arranged in five geographic regions with prospective teachers from the Western Region scoring highest at 33.55 and those from the Southern region scoring lowest at 32.62. Prospective teachers attending NCATE institutions in the Western,

Mountain Plains, and North Central regions scored significantly higher on the Test of Consumer Competencies than those in the Eastern and Southern regions.

Not quite 12% of the prospective teachers (508) had completed one or more consumer education related courses. Those who completed one or more courses scored significantly higher than those who had not completed a consumer education related course. Prospective teachers who completed only one consumer education related course (307) also performed significantly better than those who had not completed such a course.

Achievement on the Test of Consumer Competencies according to major is reported as follows: Social Studies, History or Geography, 35.18; Science, 35.09; Home Economics, 34.99; Business, 34.77; Industrial Arts or Trades and Industry, 34.76; Mathematics, 34.38; Sociology and Psychology, 34.35; English, 33.87; Agriculture, 33.77; Speech, 33.09; Foreign Languages, 31.21; and Physical Education and Health, 31.02. Differences among the majors were significantly different, but the combinations are too complex to report here. Since the total number of prospective teachers was so large, significant differences appear more readily than with smaller groups. Thus, differences in scores between majors should be interpreted with caution except when comparing the extremes.

As expected the prospective teachers performed better than the 7,683 Illinois secondary school students who provided the norming data for the Test of Consumer Competencies. A comparison of mean scores indicated that the prospective teachers knew more about cognitive consumer education concepts as measured by the Test of Consumer Competencies than do secondary school students.

Implications and Recommendations

Two unexpected findings of this study that suggest the need for further research are the higher achievement by males and the lack of significant differences based on socioeconomic status. Additional studies are suggested to determine if these findings re-occur with similar groups of subjects.

Although this research identified certain factors such as major, geographic region, level of certification, and sex as statistically related to achievement on the Test of Consumer Competencies, more research needs to be conducted to ascertain which specific combinations of factors are related to high comprehension of cognitive consumer education concepts. Significant differences in performance based on geographic region and level of certification should be of particular interest to teacher educators. Further investigation is recommended to determine the reasons for the differences in achievement according to major. Also definitive answers are needed to the question, "Why do prospective teachers achieve well in some areas of consumer education

and poorly in other areas?" One possible explanation is differences in life experiences. Further research might include questions on age and background of the subjects, since those persons with experience in marriage, childrearing, and family financial management may score higher than other persons lacking this practical experience.

Finally, since a higher level of comprehension of cognitive consumer education concepts for prospective teachers was directly related to having one or more consumer education related courses, it seems appropriate to recommend that college level consumer education related courses be incorporated in the teacher education curricula since many of the prospective teachers will be responsible for teaching consumer education in the elementary and secondary schools.

THE DEATH AND REBIRTH OF INSURANCE CONTRACTS

Mr. Jeffrey O'Connell*

Although no fault automobile insurance laws have been passed in sixteen states, no fault reform is presently checked by the lobbying power of the trial bar. An alternative to legislatively enacted no-fault would be a voluntary system in which the insured would purchase insurance for economic losses regardless of fault, and would transfer to the insurer his claims against third parties. Such a system would be attractive to consumers who would be saved slow and expensive litigation.

The classic virtue of the market system is its flexibility. Let things get bad enough--let a need become obvious enough--and there is a corresponding incentive, primarily, but not exclusively financial, for entrepreneurs to devise alternatives to current malfunctioning offerings. Of course things by no means always work that smoothly, but as Adam Smith pointed out 200 years ago, the almost hydraulic force with which brains and energy and, not the least, capital is inclined to flow to those attempting to right the market's wrongs is a very healthy influence.

Right now it is difficult to imagine anything working much worse than the legal liability system especially as it applies to personal injury. Billions of dollars in constantly spiraling amounts are required for insurance overhead and legal fees (just how rich personal injury lawyers become we will get to shortly) to produce a trickle of benefits, disproportionately paid to a few and then only after years of delay. Why? Because determining who or what was at fault in an accident and the pecuniary value of nonpecuniary pain and suffering both of which the common law requires in every case are incredibly cumbersome criteria for payment.

The picture is the same for all kinds of accidents, those from automobiles, medical treatment, malfunctioning consumer and industrial products, slips and falls, etc. For example, a recent vast government study of products liability found that the average personal injury claim took 19 months to close; larger claims took much longer. The average payment dollar was for a claim that took 69 months to close! This included out-of-court settlements as well as cases going to trial. Out of the medical malpractice insurance dollar, only 28¢ ever reaches injured victims, with the rest going to pay lawyers on both sides and other insurance costs.

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No-fault auto laws, restricting the right to sue for pain and suffering based on the other driver's fault, in return for automatic payment regardless of fault for your own out-of-pocket loss from your own insurer, have been passed in 16 states. Although their performance has been the subject of some controversy, Daniel Patrick Moynihan has been proven essentially right when he said in 1975 that no-fault auto insurance ought to be considered "the one incontestably successful reform (proposed in)...the 1960's." Consider the situation in Michigan. Coverage under Michigan's no-fault law pays unlimited medical expenses plus over \$46,000 in wage loss, in addition to \$20,000 for those fault-based claims which are preserved under the law (you can still sue the other driver if you suffer "substantial bodily impairment"). All this insurance is provided at a cost no greater, and apparently less, than the costs of only \$20,000 of traditional liability insurance based on fault, under which relatively few seriously injured victims were paid much, if paid at all. Consider also the situation in New Jersey under whose no-fault law unlimited medical benefits plus \$5,200 of wage loss are paid. At the same time, due to the pressures exerted by the trial bar, the right to sue the other driver was preserved when medical expenses exceed the ludicrously low amount of \$200. According to a recent report of a New Jersey legislative study commission, the average cost per car of the very high no-fault benefits is \$40.92; the average cost per car of \$15,000 of fault-based liability insurance covering personal injury (from which, once again, relatively few seriously injured are paid) is \$70.18--or almost twice as much.

Yet, no-fault reform is stuck. No new law has been passed in any state since 1975; many states which have laws with notoriously low benefits and which preserve far too many fault-based claims resist amendment. Chances for a federal bill seem mild at best. The Federal Government has been preoccupied with trying to unsteal the Panama Canal, create an energy policy, refinance social security, etc. The result has been that there is little time for a paltry issue like auto insurance, especially given the awesome lobbying power of the trial bar, which operates effectively in Washington, as it traditionally has in the states.

One must keep in mind the enormous income that personal injury litigation has provided for claimants' lawyers in recent years, with their resultant investment in the status quo. Personal injury work has become incomparably the richest area of practice in the United States. Whereas senior partners in Wall Street law firms normally make \$250-\$300,000 annually, personal injury lawyers throughout the country, in small towns as well as big cities, often make far more. A recent report on a three-partner firm in Marshall, Texas (pop. 29,000) indicated that their 1975 earnings showed their fees to be at least \$1.6 million on personal injury settlements and verdicts of \$4.5 million.

Why are there such riches for personal injury lawyers? Because, unique among lawyers, they are not paid by the hour. Rather they get a "piece of the action" an equity interest of one-third,

and increasingly one-half of the deal, through their contingent fees. Even if contingent fees were reduced, injured parties might just end up with worse lawyers and yet face all the same impediments to being paid under cumbersome common law liability.

At any rate with many lawyers throughout the United States with incredibly high stakes in the personal injury system, perhaps the difficulty of achieving reform by legislation should not surprise us. Trial lawyers exist in every community of any size. It must also be kept in mind that even if state or federal no-fault laws do pass in the foreseeable future, they will continue to apply only to auto accident victims doing nothing for all the other accident victims.

This gets us back to the market. If things are so rotten and legislative change seems blocked by the trial bar can the market correct the situation, the way Adam Smith told us it ought to?

It might. Why could an insurer not offer to its insureds no-fault coverages in increments of, say, \$10,000 up to any amount, payable for economic loss consisting mainly of medical expenses (including rehabilitation) and wage loss stemming from personal injury in any kind of accident. In return for such a guarantee of benefits payable regardless of how the accident happened, the insured would transfer to his no-fault insurer his claim (for both economic and noneconomic loss, such as pain and suffering) against third-parties causing injury or death. Furthermore, in return, the insurer would agree to pay the insured the equivalent of any amount in excess of his no-fault benefits due the insured for his economic losses in a common law claim against any third-parties, without reduction for any legal expenses incurred in gaining such payment. By this device the insured will be guaranteed whatever level of no-fault benefits he wishes to purchase, plus whatever amounts of economic loss in excess of that limit he is eligible for under a fault-based liability. But he would have transferred to the no-fault insurer any fault-based claim that had accrued to him as a result of the injury.

The insurer will then use payment from those fault-based claims to help pay the no-fault benefits to all insureds (not just those with valid fault-based claims). The transfer of the fault-based claim would have to be made prior to any injury, at the time the agreement for potential payment of no-fault benefits is instituted. Otherwise, if after an accident a victim could choose whether to press a fault-based or a no-fault claim, those with valid fault-based claims would press such claims and others would collect no-fault benefits, which would mean an insurer would have no fault-based claims to provide income to pay no-fault benefits.

True, the complex questions of fault and the value of pain and suffering would still have to be settled between the no-fault insurer and the insurer of the third-party in injuring the no-fault insured. However, those issues would now arise between