

ACI

Advancing the Consumer Interest

AMERICAN COUNCIL ON CONSUMER INTERESTS

Established in 1953, ACCI is a non-partisan, non-profit, incorporated professional organization governed by elected officers and directors.

ACCI Committees work on issues in such areas as consumer education, consumer research and international consumer affairs. Student chapters are located at various colleges.

PUBLICATIONS

The Journal of Consumer Affairs, an interdisciplinary academic journal, is published twice a year.

Advancing the Consumer Interest, focuses on the application of knowledge and analysis of current consumer issues.

The *ACCI Newsletter*, published nine times a year, offers information on the latest developments in the consumer field.

Employment Opportunities, published as an insert in the *ACCI Newsletter*, provides information on professional positions in academia, business, government, and non profit organizations.

CONFERENCES

An Annual Conference is held each spring and features keynote speakers, papers, research findings, reports of consumer articles and education programs.

Upcoming conferences are:
1992: March 25-28, Toronto
1993: March 31-April 3 Lexington, KY
1994: Minneapolis, MN

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EDITORIAL POLICY STATEMENT

Advancing the Consumer Interest is designed to appeal to professionals working in the consumer field. This includes teachers in higher and secondary education, researchers, extension specialists, consumer affairs professionals in business and government, students in consumer science, and other practitioners in consumer affairs.

Manuscripts may address significant trends in consumer affairs and education, innovative consumer education programs in the private and public sector, reasoned essays on consumer policy, and applications of consumer research, theories, models, and concepts.

Suggested content may include but not necessarily be limited to:

1. Position papers on important issues in consumer affairs and education.
2. Description and analyses of exemplary education, extension, community, and other consumer programs.
3. Research reported at a level of technical sophistication applicable to practitioners as well as researchers. The emphasis of this research should be on its implications and applications for consumer education, policy, etc. The primary question of the reported research should be, "What does this research mean for practitioners?"
4. Application of theories, models, concepts, and/or research findings to problem solutions for target audiences.
5. Articles summarizing research in a given area and expanding on its implications for the target audience.

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EDITOR'S COMMENTARY

WHICH ARE "REPUTABLE BUSINESSES" ANYHOW?—CONTINUED

In the last issue of *ACI*, I ranted and raved about my frustration with identifying reputable businesses. In that commentary I concluded, based on my experiences, that telling reputable businesses from disreputable ones is difficult at best and often impossible for even the most expert consumer professional. I also concluded that just because a firm was large, nationally known and had been in business for a long time does not necessarily mean it is ethical. I would like to continue discussing the difficulty of identifying "reputable" businesses using a specific example.

During this past month, both the *Wall Street Journal* (February 5, 1991, B-1) and *The Washington Post National Weekly Edition* (February 11-17, 1991, 23) have published articles on what the *Post* labels as "downsizing" products. Nationally known food companies, including Hershey's, Quaker Oats, General Foods, Lipton, Campbell's, H. J. Heinz, Proctor and Gamble, Kimberly Clark and Warner Lambert have reduced the volume in some of their products the while maintaining or increasing the price and making no other obvious changes to the product. Technically one could argue that the consumer is not deceived since the firms comply with laws requiring them to list volume on the package. However, following the "letter of the law" does not necessarily equate to being ethical. Some states, lead by New York State Attorney General Robert Abrams (author of an opinion column in the first issue of *ACI*), are conducting ongoing investigations of these practices to determine if they are indeed deceptive and, therefore, illegal.

In this day and age, with many households headed by single parents or having both parents in the workforce and supermarket shelves laden with products, consumers are more vulnerable than ever to sleight-of-hand packaging practices. But package downsizing has implications other than causing harried and unwary consumers to spend more money for less product or more time to assure good value. There are also other less visible costs of downsizing.



Putting less in packages creates more packaging waste. Packaging waste not only has upfront costs (cutting more trees and using more chemicals and energy) but also after-use costs (waste treatment and landfill use) for disposal. Downsizing additionally does little to enhance the reputation of business in general. Once consumers become aware of this practice, they are more likely to become disillusioned about all business—ethical as well as unethical.

Another implication of downsizing is the creation of an even greater need for supermarket unit pricing. Adding downsizing to quantity surcharging (charging more per unit for larger containers), as illustrated by Brenda Cude's article in the last issue of *ACI*, puts pressure on states to pass unit pricing laws to protect consumers and make it easier for them to detect deceptive practices. Our clients, as well as the general public, need to be educated about this increasingly popular practice of

CONTINUED ON PAGE 30

<i>Manufacturer</i>	<i>Product</i>	<i>CR Issue</i>	<i>Problem</i>
Lipton	Tea	Sep 90	Less in same size jar for same price
Knorr	Leek Soup	Aug 90	Increased size of box and substantially decreased contents for same price
Near East	Rice Pilaf	Jan 90	Less in same size package
Woolite	Laundry	Jul 89	Instructions to use one capful per load unchanged, however, cap made larger, resulting in fewer loads per bottle
M&Ms	Candy	Jul 88	Same number of candies but less weight in package, thus smaller individual pieces of candy
Bounty	Paper Towel	Jan 88	Each towel made smaller
Charmin	Toilet Paper	Aug 87	Fewer tissues per roll

HOUSING FOR MODERATE INCOME HOUSEHOLDS

A

s the National Task Force on Housing reported, for most Americans homeownership is a dream fulfilled. But for many others, housing is unavailable, unaffordable or unfit. Recently, home ownership has decreased, reversing a 40 year trend. Although the change in homeowner households from 65.9% in 1980 to 63.7% in 1985 is small, it translates to nearly 2 million fewer families owning their homes (U.S. Dept. of Commerce, 1989a). Structural characteristics of new housing units continue to improve (U.S. Dept. of Commerce, 1989a), but as physical attributes improve, the price tends to increase. Moderate income individuals may be unable to pay the higher monthly costs of appropriate housing, especially when they are also required to make an up-front investment in the property.

The essence of equity leasing is that current housing purchases represent simultaneous investment and consumption decisions. In a sense, a housing purchase is similar to "whole life" insurance, combining forced savings and investment functions. Many consumer advocates discourage buying "whole life" policies because the need for insurance is greater than the need for savings. The concept of this paper is to create a housing equivalent to renewable term life insurance.

Housing acquisition today often results in a family paying too much for housing that is inadequate. For example, a couple with three children may pay a large percentage of their income to purchase a two-bedroom house when they really need more than they can afford to buy. Likewise, renters who could maintain or

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enhance housing cannot afford to purchase it under the current legal/economic structure. Repeated turnover of housing by moderate income homeowners and renters also results in substantial transaction costs. Finally, tenants rarely have any incentive to maintain their units, thus leading to deterioration of the nation's moderate income housing stock.

TARGET GROUPS

Equity leasing is directed towards two groups:

1. Renters who could maintain or enhance housing if they owned it but who cannot afford the purchase
2. Owners who are forced to buy a house that does not meet their needs.

One assumption fundamental to this paper is that households who have a stake in their housing will maintain, enhance, and improve the housing. Households who have no such stake are less likely to make such an effort.

ECONOMIC ANALYSIS

Based on consumption theory, a household's demand for housing is derived from income, plus the price of housing relative to prices of other goods and services, and selected demographic factors. The consensus is that housing demand is "inelastic" in response to both income and price, although studies vary on the degree of inelasticity.

The problem can be seen as a Lancaster characteristic analysis. Lancaster describes consumers as desiring the characteristics of goods rather than the goods themselves (1966).

However, to a consumer evaluating housing, there is a third and critical concept. How secure is the consumer in being able to stay in the house? Security of housing tenure defines the time period over which a person is sure they can retain their right to transfer the remainder of their tenure to someone else. Secure tenure means that an individual benefits from their improvements in the quality of the property and avoids the transaction costs of moving. Lancaster's approach highlights the possibility that consumers may be faced with discrete bundles of characteristics that do not correspond to consumer preferences. If consumers have a preference for security of housing tenure, separate from the desire to buy or use the housing, this is not captured in traditional analysis. In a simple model with only the

buy/rent choice, security of housing tenure is completely subsumed under these choices. However, as soon as new types of housing acquisition are postulated, it becomes necessary to identify security of housing tenure as

a distinct preference. Since the current economic analysis of housing considers only the buy/rent dichotomy, it is particularly important to explore whether that dichotomy is fundamental to the housing environment or a mere artifact of it. For the purpose of this article, three characteristics of housing are important for analysis:

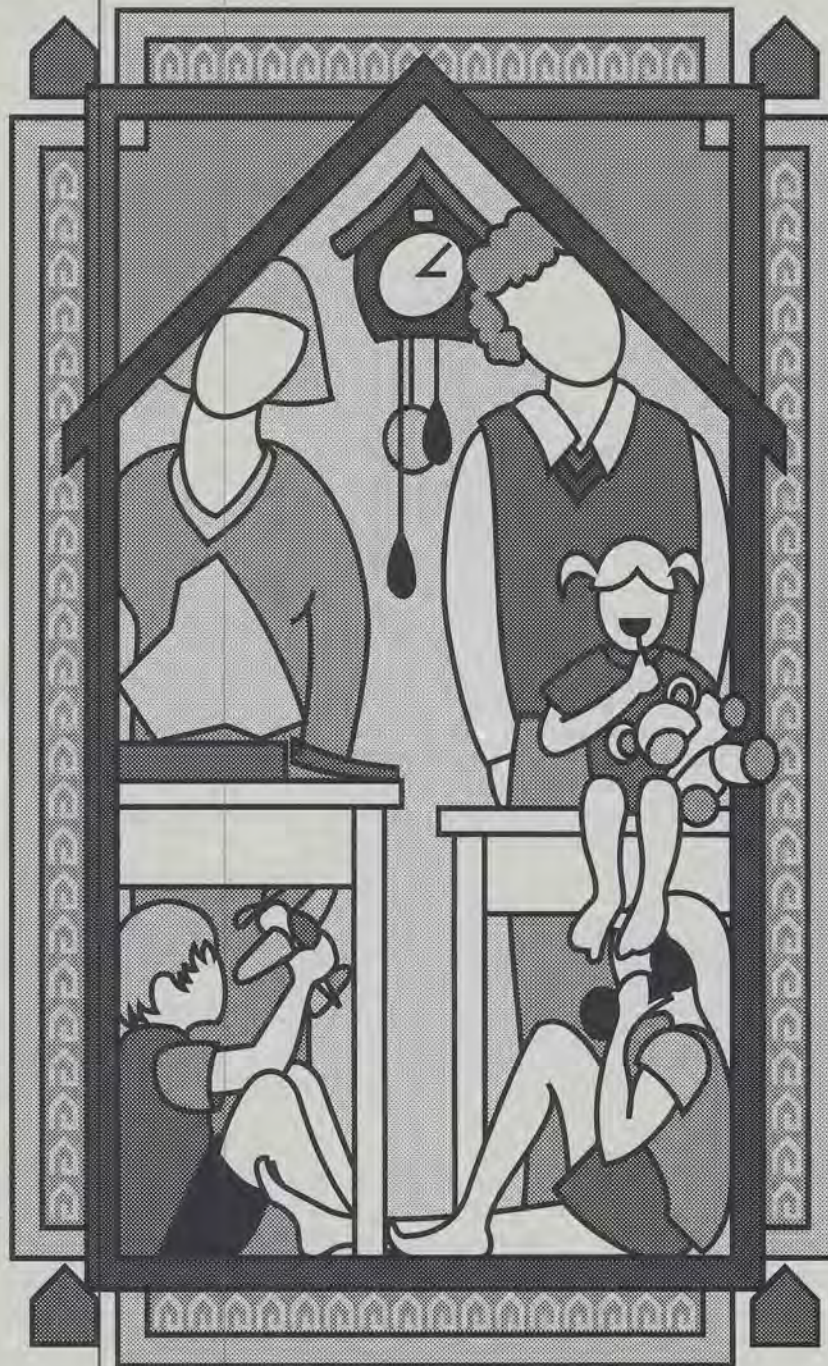
1. Housing Service: All the physical and neighborhood characteristics related to housing
2. Housing Investment: All the components of housing that represent accumulation and increase of wealth.
3. Security of Housing Tenure

All these characteristics must be reflected in discussion of the economics of housing. This requirement disagrees with Pozdena (1988) and others who assume that the only significant characteristics for differentiating owners from renters are housing services. Security of tenure is distinct from housing services because it gives consumers enough stake to

benefit from their own efforts in improving their housing.

LEGAL STRUCTURE

Presently in the U.S. one can either "own" a home or "rent" it. Behind these simple terms are nearly 1,000 years of relationships among various stakeholders in land. Renting and owning land are not fundamental entities, but rather points on a continuum of possibilities.



Many other forms of ownership are legal, such as life estates, and new types of ownership can be developed. While the stock of housing and the flow of housing services may be meaningful concepts, there is no requirement that they be synonymous with buying and renting. It is possible that both an investor and an inhabitant can have similar "ownership" interests.

PROPOSAL CRITERIA

Any proposed method of providing security of housing tenure must enable an individual to acquire housing without an up-front investment, but with an incentive to maintain and improve the property. This new concept would require that:

1. The *inhabitant* pays market price for the use of the housing, to encourage investment by owners of property.

2. The *inhabitant* has an incentive to maintain and improve the housing, i.e., to capture some of the benefits of ownership.

3. The *investor* receives an increase in the long run value of the property, minus the inhabitant's improvements.

4. Both transaction and governmental costs are limited and accommodated within current systems.

Two types of consumer purchases seem to contain elements analogous to the concept of equity leasing: the purchase of renewable term life insurance and the rental of sites for manufactured housing, i.e., mobile homes.

TERM INSURANCE

Purchasing a house in many ways resembles purchasing whole life insurance since both combine savings and investment. Both rely on favorable tax treatment, and both are traditional methods of middle class wealth acquisition. However, regardless of the benefits of whole life insurance from a wealth creation standpoint, they are insignificant compared to the need to assure a family income. The need for an adequate income after the death of a breadwinner created the demand for term life insurance. Term insurance is described as "pure" insurance; nothing is purchased except the payment of a death benefit. However, term insurance comes in two forms—renewable and nonrenewable. When purchasing guaranteed renewable term insurance, the consumer purchases both life insurance and insurance against becoming uninsurable. While purchasing a house is equivalent to buying whole life insurance, current housing

in a sense, a housing purchase is similar to "whole life" insurance, combining forced savings and investment functions. Many consumer advocates discourage buying "whole life" policies because the need for insurance is greater than the need for savings.

leases do not provide the equivalent of guaranteed renewable term insurance. The best analogy to a typical lease is one-year *nonrenewable* term insurance. Clearly, the renewability feature is what makes term insurance competitive. Consumers who need insurance cannot run the risk of becoming uninsurable, and guaranteed renewability eliminates that risk.

MANUFACTURED HOUSING

The best housing analogy to equity leasing is the legal status of manufactured housing, i.e., mobile homes. Mobile homes represent about 10% of housing purchases in the U.S. Most research to date has concentrated on the physical aspects of manufactured housing (Office of Technology Assessment, 1986). The low cost of the manufactured housing alternative relates to the higher density of land use (i.e., smaller lots) and the cheaper housing construction costs. The physical questions of manufactured housing have tended to obscure the different legal regime under which individuals acquire and use it. Unlike conventional housing, mobile homes are generally owned by their occupants but often are located on rented land.

Housing economists have noted that manufactured housing depreciates relative to "stick-built" housing. While this may appear to be a disadvantage, it may in fact be advantageous. The depreciation in value of manufactured housing is the clearest proof that, like automobiles, they represent a pure "use" purchase rather than an investment.

The consumer of manufactured housing pays only for the use of the structure, and rents the land on which it is located. Therefore an owned house on rented land provides a yardstick for measuring other proposals. The goal of equity leasing would be to realize the advantages of manufactured housing's legal/economic system without the handicaps related to the depreciating value of the structure.

EQUITY LEASING PROPOSAL

This paper proposes a new form of housing acquisition known as equity leasing. Under this proposal, consumers would acquire a special leasehold interest in residential property and would "own" the right to use the property for the lease term. The lease would be for a continuously extended five-year term, and any change in the terms of the tenancy would require five year's notice. The lease would be nonrecourse (like conventional mortgages), that is, neither party would be liable for obli-

gations beyond their interest in the property. No deficiency judgment could be brought against a tenant for abandoning the lease, as it would be freely assignable; tenants who move could sell their leases at market value.

The tenant also would have the absolute right to improve the property. At the termination of the lease, any property enhancement would revert to the landlord, but the tenant would be paid the increase in market value resulting from the improvements. This would apply not only to capital improvements, such as decks, but also capital maintenance items, such as heaters, roofs and air conditioning.

The tenant would be responsible for all maintenance and could contract the work with the landlord, do the maintenance themselves or contract with others. Transportable property such as household appliances would not be part of the lease and would be supplied by the tenant. They could be transferred with the lease or removed by the tenant. Tenants would be obliged to comply with housing codes and to keep the property in repair in accordance with the lease agreement. The tenant would pay a substantial deposit as security for the performance of maintenance.

Rental rates could be set similarly to rates for mortgages:

1. Fixed for the term of the lease

2. Variable at market rates.

3. Increased in pre-set steps or indexed to the cost of living.

The income tax treatment of tenancy would be similar to that of ownership. Payments to

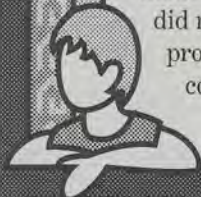
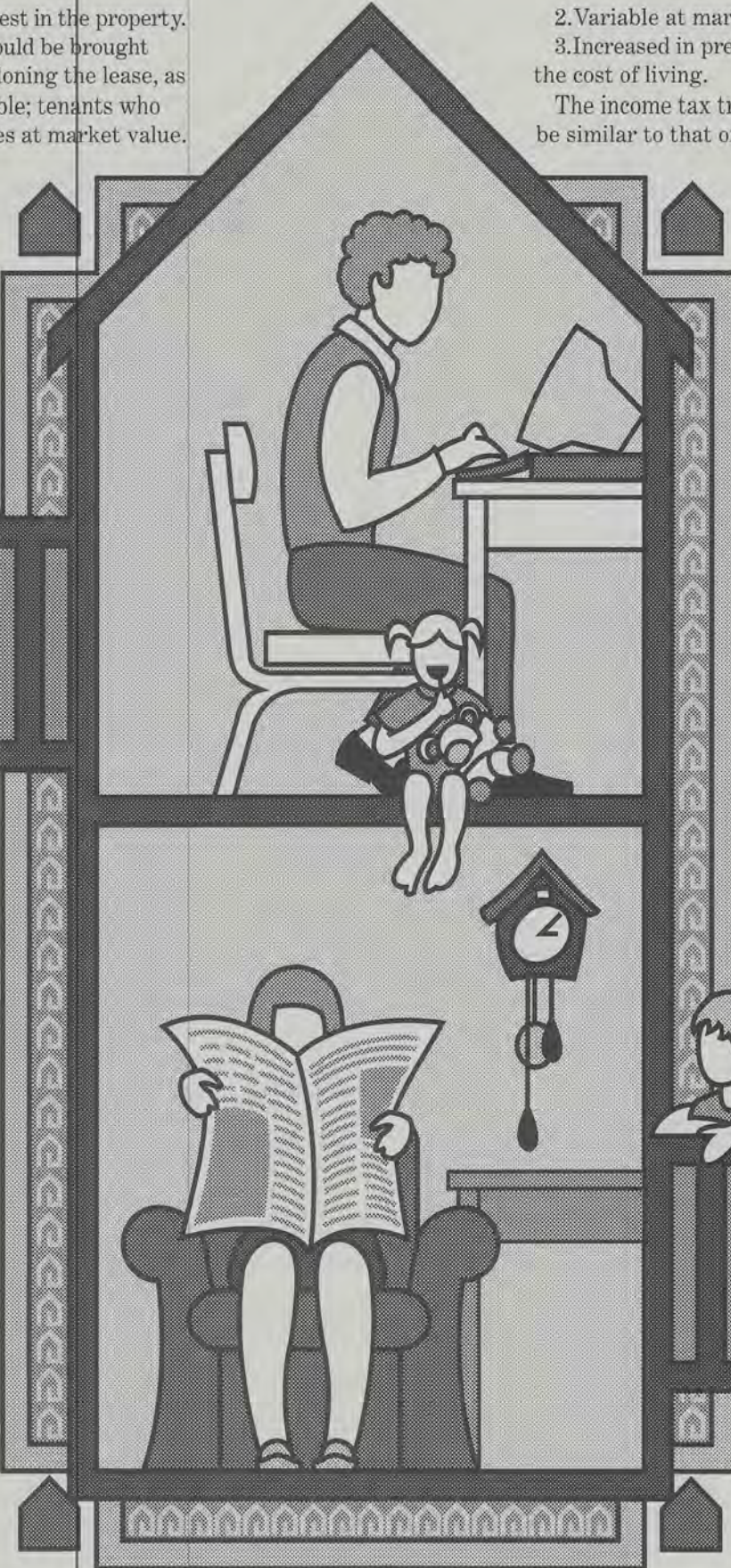
tenants for improvements that increase the value of the property would be dispersed at the end of the lease and would be subject to capital gains taxes unless they were rolled over into a new tenancy or house purchase.

Substantial security deposits would be appropriate, since they serve a function similar to the 10 or 20 % down payment on a house. This security deposit could be paid in cash or by any secured line of credit and would appropriately be held in an independent third-party escrow account.

The owner's access to the security deposit would be on a reverse "pay and deduct" model. If the tenant

did not maintain the property to housing code or habitability standards, the landlord would use the security deposit to carry out the tenant's maintenance responsibilities. Probably some kind of periodic third-party inspection would be needed to approve expenditures and determine whether maintenance standards were being met. Under

equity leasing the housing code would thus become a standard of tenant, not landlord, compliance. Tenants would be subject to eviction and sale of their lease if the owner could



not get compliance. Tenants would be paid for their interest in the property if any surplus exists after eviction.

ANALYSIS

This proposal is designed to improve the affordability of housing by balancing landlord and tenant interests in the property. The tenant acquires a definite, but less expensive, stake in the property and is rewarded for sweat equity and efforts in enhancing the desirability of the housing. The key concept in the proposal is that tenants would have a direct financial stake in maintaining the quality of their housing and improving the quality of the neighborhood.

Landlords still would be able to speculate on inflationary and other increases in the value of the land and buildings. The five-year notice period allow housing to be converted to others while providing sufficient notice for tenants to plan.

Continuously extended leases have many advantages over long-term leases. Five-year equity leases strike a balance between the shorter terms needed to keep landlords interested in investment and the longer terms that keep tenants interested in the quality of the housing.

One element that needs analysis is the risk to the landlord of tenant destruction of the property. It is clear that the situation is at least no worse than under current rental arrangements. Landlords seem willing to entrust property to tenants despite the risk, and equity leasing mitigates many of the potential negatives.

There are other, less tangible benefits. One of the most important being the opportunity to educate new homeowners on the skills needed in home maintenance. The periodic inspections would identify needed repairs, and the tenants would recognize the value of doing maintenance themselves. The effect on neighborhoods would also be positive. Many neighborhoods are not supportive of rental housing, believing often (correctly) that tenants have less interest in the property upkeep that contributes to the overall desirability of the area. Since equity leasing tenants would receive tangible benefits for doing maintenance, they would presumably have as much interest in quality as the owner/occupiers.

The drawbacks of equity leasing are the same as for any effort to increase consumption. Conventional housing purchase represents a form of "forced savings" and equity in a home is often protected when the value of property

This proposal is designed to improve the affordability of housing by balancing landlord and tenant interests in the property.

is determined for bankruptcy or qualification for Medicare or Medicaid. The elimination of deficiency judgments against tenants also would require some changes by landlords. However, as a practical matter, deficiency judgments for future rent are relatively rare. The property tax and income tax treatment of this transaction will require further study.

CONCLUSION

Consumers are currently required to choose between renting, which has no security of tenure, and owning, which may require an over investment for inappropriate housing reducing the income available for other needs. The equity leasing proposal draws on a variety of traditional modes of land acquisition and analogies in term life insurance and manufactured housing to create a new form of housing acquisition. While not appropriate for every consumer, equity leasing fits those who can maintain a property or who would acquire a larger property if available at a lower cost. **AG**

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This paper is a condensed and edited version of a presentation at The Second International Conference on research in the Consumer Interest: Enhancing Consumer Choice, Snowbird, Utah, 1990.

HIGH-TECH AIDS CONSUMER DECISION-MAKING

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his article describes three segments of a Cooperative Extension Public Information System—Consumer Products, Money Matters and There is a Law. The system utilizes a computer that reads information stored on a video laserdisc. The touch screen interface and flexible design provide users with access to hours of information and hundreds of printed fact sheets.

Smart shopping is more than just spending money. Just imagine a consultant who could help out with shopping decisions... help a young working couple check product options before making purchases... help shoppers determine features they want, payments they can afford and protection they have under consumer law. And imagine this help being available whenever the shopping mall is open, at no charge and with all inquiries completely anonymous.

Simply touching a video screen makes this and more available to Virginia consumers. Virginia Public Information System (VPIS) developed by the Extension Interactive Design and Development (IDD) Group at Virginia Polytechnic Institute and State University has been placed in two shopping malls and 10 libraries throughout Virginia.

The development of this system is funded by the W. K. Kellogg Foundation and Virginia Cooperative Extension (VCE). It is based on the latest information technology, the laserdisc, and represents one of the first efforts in the nation to use such technology to help shoppers. The touch screen interface and flexible

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design provide users with access to hundreds of information presentations, which they can print as desired.

One goal of this project is to increase services to the public while exploring new methods of delivering information. Three objectives directly related to consumer access of information are: (1) developing information delivery systems suitable for high-traffic public environments; (2) improving customer decision-making skills in specific subject areas; and (3) expanding and improving services offered by the Extension Service without increasing field staff.

VERSATILITY OF INFORMATION

A variety of information has been developed to meet the diverse consumer needs. Ten subjects are addressed in the program: household insect identification, consumer products, money matters, consumer law (entitled "There is a Law"), money matters, sandwich nutrition, household plants, questions often asked of Extension agents (entitled "You've often asked"), Cooperative Extension Service,

Virginia's land-grant schools and about this system.

CONSUMER PRODUCTS. The goals of the consumer products section are: (1) to provide consumers with easy access to facts that may help them make satisfying purchases; (2) to increase their awareness of consumer rights; and (3) to provide related financial information. This section is designed to provide a level of detail that might appeal to a wide range of shoppers, and to organize those facts in a way that does not overwhelm users. Facts are sorted into logical topics that enable the casual user to find general facts and specific details.


Information about 180 products from 16 categories is covered. Categories include household appliances, audio-video equipment, furniture, sports equipment, pets and toys. Product presentations are designed to help shoppers identify a product model, style and design best suited to their needs. On-screen presentations give a brief overview of each product and highlight key features, optional features and hidden costs. The user can move through a series of visual examples in the narrative. Audio messages supplement visuals.

Interested consumers may print a shopping guide for a specific product (or a generic guide for a category of products [Figure 1]). The printed guide is a checklist that summarizes on-screen information and is intended as a tool for comparison shopping. The effectiveness of the consumer products section is largely dependent upon the usability of these shopping guides.

More than 100 individuals (mostly faculty) with appropriate expertise associated with Virginia Tech and Virginia State University provided support material and approved individual product scripts. These presentations were then tested by consumers for effectiveness and were modified to reflect their needs.

FORMATIVE EVALUATION. A formative evaluation was conducted during the development of the shopping guides to improve their usefulness. Ten participants were recruited through newspaper advertisements. Each person received five shopping guides with instructions to use them as they shop. Participants completed a comment sheet for each shopping guide, indicating how they used it, the most and least helpful aspects, and suggestions for improvement. Each was then interviewed.

Participants found the shopping guides to be helpful tools that encouraged comparison



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shopping. They used the guides in very different ways, based on their preferences and level of interest in details about a product. Many acknowledged that they normally base their buying decisions on price, often selecting the least expensive item. However, they reported that using the shopping guides helped them compare features as well as prices to select the product best suited to their needs.

MONEY MATTERS. An introductory audio message for the Money Matters section explains use of the borrowing and savings calculator. This calculator enables consumers to experiment with various situations without having to divulge their finances to anyone.

THERE IS A LAW. This segment was developed to help consumers understand basic protections provided by law. An introductory video leads into an explanation of 14 Virginia consumer laws. The user can read about each law on-screen and print a copy for future reference (Figure 2).

THE TECHNOLOGY

The touch screen VPIS links two current technologies—the personal computer and the videodisc player. The three integral components of the interactive information system are an IBM InfoWindow display, IBM Personal System 2 computer and Pioneer Laser-Vision Videodisc player. The total cost of the hardware for each site was \$9,200. Cabinets cost \$5,000 for malls and \$1,700 for libraries. IDD developed and maintains the computer program, and local Extension staff provide site maintenance.

SYSTEM USAGE AND IMPACT

Because of the exploratory nature of this project and the real situations in which the systems operate, an evaluation approach offering substantial flexibility was appropriate. Project objectives were used to provide a general focus rather than specific, narrowly defined expectations. A qualitative or naturalistic approach was taken to evaluate system use and impact.

A multiple methods approach called triangulation, involving the collection of data using more than one method and then synthesizing the results into a comprehensive whole, was used. Triangulation overcame inherent weaknesses and biases of a single method, and provided a more complete interpretation of system use. Representing both quantitative and

Figure 1

SHOPPING WORKSHEET

Rowing Machines:

Maximum amount budgeted: \$ _____

Models to Select From:

A -Multi-action Store: _____
 B -Straight-action Model: _____
 Cost: _____

Features to Look For:

1 -Tension:
 Adjustable/NonadjustableA/N A/N A/N
 2 -Piston shocksY:N Y:N Y:N
 3 -Dual shocksY:N Y:N Y:N
 4 -Molded seat with rollers.....Y:N Y:N Y:N
 5 -Padded seatY:N Y:N Y:N
 6 -OtherY:N Y:N Y:N

Optional Features:

1 -Other _____

Cost Issues:

1 -Warranty on parts _____

2 -Repair service available?Y:N Y:N Y:N

3 -Sales tax \$ _____ \$ _____ \$ _____

4 -Other _____

5 -Is this a sale price?Y:N Y:N Y:N

Sale price expiration date _____

6 -A cash or credit card purchase.....CA/CH CA/CH CA/CH

Credit card APR (interest rate) \$ _____ \$ _____ \$ _____

Total Cost: \$ _____ \$ _____ \$ _____

Notes:.....

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qualitative techniques, the methods used were on-line tracking, on-line comments, observation, exit interviews and follow-up interviews.

Evaluation data reported in this paper are from the five original sites. Four of the sites are regional libraries with the system located in central areas. The fifth site is a regional mall with the system located near an anchor store.

Screen touches are automatically captured and logged onto an electronic file for on-line tracking. These electronic files are periodically transferred to floppy discs at the site and then sent to Blacksburg for analysis. Data analyzed for the five sites were collected from July through December 1989.

An on-line comments program allows users to record their reactions to the programs they view. This program prompts users to respond to six questions: reason for using the program, intent to use the system again, number of times the system had been used previously, and ratings for usefulness, ease of use and presentation. On-line comment data are captured electronically and processed with screen touch data.

Observations at the New River Valley Mall and Roanoke City Public Library were done unobtrusively, with the following recorded: number of users, relative age and race of users, duration of use, and programs used (whenever possible). Extensive notes also were taken detailing overall use of the systems. An observation consisted of machine usage by any number of users for a specific period. For purposes of analysis, observations were divided into weekday and weekend periods. A total of 160.75 hours of observation were conducted at both sites, during which 1,306 observations were made of 2,496 people using the systems either individually or in groups, for an average of 19 people per observation hour.

Random exit interviews also were conducted at the New River Valley Mall and Roanoke Library with people who had used the system for at least two minutes. Users at the New River Valley Mall were personally interviewed, while users at the library completed the interview as a self-administered questionnaire. Very few individuals declined to participate and a total of 228 people completed the exit interview process: 177 at New River Valley Mall and 51 at the Roanoke Library.

A follow-up telephone survey was conducted in March and April 1990 with individuals who had participated in an exit interview at the New River Valley Mall. The purpose of

the survey was to determine the extent to which individuals used the information, whether they had used the system since and with what results. The 2 to 5 minute interviews were conducted by the same person who administered the exit interview. Surprisingly, many people remembered the interviewer, recalled that they had agreed to be contacted, and were willing to talk. Eighty of the 177 exit interview participants whose telephone numbers were available were called for the follow-up telephone survey. A total of 65 were eventually contacted and participated.

Space limitations do not permit a detailed report of the evaluation methods. However, to illustrate the results of triangulation, some major findings are presented.

While no comparative data exists, evidence from observations and exit interviews supported the on-line tracking data indicating that the systems are used extensively and almost continuously during peak traffic periods at both the mall and library. Indeed, where people come in contact with the systems, they use them (an average of 19 people per hour in the mall) and use them frequently—regardless of location.

The percentage of screen touches for any particular program remained fairly constant regardless of location. When data collected through observation and exit interviews were examined, the programs most frequently accessed were consistent and supported the on-line tracking data. The four most used programs (not in ranked order) were sandwich nutrition information,



household plants, home insect pest identification and you've often asked.

Observation and exit interview data provided insight into why these programs were most frequently used. First, their design included a creative mix of presentation styles (i.e., audio, still and motion visuals, and up-beat text material) that appealed to users. Secondly, and perhaps more importantly, the program topics addressed important perceived needs of the users.

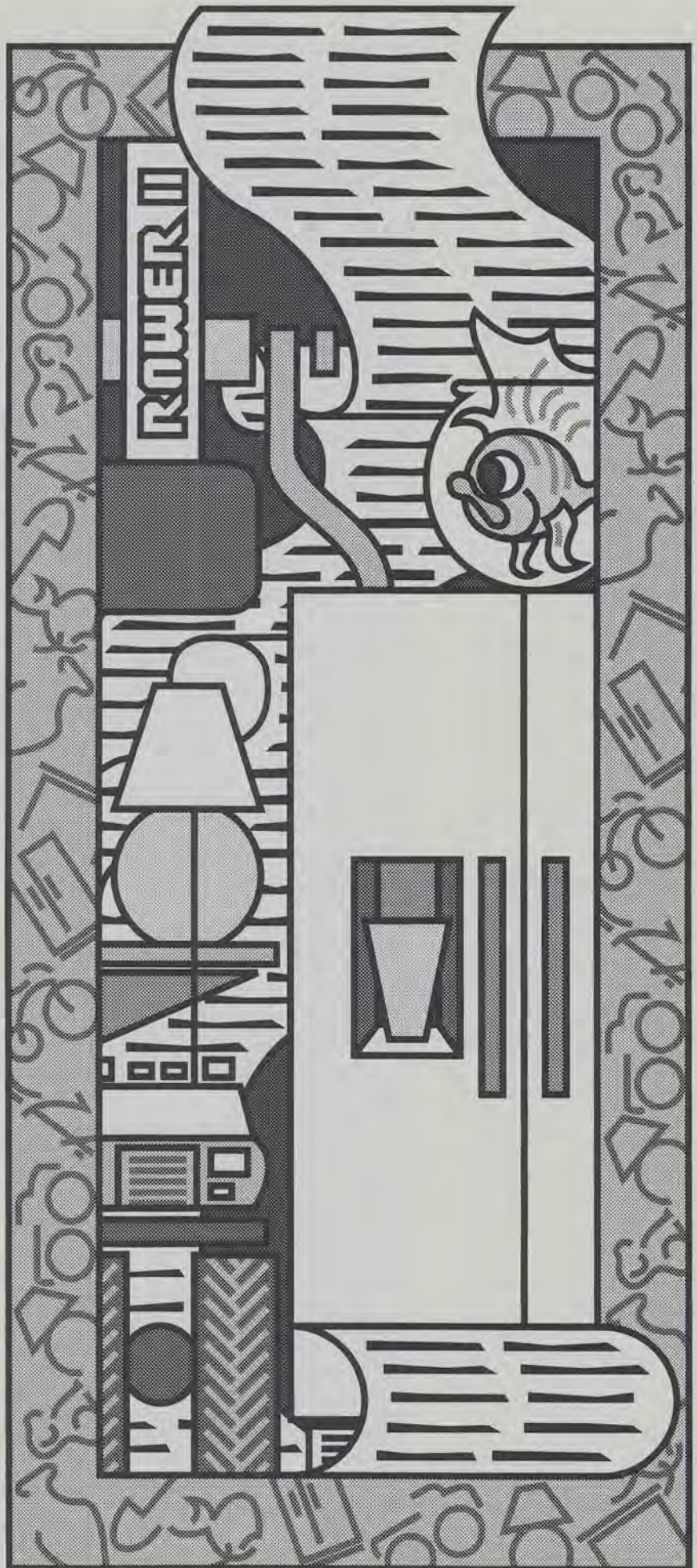
Perhaps one of the most interesting findings was the appeal of the system. Observations and exit interviews revealed that people were attracted by the colorful "Touch This Screen" message on the monitor, the audio messages, the actual design of the system, and the programs themselves. Once people began using the system, it held their attention so intensely that their attention was often cut short only by others interested in using the system, or by members of their group insisting they leave.

A subtle yet important characteristic noted through observation and supported by data from exit and follow-up interviews was that the system did not discriminate among users with respect to age, gender, race, handicap, ability to read, or technological literacy of the user. While some people tended to be more immediately comfortable with the system, all users quickly adapted to its simple operation.

Overall reactions to the system and the information, as determined by on-line comments, observation, exit and follow-up interviews, were very positive. Four of the most striking reactions were:

1. The user was in control of the session from beginning to end.
2. The manner of presentation, including a mixture of audio, still and motion visuals, and text information captured the user's imagination and was very entertaining and educational.
3. The ability of the user to print information upon leaving was helpful.
4. The system was extremely easy to use. Once the user saw or learned how to use the touch screen, the system was easy to master with no further operating instructions.

In evaluating new technologies, two basic questions are: (1) Does it work? and (2) With what results? It is clear that the system works. Perhaps because of the developmental nature of the project, there were no concrete expectations for impact of the system beyond what was formally proposed in the project objectives. Nevertheless, results documented thus far have been quite significant, given the



locations of the system and duration of operation.

For example, through exit interviews, a majority of users believed that the information they received from the system would be valuable to them in the future. Over half actually used the information in some way and were able to provide enough explanation so that this use could be classified as either awareness/knowledge change or behavior change.

CONTINUING BENEFITS

This paper outlines a project that has evolved over three years. While there is still much to explore in the area of using technology to better serve consumers, the original goals of the project are being met.

The system clearly serves the public by providing information in places and at times that are convenient. It allows users to move directly to the specific information and to print as much or as little information as they need. It also provides a sense of privacy, since no questions are directed to another person.

At this point in the development and implementation of the system, the benefits to Cooperative Extension are numerous. Any organization that delivers educational material or information services may benefit from this technology to provide large quantities of information in a convenient, attractive and easily accessible manner.

In addition, while no one person could be expected to have expertise in multiple areas, a computer system inherently can. This "multidimensional expert" is never out of the office, never too busy to take a question and is always the perfect example of patience. It also allows the user to determine the depth of presentation and to take home only the material needed. By printing material on demand, the system also eliminates the need to maintain an expensive "inventory" of printed materials.

THE FUTURE

Why invest in such a system? Because today's society is accustomed to service. Consumers want fast food, drive-in banks, instant credit and quick business transactions. Those serving the public must address today's lifestyles and demands.

It is evident that to adequately meet the needs of the public, the creative use of technology must continue to be investigated. More and more organizations in public service are

recognizing this situation. Some city governments already provide interactive systems for transactions and services.

Technology permits the delivery of information to people in places and at times convenient to them. As technology and development costs decrease, consumer educators should consider using this information delivery method. AG

Through exit interviews, a majority of users believed that the information they received from the system would be valuable to them in the future.

Figure 2

THERE IS A LAW

Automobile Repair Facilities Act

Summary of the Law

1. A customer has a right to request a written estimate for automotive repairs which contains:
 - a. the estimated cost of labor;
 - b. the estimated cost of parts;
 - c. a description of the work to be done; and
 - d. the estimated completion time.Auto repair shops have no obligation to give estimates before 10:00 a.m. or after 4:00 p.m.
2. A reasonable fee for the estimate and diagnostic work may be charged provided the business discloses any charges to the customer in advance.
3. A repair bill may not exceed the written estimate by more than 10% unless the customer authorizes the additional cost.
4. The business must offer to return all replaced parts except warranty, trade-in or core charge parts; the customer has the right to inspect all replaced parts.
5. After repair work is completed, including warranty work, an invoice must be given to the customer which lists the work performed, the charges for parts and labor, warranty information and identification of any parts that were used, rebuilt or reconditioned.
6. Every automotive repair business must post a sign at a point where vehicles are normally received for repairs, advising customers of their rights.

Code of Virginia, Title 59.1, Chapter 17.1,
Sections 207.1-207.6

Courtesy of Virginia Cooperative Extension Service

MAKING CONSUMER POLICY DIRECTLY THROUGH THE BALLOT BOX

If you live in a state west of the Mississippi River (or in several east of it), chances are that you and your fellow citizens are able to make laws via ballot initiatives and referenda. Even if you live in a state that lacks mechanisms for citizen-made law, your city or county government may allow initiatives and referenda. In 1988, 230 ballot propositions were voted on in various state and local jurisdictions; in California alone, there were 29 statewide propositions (Ranney, 1989).

The number of ballot initiatives and referenda has been increasing over the last two decades, and many of these propositions deal with matters of consumer policy. Nevertheless, while consumer affairs scholars have begun to study instances where consumers vote with their dollars (e.g., boycotts and affirmative buying), researchers have largely ignored the phenomenon by which consumers vote with their ballots.

This article begins by defining and giving examples of consumer ballot initiatives. It then provides a brief overview of recent scholarship on ballot propositions, with special attention to the role of campaign spending and celebrity endorsements. The article concludes by identifying a number of issues that

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ought to be of interest to both consumer activists and consumer researchers.

WHAT IS A CONSUMER BALLOT INITIATIVE?

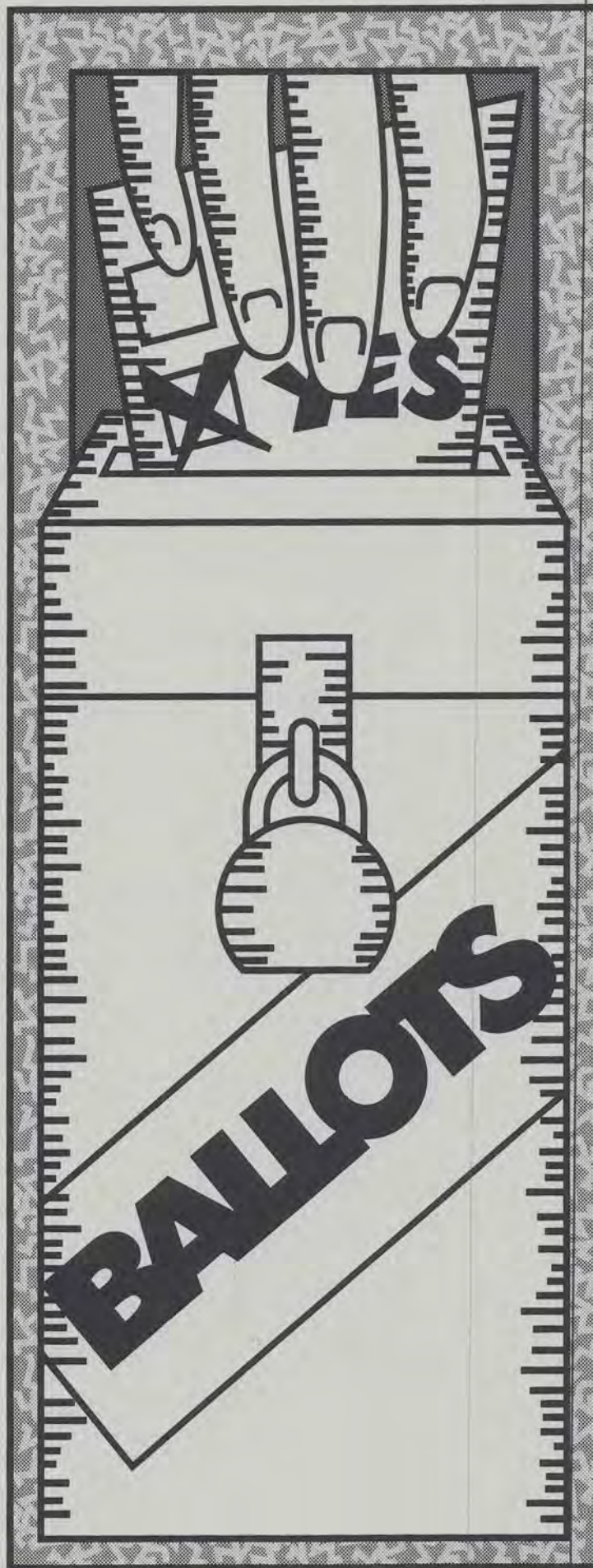
Although the terms "initiative" and "referendum" are often used interchangeably, there is a distinction between them. Initiatives permit citizens to propose (or "initiate") a legislative measure by filing a petition bearing a minimum number of valid signatures. Referenda do not require the petition process but rather occur when a government body (typically a legislature) "refers" a proposed or existing law to the citizenry for their approval or rejection. Constitutional amendments and bond issues are examples of refer-

enda items. From the point of view of consumer policy making, initiatives are more relevant than referenda, so the term ballot initiatives will be used here to encompass both.

What defines the subset of ballot initiatives that can be described as genuinely *consumer-oriented*? I define consumer initiatives as those that aim to improve consumer welfare by altering the level of prices, product quality and safety, information, competition, representation, and/or redress. (With the exception of prices, this definition closely parallels the commonly articulated consumer rights.)

This definition can be construed narrowly or broadly. Narrowly conceived, it might exclude the many initiatives that involve sales and property taxes, since tax issues raise questions far beyond their impacts on consumer prices. A narrow interpretation of consumer ballot initiatives might also exclude initiatives aimed at protecting the natural environment (e.g., closing nuclear power plants or requiring deposits on beverage containers) even though people surely "consume" air, water, scenery, and other environmental amenities. In addition, initiatives aimed at promoting open and responsive government (e.g., limiting the number of terms a legislator may serve) might not be considered strictly consumer initiatives even though such measures could increase the responsiveness of government officials to consumers.

In this paper, I narrowly construe consumer ballot initiatives to emphasize



that initiatives are one of several mechanisms of policy making with respect to traditional consumer issues. Accordingly, initiatives have the same claim to the attention of consumer policy researchers as legislation, regulation, judicial decisions, boycotts, and shareholder resolutions. For other purposes, more expansive definitions of consumer ballot initiatives may be appropriate.

Figure 1 contains recent examples of consumer initiatives grouped by the consumer benefit that the initiative directly addresses. (Obviously, initiatives that promote competition also are likely to reduce prices and enhance quality.)

There are always ambiguities in a schema based on intended benefits to consumers. A first problem arises from the multiple intentions of those who promote a particular ballot initiative. For example, attorneys are both protecting their incomes and promoting consumer access to legal services when they fight to protect various product liability rules. Empirical studies can illuminate the motives of various players, but some ambiguity will remain.

A related issue is raised by a definition that relies on the intentions of an initiative's backers. An initiative designed to help consumers may end up backfiring and harming them. This is a potential problem with all public policies, whether they be laws, regulations or court decisions. For the purpose of defining a consumer ballot initiative, one can identify the interests and actions of its supporters and detractors (Gronmo & Olander, 1991). Of course, social scientists can make their own judgments about the likely impacts of

proposed consumer initiatives and the actual impacts of initiatives that have been enacted. But to *define* consumer ballot initiatives in terms of these scientific assessments both overstates the extent to which such assessments are carried out and understates the uncertainty associated with policy made through ballot initiatives.

Finally, virtually all consumer policies have distributional effects, that is, they benefit certain consumers more than, and sometimes at the expense of, other consumers (Mayer & Burton, 1983; Brobeck, 1991). A ballot initiative to establish lifeline utility rates, for example, essentially represents a subsidy from high-income to low-income consumers. Similarly, an initiative that allows greater latitude in who may perform medical or legal services will tend to benefit rural areas (where professionals are scarcer) more than urban areas. These distributional effects of consumer policies are often intended and are, in any case, unavoidable. Thus, there is no reason to require that a ballot initiative benefit all consumers equally, just that the net benefits to consumers be greater than zero.

REVIEW OF SCHOLARSHIP ON BALLOT INITIATIVES

It is tempting to ask whether ballot initiatives result in "good" consumer policy. Since definitions of good consumer policy may vary (e.g., in response to personal values of efficiency and equity), the more relevant question is, given a definition of good consumer policy how do ballot initiatives compare to *other means of effecting consumer policy* in terms of their ability to improve consumer welfare. The answer to this question, in turn, can be broken down into several parts. Before investigating these subquestions, it is useful to briefly provide an overview of the more important and recent book-length works on the subject of ballot initiatives.

RECENT BOOKS

The most "consumer-oriented" of the recently published books on ballot initiatives is

Citizen Lawmakers (1989) by David Schmidt. The book is consumer-oriented inasmuch as the author acknowledges the support of Ralph Nader and the Center for the Study of Responsive Law. In addition, the book reads much like the many Nader-affiliated studies that emphasize success stories, selfless individuals, and, most importantly, details on how to run an initiative campaign. Schmidt's book follows in the footsteps of two earlier books, written with an activist bent, on citizen initiatives: *Bankrolling Ballots—Update 1980*, by Steven Lydenberg (1981) of the Council on Economic Priorities, and *Taking the Initiative* (1980), by members of the Media Action Project (Mastro, Costlow & Sanchez, 1980).

More academic in their style are books by political scientists David Magelby (1984), Harlan Hahn and Sheldon Kamieniecki (1987), and Thomas Cronin (1989). None of the books explicitly views ballot initiatives as a form of consumer policy making. The most useful of the three for the purpose of studying consumer ballot initiatives is Cronin's, if for no other reason than it is the most recent and comprehensive. Of the three, Cronin's book is most concerned with the structural influences on the initiative process, as opposed to the determinants of voter behavior. Cronin concludes that ballot initiatives, on balance, have done more to enhance the democratic process than to subvert it. Magleby, as will be shown below, draws more pessimistic conclusions.

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KEY ISSUES AND RELEVANT FINDINGS

Surveying the books mentioned above as well as additional articles and reports, there are three issues that draw consistent attention:

1. Whether all types of consumers are equally likely to vote on ballot initiatives and, if not, what implications this has for the distributional impacts (i.e., fairness) of resulting policies;
2. How large a role money (especially in the form of paid media) plays in the outcome of initiative campaigns and under what condi-

Figure 1:
EXAMPLES OF STATE-LEVEL BALLOT PROPOSITIONS

Consumer Benefit	Example (State/Year/Passage)
Prices	Reduce Auto Insurance Premiums (CA/88/Yes)
	Ban Local Measured Telephone Rate (ME/86/Yes)
	Limit Interest Charges on Retail Credit (WA/82/No)
	Institute Lifeline Utility Rates (SD/78/No)
Safety/Quality	Require Seat Belt Use (OR/90/Yes)
	Prohibit Smoking in Public Places (CA/80/No)
Competition	Allow Dentist Services by Paraprofessionals (MT/84/Yes)
	End State Regulation of Milk Prices (SD/78/Yes)
Information	Fund Cigarette Counterads (CA/88/Yes)
	Provide Warnings for Carcinogen/Teratogens (CA/86/Yes)
Representation	Establish a Citizen Utility Board (OR/84/Yes)
	Elect Public Utility Commissioners (OH/82/No)
Redress	No-Fault Auto Insurance (AZ/90/No)

tions, if any, poorly financed positions win over well financed ones; and

3. How large a role elite endorsements and media coverage play in the outcome of initiative campaigns.

REPRESENTATIVENESS OF BALLOT INITIATIVE VOTERS.

Regarding the issue of who votes, Magleby is most concerned by the unrepresentativeness of voters who decide statewide ballot propositions. He concludes that low-income groups (i.e., less-educated people, blue-collar workers and nonwhites) are doubly underrepresented—first because they are less likely to vote in general and secondly because they are less likely to vote on ballot measures even if they do go to the polls. This tendency to “drop off” after voting for major candidates is especially striking with respect to people with little education, according to Magleby.

Magleby notes that the underrepresentation of low-income groups is often not a problem because the votes on ballot initiatives can be quite one-sided. He believes, however, that the underrepresentation of low-income groups “played a part” in the defeat of Massachusetts propositions to establish a graduated income tax and flat rates for electricity use. In addition, he asserts that “the underrepresentation of groups of low socioeconomic status plays a part in the success or failure of propositions for which the outcome is close” (1984, p.120).

In contrast to Magleby, Cronin downplays the extent and consequences of the lack of representativeness of those who vote on ballot measures. Cronin sees a certain social rationality in the fact that the people who vote on ballot initiatives are better educated, better informed and more intensely interested in the ballot measure. In any event, Cronin asserts that those who vote on ballot initiatives are far more representative of society than the members of state legislatures.

From the point of view of consumer policy, the special characteristics of people who are most likely to vote on ballot initiatives largely corresponds with the profile of people who support the consumer movement and consumer activists (Atlantic Richfield, 1983; Herrmann & Warland, 1976). Thus, the ballot initiative mechanism may be slightly biased toward the success of consumer-oriented measures. An important exception might be those consumer policies designed to redistribute resources from more affluent to less affluent consumers (e.g., lifeline rates for utilities or interest ceilings on credit rates).

The

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THE ROLE OF MONEY. The nature of the initiative voter may work toward the passage of consumer policies, but the role of money in initiative campaigns appears to work against it. Even more so than in contests for elected office, voters in initiative campaigns may be particularly susceptible to the effects of campaign spending because factors such as party affiliation and a candidate's past performance play little role. If money determines initiative outcomes, then “direct democracy” could become a mask for legislation that favors well-financed groups and interests.

It is somewhat ironic that supporters of the initiative process, typically groups with little money, contend that the corrupting role of money is small, at least relative to the other virtues of direct democracy. Equally ironic, groups with large economic resources, such as businesses and labor unions, have tended to oppose the adoption of the initiative and referendum process in states not yet having these mechanisms (Cronin, 1989).

While it is difficult to assign a direct causal role to campaign financing, research findings (from simple to multivariate) are amazingly consistent. The role of campaign spending seems to depend on whether one is trying to pass an initiative or prevent one from becoming law. Only in the latter case does money appear to be an all-powerful tool (Lee & Berg, 1976; Lowenstein 1982; Lydenberg, 1981; Magleby, 1984; Shockley, 1980; Zisk, 1987). Voters may initially like the sound of a ballot initiative, but heavy spending seems to convince them easily to maintain the status quo.

There are, of course, instances in which the relatively underfinanced side wins, even when it supports a ballot measure. Drawing examples from outside the arena of consumer initiatives, one can point to two successful ballot initiatives limiting the storage of nuclear waste (Oregon and Montana in 1980). Another “low-budget” win occurred in Michigan, where an initiative requiring deposits on beverage containers was enacted in 1976. A very recent and more purely consumer example involves California's Proposition 103, the 1988 initiative that rolled back automobile insurance rates. (Whether Proposition 103 has benefitted consumers is more ambiguous [Zycher, 1990]). But these David-defeating-Goliath stories are rare.

THE ROLE OF ELITE

ENDORSEMENTS. Ralph Nader's campaigning in favor of California's automobile insurance initiative in 1988 has been widely credited as a key factor in the proposition's

passage. Similarly, celebrities Bette Midler and Meryl Streep were highly visible supporters of California's unsuccessful "Big Green" environmental initiative in 1990. These activities raise the broader question of how great a role is played by elites, whether celebrities or politicians, in the outcome of ballot initiatives.

Even more so than in the case of campaign expenditures, it is difficult to make causal statements about the impact of elite endorsements. One reason is that there are often elite endorsements on both sides of an initiative campaign. For another, considerable confusion may exist on the part of the public regarding whether public leaders support or oppose a particular ballot initiative. Finally, it is difficult to distinguish between cases in which people vote against an initiative because it is supported by the "establishment" and those in which people simply reject an initiative on its merits.

Despite the difficulty of measuring the impact of elite endorsements, a few relevant studies have been conducted (although none involving a consumer initiative as defined here). In a California-based study, Magleby (1984) reported that when elites were in agreement, the voting outcome was consistent with their position in three-quarters of the propositions studied. But this leaves a quarter of the cases in which voters rejected elite opinion, even when there was no formal opposition during the campaign. Magleby interprets this as indicating that many vot-



ers give little thought to their votes. An alternative explanation is that people sometimes use the initiative mechanism to express their opposition to political elites.

Magleby (1984) also cites data collected by the Rand Corporation in relation to California's 1976 initiative to restrict the development of nuclear power. The data measured the extent to which people intending to vote also understood and trusted various elite endorsements. While politicians were among the best known elite endorsers, they were also among the least trusted (and presumably least influential). In contrast, scientists and nuclear engineers enjoyed a relatively high level of public trust and apparent influence.

While celebrities and politicians can become associated with one side or another of an initiative campaign, they are not the only elites who are potentially capable of influencing initiative outcomes. The arbiters of media coverage and the writers of editorials may play an equally important role despite their anonymity. Yet, virtually nothing is known about the impact of editorial endorsements and media coverage on initiative outcomes.

UNRESOLVED QUESTIONS

To date, the majority of research on ballot initiatives has been conducted by political scientists motivated by the question of whether direct legislation advances or detracts from the ideal of democracy. Given the increasing use of ballot initiatives as an

instrument of consumer policy, it seems appropriate for consumer researchers and consumer activists to focus attention on whether (and under what conditions) ballot initiatives and referenda advance or detract from consumer welfare. Following are questions that might be considered a research agenda for both consumer researchers and consumer activists:

1. Are all types of consumer issues equally amenable to condensation into a ballot initiative? If not, what does this imply for the ability of consumer activists to place the most important consumer issues on the consumer policy agenda?

2. Are consumer ballot initiatives best used as a means to bring relatively new issues to the attention of the public and public policy makers, or as a means to force action in face of government and/or business intransigence?

3. Under what conditions can the superior spending power of business interests be turned into a political asset for consumer interests?

4. What types of celebrity endorsements are most credible and effective in campaigns regarding consumer initiatives?

5. How important is the amount and kind of media coverage in determining the fate of consumer ballot initiatives?

6. Do pre-election public opinion polls, either directly through their administration or indirectly through media coverage of their results, affect the outcome of initiative measures? And when is the optimum time to conduct such polls?

7. What types of consumer ballot initiatives are most likely to result in increased consumer welfare?

8. Which procedural reforms (e.g., public financing of initiative campaigns, a strengthened fairness doctrine, advisory referenda, and a national system of ballot initiatives) would be beneficial, on balance, to consumers?

9. What can be learned from the use of the ballot initiative by consumer activists outside of the United States?

With consumer ballot initiatives occurring with increasing frequency, these questions provide an *urgent and practical* starting point for research in this area. Consumer researchers and consumer activists can join forces to produce answers that will ultimately promote the welfare of consumers. **AD**

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ADVANCING THE CONSUMER INTEREST: TRADITIONAL IDEOLOGY VERSUS A GENERIC VIEW

Should consumer interest professionals primarily address the values and problems perceived as important by the public at a particular point in time? Or should we continue to adhere to whatever our own particular ideologies may be regardless of the vicissitudes of the public? And how much do answers to the above depend on our primary roles (e.g., advocate, researcher, teacher, public, or business representative)?

In political science, such questions have been debated under what Pitkin's has referred to as the "mandate/independence controversy" (1969). That is, should representatives follow popular mandates or lead their constituency in a direction determined independently by the representative. In marketing, they have been addressed in terms of whether the organization should be oriented to a market's perceived needs or to the organization's products or services. That is, should the organization respond to shifts in consumer demand with new products and/or services? Or should it continue to be committed to selling particular products and/or services despite declining sales (Leavitt 1960)?

At a normative or metaphysical level, there are no definitive answers to these questions. What "should be" cannot be empirically discerned. "What is," however, can be observed as changing over time. And those individuals and organizations not adapting to environmental change can be perceived as failing in terms of such empirical measures as lost influence, recognition, security,

jobs, resources, and effectiveness.

However lamentable, for instance, the decline in support for Ralph Nader's approach to consumerism has been well documented. Mayer views this decline of what he refers to as "radical ideology" as being due to both its successes and failures. That is, the radicals' legislative, institutional and other accomplishments may have contributed to public complacency toward consumer issues. Furthermore, as social, political, and economic conditions changed, the radicals' unwillingness to compromise their ideology hastened their decline (Mayer 1989). Brobeck similarly points to the immutability of their approach as a factor contributing to the radicals' loss of support:

...the failure of national groups in the 1970s reflected in part their "radical" emphasis on redistribution of power, a goal that Nader pursued throughout the 1980s, and parenthetically, can be linked historically to both the cooperative and New Left movements (1990).

However, also according to Brobeck, some version of that consumer interest ideology, or what this author calls "traditional" ideology (Kroll & Stampfl 1981), may be showing some signs of revival. If this is indeed the case, it would be consistent with the standard analysis of the consumer movement in this century: that is, public support for traditionally conceived consumerism has been viewed as cyclical with lengthy decline and ascendancy periods (e.g., Herrmann 1970; Nadel 1971; Mayer 1989).

But should such intermittent support

for *traditional consumer interest ideology* be confused with support for the *consumer interest* itself? Alternative approaches to serving the consumer interest have been identified that may enjoy varying degrees of public support at any particular point in time. Thorelli, for instance, distinguished between the consumer issue views of "information seekers" as opposed to the then perhaps more common protectionist sentiment among other consumerism supporters (1975). Kroll and Stampfl differentiated the consumer issue positions of "choice-limiting supporters" from those of "choice-allowing supporters" (1986). Mayer has delineated between the ideologies of "radicals" and "reformers" (1989) and Brobeck between those of "liberal" and "conservative" reformers (1990).

PURPOSES

Despite competing consumer interest ideologies at any point in time and changes in public support for each over time, the traditional ideology has remained implicitly predominant among consumer interest professionals. Among the purposes of this paper are to:

1. Identify some of the characteristics of the traditional approach;
2. discuss the extent to which each may still be predominant;
3. discuss the differences among professional groups (e.g., advocates, researchers, educators, etc.) in their adherence to various elements of traditional ideology;
4. discuss some limitations of the tra-

ditional approach in terms of generation of objective research, inclusion of possible support groups, and adaptation to changing domestic and international environments;

5. suggest a more generic model of the consumer interest that is more value-free, heuristic, inclusive of non-traditional support ideologies, and adaptable to different groups, cultures and circumstances.

The remainder of the paper is organized along consumer interest parameters that can be used to differentiate between traditional ideology and the generic approach. That is, traditional ideology as well as other consumer interest ideologies, tend to have at least somewhat different perspectives on the following questions: What constitutes a "consumer" role? Who is(are) the chief antagonist group(s) to the consumer interest? What are consumer rights and which are most important? Are some types of solutions to consumer problems usually preferable to others? Which groups represent the consumer interest? Is the consumer movement monolithic and cyclical—or are there competing, overlapping, and even countercyclical movements based on the popularity of various consumer interest ideologies through time and circumstance?

Table 1 summarizes the differences between the traditional view and the suggested generic model as they relate to each of the questions raised above. The following sections more fully explore these questions in terms of the traditional and generic perspectives and their relative appropriateness to particular consumer professional groups.

CONSUMERS OR

CONSUMER ROLES. The "consumer" has traditionally been thought of by consumer advocates and businessmen alike as being a nonbusiness purchaser/user of products and/or services sold by private business. Many economics and marketing texts and even some consumer economics texts retain such a narrow consumption-based definition (e.g., Stanton 1987; Miller 1990).

Consumer education authors, on the other hand, have long been clearly

more expansive. Under the rubric "consumer" they have included such nonproducer roles as family member in intra-family economic decision making, socially responsible citizen, public goods recipient and taxpayer, and financial planner, in general, including credit, savings, investment, retirement, and estate planner in particular (e.g., Banister & Monsma 1980; Kroll & Hunt 1980; Stampfl 1983). The generic model presented in Table 1 represents this inclusive view of consumer roles.

Among consumer interest professionals who may retain a narrower view than most consumer educators are those advocates and government representatives who largely think in redistribution or equity terms. They may view consumer problems as being primarily significant to groups of disadvantaged consumers (e.g., the poor, elderly) rather than being associated with the *consumer roles* which we all perform. Their focus, then, may be understandably more on consumers as hapless victims, and much less on such consumer roles as decision maker and planner of one's own financial destiny.

CONSUMER INTEREST

ANTAGONIST GROUP(S). The traditional ideology's principal antagonist group has been big business. Perhaps the instance of least controversy with this position is the case of the business monopoly. The assumption is that profits can and will be maximized without any incentive to improve choice, quality, safety or price. On the other hand, in an industry in which many firms, even large corporations, compete for the consumer's "dollar vote," many economics and business academics would contend that business and consumer interests should be in harmony. The more efficient businesses are making a profit and presumably satisfying consumers as well.

Consumer-interest educators as well as advocates, however, may perceive a variety of market imperfections that remain unresolved despite an adequate number of competitors. Lack of useful and inexpensive sources of information and means of redress may make the

market less responsive than it could be. In the case of insulation, for instance, consumers had no reliable way to judge its effectiveness before the required R-ratings. In the case of redress, consumers usually find the cost of resolving relatively low cost problems through legal channels to be prohibitive. Low cost arbitration procedures such as those offered by Better Business Bureaus may be a partial solution to the problem.

Traditional consumerists tend to go much further than the above antitrust and information/redress market modifications. To some, the central allocating and incentive mechanism of a competitive market, the profit motive, is not an acceptable moral approach either in terms of its intent or its results. To at least partially replace the profit motive, radical activists would require a majority public representation on the board of directors of "private" corporations (e.g., see Green 1980).

In contrast to traditional activists, consumer educators are perhaps as concerned with small business issues as with corporate abuses. Smaller companies often are less cost effective to regulate, have more restrictive returns policies, and are more often the source of egregious consumer fraud than are the Wal-Marts of the world (e.g., auto mechanic, home repair and investment swindles; mail order fraud, etc.). Nevertheless, many consumer educators still think in terms of business, both large and small, as being the primary, if not exclusive, antagonist group to the consumer interest.

Some definitions of consumerism, such as Maynes use of Kotler's, reflect this traditional orientation:

"...a social movement seeking to augment the rights and power of buyers vs. those of sellers (Kotler as used by Maynes 1990)."

This definition is not only concise but has the added virtue of focusing on the conflict of primary concern to traditional advocates as well as to marketing academics such as Kotler. However, consumer interest professionals may well ask whether it is too narrow for some purposes of consumer education and government representation.

TOWARD A MORE GENERIC CONCEPT OF THE CONSUMER INTEREST

Academics to varying degrees have long perceived a conflict of interest between consumers and many other groups besides business, including big unions, professional groups, big government, and even consumer advocates (e.g., Schooler 1967; Day & Aaker 1970; Winter 1978). In the case of politically powerful unions, for instance, their lobbying efforts for tariffs and quotas against competing foreign products is perceived by many to reduce consumer choice, lower quality, and increase prices.¹ Thus the reticence of consumer advocacy groups such as the The Consumer Federation of America to address such consumer/labor conflicts of interest may seem hypocritical to an objective observer. On the other hand, from the point of view of such advocacy groups, who have long been supported and even initiated by organized labor, these conflicts pale in comparison to those with their perceived common foe, big business interests.

Although traditional consumer advocates, most notably Ralph Nader, have historically opposed government as well as business performance, they often do so in terms of admonishing the government to do more. Free market critic and Nader antagonists, such as nobel laureate Milton Friedman, typically admonish the government to do less. Some of Nader's comments about his recent trip to the USSR illustrate his continuing fear of *private power* as opposed to Friedman's fear of *public power*. For example:

"They're (i.e., the Soviets) swinging from Marx to Milton Friedman. They are the world's experts on bureaucracy and the state. But they don't know anything about what the market is going to do to them (Review and Outlook 1990)."

While Nader believes it is myopic for the USSR to ignore the potential pitfalls of establishing a private market system, free market advocates such as the Wall Street Journal editorial staff consider it myopic to want to hinder the incentive and productivity benefits of the profit motive and free enterprise in a society where basic needs are not being satisfied. They approvingly quote the mayor of Leningrad, Anatoli

Consumer Interest Parameters

Consumer Role(s)

Antagonist Group(s)

Consumer Rights

Solution Approaches

Representation

Consumer Movement(s)

Traditional View

Purchaser of private goods for personal and/or family use.

Big business (i.e., the "corpocracy"); denial of conflict with organized labor interests.

Preference for safety and deemphasis of conflict among rights.

Prefers public choice approach (e.g., banning a product from being sold) to an individual choice approach (e.g., a warning label).

Traditional advocacy groups (e.g., The Consumer Federation of America).

Intermittent or cyclical (i.e., the three consumer protection eras of the 20th Century).

Generic View

Recognizes all family nonproducer economic roles including taxpayer, citizen concerned with public goods, financial planner and decision maker.

Recognizes potential for conflict with all producer groups including unions, governments, farmers and professionals.

Recognizes trade offs among rights (e.g., between safety and individual choice).

Recognizes advantages/disadvantages of both public and individual choice solutions dependent on the situation and group involved.

Recognizes any group that attempts to advance any consumer role including investor, taxpayer, and CAP groups (e.g., SOCAP).

Recognizes a variety of overlapping movements; some possibly counter-cyclical (e.g., consumer protection versus antitax movements).

TABLE I

Sobchak, "...an ardent free-market advocate..(who)..gently told Mr. Nader that":

"...our problems are at a different level...the key task is to wean power away from the state and invest it in society...(Review and Outlook 1990)"

Most consumer professionals not committed exclusively to traditional ideology would find it difficult to disagree. That is, *government* monopoly, rather than a still miniscule and discriminated against private sector, has been and remains the chief antagonist group to the consumer interest in the USSR.

To the extent, then, that one accepts a more generic approach to the consumer interest, conflicts between consumers and other entities besides big business can be more readily recognized and objectively appraised. The generic model also allows one to recognize or at least hypothesize international differences in this regard. Consider the following countries and how their primary antagonist groups may differ: Hong Kong (competitive but relatively

unregulated private markets), Mexico (relatively dominated by key labor unions), the Philippines (relatively dominated by private monopolies), and the Soviet Union (still almost exclusively government dominated).

CONFLICTS AMONG CONSUMER RIGHTS

The consumer interest not only competes with other interests, but as already suggested, is not a monolithic interest itself. Perhaps the best known distinctions among various consumer interests were presented in President Kennedy's Consumer Bill of Rights. He discussed the consumer rights of choice, information, safety, and recourse. Others, such as the right to consumer education and a desirable environment, have since been added to many presentations of consumer rights (e.g., see Miller, 1990).

Are these rights, objectives, or interests consistent with one another? In the real world, attempts to promote one interest are often perceived as being

inimical to another. For instance, banning three-wheeled all terrain vehicles reduces risk from that source and perhaps enhances our *safety* interest. Independent consumer decision makers, however, may resent such intrusions on their right to *choice* or the opportunity to make their own cost(risk)/benefit analyses.

Professional consumer groups tend to exhibit different preferences among these often contradictory rights. For instance, traditional consumer advocates tend to prefer safety over choice and information for at least two reasons: First, they tend to be more personally risk averse than those who prefer information and choice. Ralph Nader's personal risk aversion, for instance, has been frequently noted. Secondly, they tend to believe that advertisers are overwhelmingly in control of information and individual choice (e.g., see Buckhorn 1972).

SOLUTION APPROACH PREFERENCES

Since traditional consumerists tend to believe that individual choice in an advertising-manipulated marketplace is largely illusory, they tend to prefer public choice as opposed to individual choice solutions to consumer problems. A *public choice solution* is one that limits individual consumer decision making (e.g., banning a potentially harmful product from sale). An *individual choice solution*, conversely is intended to assist individuals in making their own decisions (e.g., a warning label and/or education about the potential hazard).²

Consumer educators, extension specialists and consumer affairs professionals, on the other hand, are more likely to prefer individual choice solutions. At the very least, their professional roles demand some confidence in the individual consumer's ability to make effective personal decisions given the education and information which these groups provide.

However, even consumer interest professionals who may not prefer public choice solutions in principle may, nevertheless, agree on their use in certain circumstances. For instance, the ban-

ning of potentially lethal products, which have negative social externalities as well, receives widespread support (e.g., smoking in some confined public areas). Most professionals and individuals of whatever ideology also tend to agree on restricting certain groups from using certain products (e.g., cigarettes to children).

The generic model suggested in this paper may help clarify such areas of conflict and harmony among diverse ideologies. It can help identify issues which are likely to generate widespread recognition of the problem, but disagreement concerning the solution; or those which are likely to result in relative unanimity concerning both problem recognition and solution preference.

CONSUMER REPRESENTATION

If one thinks in terms of the consumer as being primarily a purchaser and/or a user of products made by big business interests, then the traditional anti-"corporate" groups are the only recognized private representatives of consumers. Groups such as The National Consumers League, Nader's Public Citizen, and the umbrella organization, The Consumer Federation of America have historically supported this aspect of the consumer interest.

If, on the other hand, one accepts the broader view of consumer roles as advanced by consumer educators (and in the generic model presented in Table 1), representation of certain of those roles goes beyond the traditional groups cited above. The role of taxpayer, for instance, has been represented by such groups as the American Taxpayers Union, the United Organizations of Taxpayers, the Committee on Single Taxpayers, and the Married Taxpayers for Equality. Consumer citizens concerned with waste of their tax dollars by government have been represented by such groups as Citizens Against Government Waste. The consumer role of investor has been represented by such groups as the nonprofit American Association of Individual Investors.

Furthermore, Bloom and Greyser

suggest other nontraditional groups as consumer representatives. These include the "corporates" and the "deregulators". The former refers to consumer affairs professionals in corporations and their organization, the Society of Consumer Affairs Professionals (SOCAP). The latter refers to those who advocate less government regulation as a means to reducing government-sponsored monopoly and thus improving consumer welfare (1981).

The problem with the latter groups from the prospective of traditional ideology is that their leaders and members tend to be free market and individual choice advocates. When they support government interventions, it tends to be those that serve to improve the performance of the market and the individual decision makers that it serves. Traditional advocates, who value markets less and public choice more, may justifiably reject these approaches on a normative basis. Consumer professionals whose primary roles are those of presumably more objective researchers and educators, however, may find the generic model more appropriate. That is, any significant group attempting to advance any consumer role is worthy of study and cooperation.

CONSUMER MOVEMENT(S)

As previously mentioned, most analyses of consumerism have assumed the consumer movement to be intermittent and/or cyclical. The traditionally accepted analysis depicts three waves of consumer movements occurring in the 20th century. Upton Sinclair's novel, *The Jungle*, describing unsanitary meat packing processes is often viewed as giving impetus to the first wave in the early 1900s. Similarly, Katlett and Schlink's *1,000,000 Guinea Pigs* is often associated with the second wave in the 1930s. The last wave is largely associated with Ralph Nader's *Unsafe at Any Speed* and its condemnation of the safety standards of the auto industry. It has been pointed out by many authors that these movements tended to occur in eras of broader social reform (e.g., Nadel 1971). That is, consumer as well

as the broader movements of which they were a part, were redistributive in nature. They sought to transfer rights, power, and prerogatives from groups perceived to have more of these to those perceived to have less. Such transfers are usually accomplished through enlarging the public sector, and are ultimately paid for by some combination of higher taxes, inflation, and/or interest rates than would otherwise be the case.

Traditional analysis neglects the possibility that such reforms may ultimately go beyond the public's ability and/or willingness to absorb them. The stage may thus be set for overlapping and even counter-movements. During the Carter presidency, for instance, traditional consumerism reached its institutional zenith. Advocates were appointed to important federal posts and Ralph Nader was warmly received by the administration. By the late '70s, however, a decline of public support was evident. The last major effort at a federal consumer agency was defeated, the public was becoming more concerned with the costs of government regulation, and Ralph Nader's popularity was declining (e.g., see *The Rising Risks* 1978).

At the same time that the latest era of traditional consumerism was declining, another form was taking its place (Kroll and Stampfl 1981). Traditional consumer leaders, through some combination of choice and necessity, began accepting and even advocating less intrusive government interventions to help solve consumer problems. They more often found themselves on the same side as free market advocates concerning such issues as government decontrol of the transportation industry and business self-regulation.

In addition to traditional consumerists becoming more accommodating to changing public sentiment, nontraditional movements were developing. Again, if one accepts the consumer education notion that consumer roles include personal financial roles such as taxpayer, one should not ignore taxpayer movements as a type of "consumer" protest. Howard Jarvis, leader of California's antitax Proposition 13 (Jarvis 1979) and the more widespread tax

movement that he helped spawn, was at least occasionally referred to by the press as "consumerist" in nature (e.g., *The Consumer Army* 1978). Traditional advocates, of course, rejected the association with a movement they considered to be anti-government and big business inspired. It was a movement, however, that for a time became even more important than their own and worthy of inclusion in a more generic model of the consumer interest.

CONCLUSIONS

Traditional ideology is not the only consistent approach to the consumer movement. However, certain of its elements have been and continue to be implicitly predominant to varying degrees among consumer professional groups. Even many consumer researchers and educators, for instance, who accept a broad view of what constitutes consumer roles, retain inconsistently narrow views of consumer interest representatives and antagonist groups, as well as of the consumer movement itself.

Furthermore, traditional ideology, just as others, waxes and wanes in terms of relevance and public support with ever-changing environments both in the U.S. and throughout the world. What does not change across time and culture is that some mix of relevant consumer roles, antagonist groups, rights, solution approach preferences, representatives, and corresponding movements are operative.

The advantages of a professional commitment to a generic concept of the consumer interest rather than to any specific means of achieving it include: recognition of competing needs and ideologies to serve; greater adaptability to changing domestic and international environments; greater stability in public support and resources generated; for organizations such as the ACCI, a larger and more diverse membership as called for by its Future Directions Committee (Schuchardt, et. al., 1990); and at least for academics, a more objective perspective from which to teach, offer new courses and curricula,³

and develop new research. Even for advocates still committed to the traditional or any other ideology, occasional generic thinking can be useful. It can help them in identifying potential allies, coalitions, and compromises while they await a new era of ascendancy for their own particular version of the consumer interest. AD

¹ For instance, an estimated cost to consumers of saving one job in the auto industry through various restraints on imports is \$105,000 (*A Hidden Tax*, 1988).

² Kroll and Stampfl have variously described this distinction as "opportunity rights" and "benefit rights" solutions and as "choice-limiting" and "choice-allowing" solutions (1981, 1986).

³ It can be argued for instance, that because of their narrow focus many consumer science departments at universities responded too slowly, not at all, or inappropriately to growing demand for financial services curricula in the late 70's and 80's; and that many of these departments continue to neglect the educational requirements for consumer affairs professionals in business (e.g., see Goldsmith & Vogel, 1990).

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THE NEW NATIONAL COALITION FOR CONSUMER EDUCATION

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ROBERT J. KROLL

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Consumer education is taking on a new energy. The revitalized National Coalition for Consumer Education (NCCE), celebrating its 10th anniversary, is on a steady course to encourage and support consumer education in the nation's schools, communities and workplaces.

The development of lifelong economic skills are focused at all levels and stages of life. Creating the academic presence and initiatives in schools is critical to a sound foundation. Today's challenge for consumer educators is to expand this skill development to non-traditional learning. Adult education, workplace information and community support services are examples of the new directions in which the National Coalition is taking consumer education.

LEADERSHIP. The new leadership of the National Coalition brings experiential, cultural and geographic diversity. Eileen Hemphill, NCCE president, seeks to create new linkages with non-traditional consumer education groups. Nonreaders, immigrants, low income, and disenfranchised consumers need economic life skills to survive and contribute to a strong society. Bob Adamo, vice president, brings his expertise in legislative initiatives to the Coalition, while Rosella Bannister, treasurer, and John Knapp, secretary, bring the academic perspective. Carole Glade, executive director, handles the administrative and operating responsibilities and brings her experience in education, business, government, and association management.

ACTIVITIES. In 1991, NCCE released a *National Survey of the Status of Consumer Education in U.S. Schools Grades K through 12*. A million dollar fund supported by AT&T will provide financial assistance to promote consumer credit education to targeted populations across the country. The annual consumer education contest, jointly sponsored by NCCE and the US Food and Drug Administration will be expanded and enhanced. Active state coalitions are sponsoring regional and statewide programs on important consumer issues such as auto insurance, health care, consumer literacy, and the environment. The network of state coordinators is growing and expanding with NCCE support. The NCCE national agenda will focus on two key consumer education issues—financial resources and the environment.

The National Coalition for Consumer Education strengthens the ties between business, education, government, professional organizations, and community and consumer groups. By sharing and maximizing resources, the Coalition focuses on what can be done to enhance consumer skills, then moves forward to develop meaningful programs to meet the needs of consumers on a local, state and national level. **AD**

For more information about the National Coalition for Consumer Education contact:
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CAROLE GLADE

Executive Director, NCCE

CONSUMER EDUCATION

MEL ZELENAK RECEIVES STEWART M. LEE CONSUMER EDUCATION AWARD

The 1991 Stewart M. Lee Consumer Education Award was presented to Dr. Mel Zelenak of the University of Missouri at the 1991 annual meeting of the American Council on Consumer Interests in Cincinnati. Dr. Zelenak is an associate professor in the Department of Consumer and Family Economics at the university.

The award acknowledges and encourages outstanding efforts that exemplify the qualities of the respected consumer educator and advocate, Stewart M. Lee, Economics Professor of Geneva College, Pennsylvania.

Mel Zelenak is a dedicated and effective professional who merits recognition and emulation by others who would build on the firm foundation that has been shaped by Dr. Lee and others in the evolving field of consumer education. The award honors outstanding performance in the areas of teaching, research and scholarly activity, or public service.

TEACHING. Mel first taught consumer education in secondary schools in New Jersey in the 1960's. After completing his PhD at the University of Iowa in 1973, Mel incorporated consumer education into courses he taught at California State University in Los Angeles and at Kansas State University. Since 1976 Mel has taught consumer and family economics at the University of Missouri.

Recently honored as "Teacher of the Year" by his college, Mel serves as an effective mentor to his students, instilling a positive consumer perspective and professional commitment to consumer interests. His students develop those qualities needed in the consumer role—being informed, being analytical,

having a healthy skepticism, standing up for one's rights and acting with integrity.

Consumer economics, consumer law, consumer protection, and methods and materials in consumer education are important areas addressed in Mel's teaching. A lasting multiplier effect is achieved through the continuing work of those who learn from Mel, including those who are or will become consumer affairs professionals, classroom teachers, extension agents, journalists, and business marketing managers.

SCHOLARLY ACTIVITY. Mel is widely known and respected for co-authoring, with Stewart Lee, *Consumer Economics*, a popular college text used throughout the United States. In addition, he is the editor of *The Consumer Educator*, a newsletter which is acclaimed as a valuable and up-to-date resource for Missouri teachers. He has authored numerous papers and obtained research grants for studies of consumer issues and consumer education content and methodology.

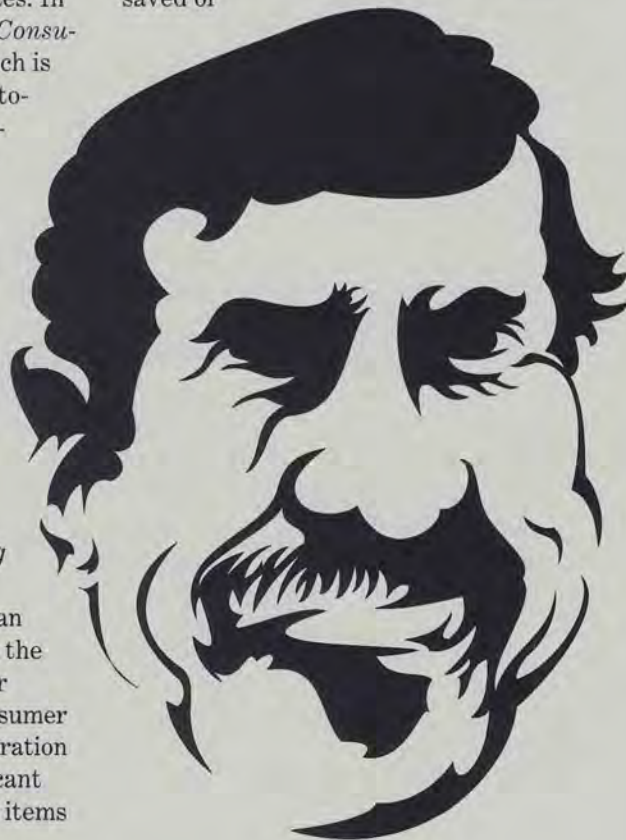
SERVICE. Mel's record of accomplishment in service to consumer educators is impressive. He has served as president of ACCI, as executive director of that organization, and as a reviewer for *Advancing the Consumer Interest*.

Mel is frequently asked to be an advisor to organizations such as the National Coalition for Consumer Education, the US Office of Consumer Affairs, and the Consumer Federation of America. He played a significant role in developing the consumer items

on the *Basic Essential Skills Test* for Missouri students while serving on the advisory committee for the Missouri State Department of Education.

Since 1985 Mel has appeared regularly as the consumer expert on a popular Missouri biweekly television program that reaches thousands of consumers at noon. He is in demand as a public speaker, and has appeared on state and national television programs, including "Late Night America," as an articulate spokesperson for consumers and consumer education.

Mel is a valuable consumer information resource for university faculty, staff, students, and the general public. His advice and intervention regarding their consumer problems have not only saved or



restored significant amounts of money for hundreds of individuals, but his role-modeling in the process has also been an important part of their education as consumers.

In the words of Edward Metzen, Chair of the Department of Family Economics and Management at the University of Missouri, "Mel is a person of high principle, integrity, and unflinching commitment to the causes in which he believes. He is not self-serving, yet he stands firmly by his convictions. Fortunate are we to have in our ranks a person such as Mel who con-

tributes a high level of expertise and energy to consumer interests and consumer education." AG

The annual Stewart M. Lee Consumer Education award includes an engraved plaque and a cash award of \$500 to individuals. Any ACCI member may submit nominations. The recipient may be an individual or an organization that has made significant contributions to the field of consumer education. Single outstanding efforts of lasting impact may be recognized as well as contribu-

tions that are made over a long period of time.

Nominations for the 1992 award will be accepted through September, 1991.

*For information, contact:
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CONSUMER EDUCATION

COMPETENCY TEST RESULTS SPUR NEW EFFORTS TO IMPROVE CONSUMER LITERACY

In 1990, the Consumer Federation of America (CFA) worked with the Educational Testing Service (ETS) to evaluate the nation's consumer knowledge. The result was a widely publicized report that identified "huge gaps" in this awareness. At present, efforts involving consumer groups, government agencies, business organizations, and educators are underway to remedy knowledge deficiencies.

In late 1988, with funding from TRW, CFA undertook a study of consumer education programs in the nation's schools. The resulting report, based largely on a survey of secondary school consumer educators, found that preparation was weak and growing weaker. It concluded that "at root the weakness of secondary school consumer education reflects society's failure to recognize its importance." The study recommended an evaluation of the nation's consumer

knowledge be conducted, believing that such an assessment would demonstrate a pressing need for improved consumer education and identify types of information and demographic groups needing special attention.

With additional TRW funding, CFA initiated a test of the nation's consumer knowledge. This examination was conducted by ETS with the assistance of CFA and experts from other consumer groups, business organizations, government agencies, and academia. A team of some 30 experts decided that only "practically useful" knowledge would be tested, that this knowledge would concern only products used by most of the population and that the questions would be value neutral. They also decided that, to allow generalizations about knowledge of different consumption areas and demographic groups, a relatively large number of questions

would be asked in a few key areas. These areas later were consumer credit, checking/savings, automobile insurance, life insurance, housing purchase, housing rental, food purchase, nutrition, household product safety, drugs, automobile purchase, automobile repair/maintenance, and appliance repair.

Using these criteria, experts prepared more than 700 questions that were reviewed by fellow team members, educators and ETS. The 250 questions selected were organized into five tests, with each test administered to more than 200 people at shopping malls. The total sample was 1139 drawn from malls in five parts of the country.

Not surprisingly, the survey found significant gaps in consumer knowledge. The average score was only 54%, and scores of certain demographic groups—Blacks, Hispanics, the poor,

and the least educated—were considerably below the average. Knowledge also varied among subject areas from 45% for housing purchase to 68% for drugs.

One goal was generation of widespread news coverage of the test to increase public awareness of the need for consumer education. That goal was achieved. Seven major wire services prepared stories that ran in hundreds of newspapers, frequently on page one.

To capitalize on this heightened consumer interest, three types of initiatives have been launched. The first is directed at improving primary and secondary consumer education. It will begin with a test of the practical consumer knowledge of high school seniors about the economics of purchasing essential products. The Psychological Testing Corporation has administered a test of more than 50 questions to 400 randomly selected members of this population. After the results have been released, CFA and American Express, who initiated the test, will join the U.S. Office of Consumer Affairs in organizing a White House roundtable to dis-

cuss its results and develop strategies for improving school-based education.

The second initiative focuses on improving consumer knowledge in specific subject areas. It will begin with preparing reports on consumer awareness of consumer credit, automobile insurance, life insurance, food purchase and nutrition, and household product safety. Release of these studies, which will be covered by the Associated Press, will serve as the basis for roundtable discussions in which consumer, industry, government, and education leaders prioritize knowledge deficiencies and develop strategies for remedying them.

The final initiative involves the organization of task forces to improve and advance consumer literacy. These groups were suggested by participants in a White House roundtable—organized by CFA, TRW and the U.S. Office of Consumer Affairs—in which leading federal and state regulators participated. One task force will organize a panel of communications/marketing experts who will evaluate existing consumer education outreach. Another will assemble technical experts to assess the feasi-

bility of conducting a study to measure the economic benefits of consumer education. A third will develop a body of essential consumer knowledge. This group will begin by developing the methodology for such a knowledge data base and then organize committees for different subject areas. Participants from roundtable discussions on various subjects will be recruited for these committees.

The consumer competency test has provided a unique opportunity to make improvements in consumer literacy. The success of a campaign to improve this literacy will depend entirely on the willingness of consumerists to support this effort. **AG**

Copies of the report are available for \$10 from the Consumer Federation of America, 1424 16th Street, N.W., Washington, DC 20036.

STEPHEN BROBECK

Executive Director, Consumer Federation of America, and Adjunct Professor, University of Maryland at College Park.

EDITORIAL CONTINUED FROM PAGE 4
downsizing. We also need to be made well aware that this often-less-than-ethical practice is being promoted by supposedly reputable firms. In order to help professionals design educational programs and to compile evidence to support public policy aimed banning such a practice, I offer several examples of downsizing by manufacturers of national brand products (in the chart on page four). These examples are gleaned from the "Selling It" section of *Consumer Reports*.

ERA laundry detergent (discussed in *Consumer Reports*, March 1989) is an insidious example of a different type of downsizing. ERA not only raised the price and labeled the container as "new" and "cleans stains better," it also changed the directions for use: Directions and markings on the measuring cap had

instructed the consumer to use 1/4 cup per load; new instructions and cap markings indicate 1/2 cup per load. Here we have a case of *quality* downsizing by 50% concurrent with raising the price and labeling the product as better.

In addition to our responsibility to educate our clientele, we should seriously consider backing laws like those proposed in New York, where a product would have a notice on its package for six months after downsizing. This notice would state that the product has been "reduced" or "decreased" or some term of similar meaning. Now how can a reputable firm that believes in the free enterprise system oppose legislation whose intent is to fully inform the consumer? **AG**

JOHN R. BURTON
Editor

GUEST REVIEWERS

Guest Reviewers are often used for manuscript reviews when there may not be persons on the Editorial Review Board who have the particular expertise to review a submission. In the first issue of each volume, these guest reviewers will be acknowledged by a listing of their names and affiliation. Guest reviewers who were involved in reviewing manuscripts for Volume 2, Number 2, and Volume 3, Number 1, are:

- GRACE BURTON, *University of North Carolina, Wilmington*
- LEE RICHARDSON, *University of Baltimore*
- BARBARA SLUSHER, *University of Missouri*
- KEN SMITH, *University of Utah*
- SCOTT WRIGHT, *University of Utah*

CONSUMER PROTECTION

NICKEL-AND-DIMED TO DEATH

Consumers are short on sense about the long-term value of money.

Imagine two refrigerators in the appliance section of a department store. One sells for \$700 and uses \$85 worth of electricity a year. The other is \$100 more expensive but costs only \$25 a year to run. Given that either refrigerator should last at least 10 years without repair, consumers would overwhelmingly buy the second model, right?

Well, not exactly. Many studies by economists have shown that in a wide range of decisions about money—from paying taxes to buying major appliances—consumers consistently make decisions that defy common sense.

In some cases—as in the refrigerator example—this means that people are generally unwilling to pay a little more money up front to save a lot of money in the long run. At times, psychological studies have shown, consumers appear to assign entirely whimsical values to money, values that change depending on time and circumstances.

In recent years, these apparently irrational patterns of human behavior have become a subject of intense interest among economists and psychologists, both for what they say about the way the human mind works and because of their implications for public policy.

How, for example, can the United States move toward a more efficient use of electricity if so many consumers refuse to buy energy-efficient appliances even when such a move is in their own best interest?

At the heart of research into the economic behavior of consumers is a concept known as the discount rate. It is a measurement of how consumers com-

pare the value of a dollar received today with one received tomorrow.

Consider, for example, if you won \$1,000 in a lottery. How much more money would officials have to give you before you would agree to postpone cashing the check for a year?

Some people might insist on at least another \$100, or 10 percent, since that is roughly how much it would take to make up for the combined effects of a year's worth of inflation and lost interest.

But the studies show that someone who wants immediate gratification might not be willing to postpone receiving the \$1,000 for 20 percent or 30 percent or even 40 percent more money.

In the language of economists, this type of person has a high discount rate: He or she discounts the value of \$1,000 so much over a year that it would take hundreds of extra dollars to make waiting as attractive as getting the money immediately.

Of the two alternatives, waiting a year for more money is clearly more rational than taking the check now. Why would people turn down \$1,400 dollars next year in favor of \$1,000 today?

Even if they needed the \$1,000 immediately, they would be better off borrowing it from a bank, even at 20 percent or 30 percent interest. Then, a year later, they could pay off the loan—including the interest—with the \$1,400 and pocket the difference.

The fact is, however, that economists find numerous examples of such high discount rates implicit in consumer behavior.

Studies of consumer behavior in buying home appliances, for example, have found discount rates two or three times—and in the case of water heaters,

20 times—higher than could be justified on economic grounds.

In other words, although consumers were very much aware of savings to be made at the point of purchase, they so heavily discounted the value of monthly electrical costs that they would pay over the lifetime of their dryer or freezer that they were oblivious of the potential for greater savings.

Gas water heaters, for example, were found to carry an implicit discount rate of 100 percent. This means that in deciding which model was cheapest over the long run, consumers acted as if they valued a \$100 gas bill for the first year as if it were really \$50. Then, in the second year they would value the next \$100 electricity bill as if it were really worth \$25, and so on through the life of the appliance.

Few consumers actually make this formal calculation, of course, or are even well-enough informed about the true differences in energy use to make entirely rational choices about appliances. But beyond the lack of information, there are clearly bizarre behavioral patterns in evidence.

Some experiments, for example, have shown that the way in which consumers make decisions about money depends a great deal on how much is at stake.

Few people are willing to give up \$10 now for \$15 next year. But they are if the choice is between \$100 now and \$150 next year, a fact that would explain why consumers appear to care less about many small electricity bills—even if they add up to a lot—than one big initial outlay.

There are a number of possible explanations for this. One is that the kind of mental accounting that consumers do, a small windfall is considered something to be spent immediately. Delaying it for a year, then, means giving up an immediate, tangible benefit, like buying a record album.

But large amounts are deposited into a mental savings account. The cost of delaying payment in this case seems much smaller. It doesn't mean giving up the chance to buy something right away but perhaps only simply losing a year's worth of interest.

When it comes to buying something like a large appliance, then, what economists call the magnitude effect may explain why consumers appear to care less about many small electricity bills—even if they add up to a lot—than one big initial outlay.

“Electricity payments are small and people view them as inconsequential,” says George Loewenstein, an economist at the University of Chicago. “But if people had to pay the first year’s electricity bill at the same time they bought an appliance, they would make extremely different purchases.”

Other economists explain the same phenomena by making an analogy to what the Swiss behavioral researcher Jean Piaget observed with small children in experiments in the 1940s. Piaget formed clay into two balls that the children agreed were of equal size. Then he rolled one of the balls into a sausage form and, almost without exception, 5- and 6-year-olds would suddenly insist that the balls were no longer equal in size.

According to Piaget, the children were so transfixed by the dramatic change in the clay’s dimensions that they were unable to recognize that its mass was preserved.

Are consumers’ perceptions of the value of money over time simply examples of the same phenomenon, but on a more sophisticated level? Perhaps, say economists, high discount rates are evidence that consumers are—like the children with the clay—so transfixed by changes in the dimensions of money either in time or in the size of payments, that they refuse to believe that it retains its original value over time.

These explanations do not, however, account for the full range of discount rates used by consumers. In some cases, consumers appear to have precisely the opposite attitude toward money.

Consider a recent survey of 100 adults, who were asked how they would most like to be paid for a hypothetical six-year-long job: in equal installments over the entire period, in decreasing installments, or with paychecks that

started low and gradually increased.

Twelve percent went for identical payments. Another 12 percent chose declining payments, and the balance—76 percent—wanted their wages to increase. The researchers were so baffled by this that they went back and explained to the respondents all the rational reasons why they should want their wages to start high and decrease.

For example, they could invest the surplus at the beginning and get six years of interest on it. Also, if they quit during that time they would have maximized their income. Asked again, 69 percent still went for the increasing scale.

In other words, consumers irrationally inflate the value of future paychecks even as they heavily discount the value of future electricity bills.

MALCOLM GLADWELL

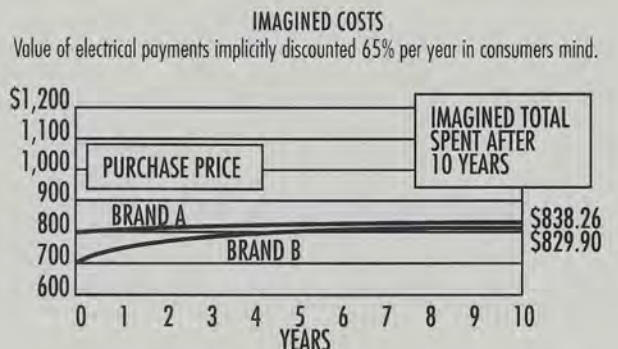
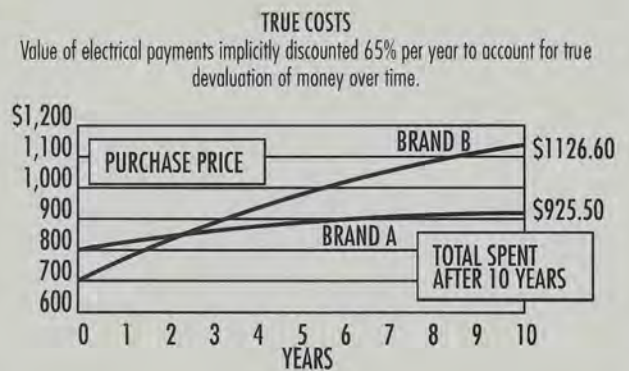
Washington Post Staff Writer

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BUY NOW, PAY LATER?

Given a choice between these refrigerators, which differ only in price and energy efficiency, the rational consumer would buy Brand A. It costs more to buy but less to operate. Graph at top shows the true cumulative. After 10 years, the more expensive refrigerator has saved its owner about \$200.

According to a Department of Energy study, the average consumer implicitly undervalues by 65 percent the worth of energy savings offered by more efficient refrigerators. (DOE calculations were based on efficiency of all refrigerators sold in a given year.) Why else, researchers say, would anybody buy Brand B.



CONSUMER PROTECTION

NOW YOU SEE IT, NOW YOU DON'T

Gladwell, in the previous article, provides examples of scenarios in which people do not always have a rational perception of the long-term value of money. This short article suggests another way in which the value of money may be distorted. (ed.)

Several months ago, a local television station carried a "news" story about an elderly couple winning one million dollars from the Publishers Clearing House Sweepstake (PCHS). The TV crew was on hand as the couple was given a check by PCHS officials. The primary focus of the hoopla surrounding this news story was that the couple had become instant millionaires.

Would you really be a millionaire if your Publishers Clearing House Winning Number turned out to be just that - a winning number? PCHS promises that if you win the One Million Dollar Super Prize, you will receive \$25,000 a year for 30 years, plus a one-time payment of \$250,000 in the 30th year. If you win the Ten Million Dollar Super Prize, all payments multiply by ten.

Why should there be any doubt that the sweepstake will make you a millionaire if you win? Multiplying \$25,000 by 30 results in \$750,000 and adding the balloon payment of \$250,000 sums to exactly 1,000,000 dollars!

Economists caution that \$25,000 in the future is not necessarily the same as \$25,000 today. There are two reasons for this advice:

(1) There is inflation. Typically, the purchasing power of money declines over time, which is the reason why ten dollars a year from now is not likely to buy as much as ten dollars buy today.

(2) Even if there were no inflation, ten dollars next year would still not be

the same as ten dollars today because of opportunity costs. Opportunity costs are costs associated with holding (keeping) or not holding (spending) money. If money is invested, it earns interest over time; if money is not invested, interest payments will be foregone and the addi-



tional money will not be available for future consumption. If the sweepstake prize money is not paid until some future date, it can obviously not be invested and interest payments will be lost. The opportunity cost, or the price, of not having the money now is based on the interest rate, adjusted for the rate of inflation.

Given these considerations two adjustments have to be made to the stream of money provided by the sweepstake:

(1) To account for inflation, future payments have to be expressed in today's dollars to make their purchasing power comparable, that is, they need to be discounted by the inflation rate.

(2) In addition, it is necessary to determine the amount of interest lost over 30 years by not obtaining the full amount of the sweepstake prize at the time of the win.

So, will you be a millionaire if you win the Publishers Clearing House Sweepstake \$1 million dollar prize? Not really. Accounting for inflation, the one million dollars paid over 30 years are

equivalent to \$509,381 in today's terms.¹ This number is based on a constant annual inflation rate of four percent. Note, that although the inflation rate in the US was fairly stable and relatively low during the 1950s and 1960s, it has fluctuated considerably since, climbing as high as 13.3% in 1979 and as low as 1.1% in 1986 (Albin, 1989). The higher (lower) the inflation rate, the lower (higher) the purchasing power of a future payment will be. In addition, the further off into the future the promised amount is, the less it will be worth in today's dollars.

The interest lost from not having the entire prize money available at the time of the win can be determined by first calculating the amount of interest that would accumulate over 30 years if the entire sweepstake prize were paid and invested at the time of the win. That sum then has to be compared to the interest that would be collected at the end of 30 years if the payments from the sweepstake were invested every time they become available under the existing sweepstake payment schedule. At a "real" (i.e., inflation adjusted) interest rate of three percent—a figure that reflects the historic tendency for the market interest rate to be on average about three percent higher than the rate of inflation (Morgan & Duncan, 1980)—one million dollars will have generated $\$1,000,000 \times 1.03^{30}$, or 2,427,260 dollars at the end of 30 years. Subtracting the initial investment of one million dollars leaves \$1,427,260 in interest payments. In contrast, the balloon payment and the 25,000 dollars payment stream will result in interest payments of only \$439,375². The interest lost from not having immediate access to the full prize is thus \$1,427,260 minus \$439,375 or 987,885 dollars.

For some people, receiving the million dollars in installments plus a balloon payment may have some advantages. For most winners, the million dollars will be taxed less when paid in installments rather than in one lump sum. The exact tax savings are difficult to calculate since tax laws are even more unpredictable than the inflation and the rate of return.

MONUMENTAL EFFORT

There is an interesting sideline to this story. The winners of the million dollars in Salt Lake City appeared on TV to be in their late 70s. Will they live the 30 years to get the last annual payments and the final payment of \$250,000? Wouldn't they be able to enjoy this money now more than at a later time when they might be less active? Does Publisher's Clearing House pay the balance to his/her estate if the winner dies before the payments are made?

Is Publishers Clearing House deceptive when they state that the winners become millionaires? Looking at it one way, the winner ultimately receives a total of one million, therefore, they do win one million dollars. However, looking at it from the perspective of an economist or financial expert, this person only becomes a "half-millionaire". Although PCHS may not be technically considered deceptive since it does state the terms of the payment, their promises certainly qualify as puffery since the amount of the sweepstake prize is embellished. Incidentally, PCHS is not the only lottery that uses this installment payment practice. Most, if not all, state lotteries pay their jackpots over a period of time, so the states may also be involved in this deception. \square

¹ The inflation adjusted value of the payment stream is determined by calculating the present value of a 30-year annuity at future value payments of \$25,000. The balloon payment in the 30th is discounted applying the formula for the present value of a single sum before it is added to the present value of the annuity.

² The number is the sum of the future value of a 30-year annuity given a present value of \$25,000 plus \$250,000.

Albin, Francis M. (1989). *Consumer Economics and Personal Money Management*, Second Edition. Englewood Cliffs, NJ: Prentice Hall.

Morgan, James N. & Duncan, Greg J. (1980). *The Economics of Personal Choice*. Ann Arbor, MI: The University of Michigan Press.

JUTTA JOESCH
Department of Family and Consumer Studies,
University of Utah

Garman E. Thomas, (1991). *Consumer Economic Issues in America*. Boston: Houghton Mifflin Company

Dr. Garman has mounted a monumental effort to "make this the most comprehensive textbook available." Therein may lie the book's weakness. In an attempt to generalize, simplify and condense large amounts of material, accuracy and intellectual rigor are at times sacrificed.

A strength of this book is its packaging of large amounts of material without interrupting the flow of the text. This is accomplished by including brief two to three paragraph "Consumer Update" inserts for relevant asides on current problems and chapter appendices that summarize related topics. All told, an incredible number of topics are included in some manner.

Part I of the book provides "Some Perspectives." Traditional chapters on the history of the consumer movement, the role and forms of business, government anti-trust regulation, and introductory economic concepts are included. The perspective on the consumer interest reveals the author's viewpoint, which he terms "non-partisan, pro-consumer;" an oxymoron. He sets the public interest as a "counterweight" to the consumer interest rather than including it. This leads to some difficulties in contrasting the two. His perspective is that since business and government are not directly responsible for the consumer interest, consumers themselves are ultimately the ones who must look out for their own interest. While the author says the aspirations of the consumer interest are rooted in community values of truth, equality and social justice, he describes consumers as having a "narrow focus centering on low prices and consumer rights in market transactions." These perspectives may explain the heavy

heavy emphasis throughout the book on cataloging frauds and deceptions in the marketplace and providing advice on how consumers can protect themselves.

Part II, "Tools for Success as Consumers," provides an extensive, convenient collection of interdisciplinary tools to help consumers understand their own economic and political beliefs and their consumer behavior. This part is also aimed at developing consumer skills in decision making or "planned buying." Included are: the Joint Council on Economic Education's framework for analysis of political-economic policies and issues; American Express's chart on the evolution of consumer issues; SRI International's VALS and VALS-2 models of values and lifestyles; Stampfl's chart of consumer elements by consumer life-cycle stages; Walters' and Bergiel's perceptual map of family purchase involvement; the Davis and Rigaux model of the perception of marital roles in decision processes; a seasonal shopping guide, and a list of sources of buying information. An appendix includes a comprehensive listing by the author of current and proposed consumer legislation. A discussion of consumer rights, responsibilities and sources of redress is also included in this section.

Part III, "Consumer Buying," opens with a litany of fraudulent market practices along with directions for individuals on how to avoid them. Detailed cases on car buying and budgeting illustrate the rational decision process and the principles of management.

Part IV, "Consumer Economic Issues," discusses consumer issues organized around the topics of food, clothing, health, banking, credit, housing, insurance and investment. This section reads like a personal finance text. The one exception is the part on "dangerous product issues" which discusses safety issues and describes the Consumer

Product Safety Commission and National Highway Traffic Safety Administration. Dr. Garman defines consumer issues as "public or social concerns which, because of their salience or degree of impact, attract the attention of many people and organizations for discussion, debate or dispute" (p 142).

However, each chapter begins with a detailed discussion of specific guidelines of "how to buy" and continues with the self-protection theme. For example, the chapter on banking issues ranges from types of bank accounts to the S&L crisis. The health issues chapter details how to choose a physician or dentist and how to buy drugs, but it never addresses the unique nature of the health care market with its inelastic demand curves and prevalence of third-party payers. Nor are issues such as the lack of access to the health care system and costs of long-term care included. The approach of these chapters is to advise consumers of the pitfalls in the market for categories of goods and services and to offer strategies on how to avoid them. Fraudulent practices are not placed in a context of market imperfections with proposed strategies for correcting them. Similarly, the acquisition of information is frequently dealt with under separate topics, yet the unifying economic issues of how to solve uncertainties regarding price and quality in the marketplace are not addressed. This narrower focus inhibits the book's potential for achieving one of the author's stated goals, which is to suggest possible directions for future resolution of the concerns raised. The preponderance of reference notes in the economic issue chapters relate to speeches and newspaper articles, not primary documents or research papers.

Everyone packages curriculum differently. Whether this textbook's broad brush approach will meet the course requirements of the majority of programs, or whether in an attempt to be all things to all people it will satisfy none, remains to be seen. ❏

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MARGARET CHARTERS

*Consumer Studies Program,
 Syracuse University*

BRACE YOURSELF

Laurence E. Drivon, (1990)
The Civil War on Consumer Rights.
 Berkley: Conari Press, \$17.95

If you like trial lawyers, you'll love Laurence E. Drivon's *The Civil War on Consumer Rights*. Otherwise, brace yourself.

Civil War is chock full of one-sided anecdotes and horror stories of consumer protection victories that have been hard won through the courts thanks to the tireless, dedicated work of contingency-fee trial lawyers who get paid twice a decade. In the face of insurance industry hysteria about a "litigation explosion" and the "insurance crisis," Drivon has taken upon himself to ride to the defense of the tort system and the contingency-fee plaintiff's trial lawyers.

In Drivon's "war" there are two sides: the lawyers (who work for consumers) and Corporate America (backed by the insurance industry). Plaintiffs' lawyers are the good guys—establishing the rights of married women, securing individuals' right to sue the government, recalling Ford Pintos—finding the strength to carry on through their burning desire to uphold consumers' rights. Corporate America and the insurance industry are the bad guys—out to make a buck no matter who they hurt. Unless, of course, the good guys come to the rescue.

Indeed, the victories Drivon mentions are real, and he is correct in saying that the courts are the only place where consumers can find compensation for injuries and hold Corporate America at bay. However, he loses all credibility when he suggests that the tort system is an ideal system that, perhaps with a little tinkering, can be made even better.

This is new to Drivon, but from an equal consumer's perspective, there's plenty wrong with the tort system from the getgo. It's excruciatingly slow, high-

ly complex, unduly expensive and just plain inefficient. And because of the risk and lawyers' fees involved, many "innocent" victims get no compensation at all; others get undercompensated. In the end, it is often only the lawyers who "win"—collecting fat fees. It's no wonder they fight ardently to keep the system the way it is. As is the case with most trial lawyers, Drivon (1990 president of California Trial Lawyers, by the way) is so impressed with his polished image of the profession that he fails to realize that from the consumers' perspective, the legal establishment—including plaintiff's lawyers—often poses as big a threat to legal consumers as Corporate America does to product consumers.

So while Drivon provides some useful information in *Civil War*, his thinking is fatally flawed. Consumers, in fact, have their own side in this struggle. For instance, Drivon doesn't bring up the fact that most consumers can't find a lawyer—even for a contingency fee—because their case isn't "worth" more than \$50,000 or because they have less than a fifty percent chance of winning. Nor does he tell us that if a consumer does find a lawyer, about half of any compensation goes to lawyer's fees and expenses, which is why such fee systems are illegal in many countries. While Drivon expresses in no uncertain terms that it is always the *client's* case, not the attorney's, he either doesn't know or won't admit that customers who want to take a "low" settlement—or in any way jeopardize their lawyer's big score—can expect sudden friction.

"The civil justice system," Drivon says, "is where people should go when they seek fairness." The only option, he implies, is Dodge City vigilante justice. Once again, he's showing his blind side. The civil justice system is a miserable place to get "fairness." The process

doesn't address injured consumers' most basic need—full, fair and quick compensation that allows them to get on with their lives.

The tort system (and a fat contingency fee) is based on the presumption of fault. For injured plaintiffs to collect compensation, they must not only prove that they didn't cause their injury, but that someone else did. Drivon insists that no-fault "mocks the very concept of responsibility," yet in many cases, this statement misses the point. In most auto accidents, for instance, fault has little meaning. Single-car crash victims or an "at-fault" child running into traffic to retrieve a soccer ball must find a way to pay their medical and other expenses.

Civil War's undying faith in the tort system is matched only by its absolute faith in the legal system as a whole. While Drivon admits that there are

some bad apples in the barrel of lawyerdom, he insists that they are the exception and can be dispatched with handily by a letter to the local Bar Association discipline committee. Conspicuously absent from this brief discussion, however, is the fact that attorney discipline systems are run by and geared toward attorneys, not consumers. Most complaints are summarily dismissed and clients who have been ripped off rarely see any money returned.

Generally speaking, *The Civil War on Consumer Rights* winds its way blindly through the legal establishment's perennial argument that consumers are too ignorant to know what's best for them. A contradictory set of statistics is thrown in here, a bit of fallacious logic is applied there to make for an entertaining—if not slightly frustrating—read, but otherwise there's not much to recommend it.

In the end, Drivon is no more than yet another tired apologist for the legal industry. Try as he might to lend himself scholarly authenticity by drawing from the likes of Shakespeare, Aristotle, Hamurabi and Moses, the author finds no new arguments, presents no new ideas, and gives no indication that trial lawyers have any concept of the flaws inherent in the tort system or any knowledge of their failure to meet legal consumers' needs.

Indeed, no indication that they ever will. AQ

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SCOTT WARD

Communications Assistant for HALT—An Organization Of Americans for Legal Reform. (Editor's Note: The organization, HALT, was described in Volume 1, Number 2 of ACI).

CONSUMER GRANTS

NCCE/AT&T FUND AWARDS GRANTS IN 21 CITIES

High schools are graduating seniors who know next to nothing about balancing a checkbook, let alone computing credit card finance charges. New immigrants from Mexico and Central America are being hoodwinked into financing everything from televisions to shoes at extraordinarily high interest rates. In the Northeast, post-yuppies recently laid-off from financial services firms are swallowing their pride to call consumer credit counselors.

It is the tale of a new America, a credit-based country crying for refresher courses in consumer credit education and a new approach to teaching them. In a unique partnership, AT&T Universal Card Services Corp. of Jacksonville, Fla. and the National

Coalition for Consumer Education (NCCE) are a new resource for innovators who will design the curriculum.

More than 350 community-based programs submitted grant proposals for 1991 NCCE/AT&T Consumer Credit Education Fund grants. Applicants sought from \$660 to \$55,000, although the bulk of the consumer education programs required less than \$25,000.

The grants were awarded in 21 cities, where they support a diverse group of projects, including: workshops that teach migrant farm workers in Indiana how to avoid exorbitant interest rates on used cars and appliances; public service announcements, featuring rap artists, that target low-income minorities in New Jersey; and a national program providing resources to help the

"new poor"—people recently laid off from middle-income jobs who are strapped with debt.

The NCCE/AT&T Consumer Credit Education Fund was created in April, 1990 with a \$1 million, four-year commitment from AT&T Universal Card Services Corp. The fund will distribute almost \$200,000 in 1991, making it possible for school and community projects to address consumer credit education needs.

"Our goal is to make consumer credit education available to all Americans," said Paul Kahn, president, AT&T Universal Card Services Corp. "The fund is an example of our commitment to challenging the industry standard in understanding and meeting consumer needs."

The fund's advisory board identified

for its first-year grants at-risk consumers, as defined by the Consumer Federation of America through its consumer competency test. The target includes low income, less educated and non-English speaking persons, young adults and minorities.

Advisory board members reviewed applications proposing projects that target high school students, working poor people, deaf adults, Native Americans, Russian emigrants, non-English speaking Americans, parolees, developmentally disabled adults, single parents, recently widowed women and ministers. Vehicles for delivering the programs include schools, worksites, direct mail, in-home counseling and public service announcements.

The 12-member fund advisory board consists of consumer advocates and educators, government and business professionals appointed jointly by NCCE and AT&T in April 1990. "The project is the result of combining a public and private partnership with good corporate citizenship," said Eileen Hemphill, chief, Washington, D. C. Office of Consumer Education and Information, Department of Consumer and Regulatory Affairs, NCCE president and chairman of the fund advisory board. "With the economy in a downturn and personal bankruptcies on an upswing, it's more important than ever that businesses play a leadership role in educating Americans about using credit wisely."

In addition to administering the grants, the fund also will release an annotated bibliography of consumer credit education materials.

Applications for the second grant cycle will be available in October, 1991. Organizations interested in applying should request an application from the NCCE/AT&T Consumer Credit Education Fund, P.O. Box 5345, FDR Station, New York 10150-5345.

JANET KOEHLER

*Director of Consumer Affairs, AT&T
Universal Card Services, Corp.*

UPCOMING IN ACI

LOW INCOME FAMILIES:
Keys to Successful Outreach
by Jane Schuchardt, et. al.

**OBSERVING
REASONABLE CONSUMERS:**
Cognitive Psychology,
Consumer Behavior
and Consumer Transactions
by Norman L. Silber

FINANCIAL EDUCATION
Can Change Behavior
by Karen Varcoe and Joan Wright

Plus the Department section
including:
Consumer Education,
Guest Opinions,
Consumer Protection,
and Book Reviews.

*Editors note: The article titles listed
above may change upon publication.*

**ANNOUNCING
RUSSELL A. DIXON
AWARD WINNER**

Dr. Brenda Cude, Associate Professor and Extension Specialist, Division of Consumer Sciences, University of Illinois, has been honored with the annual Russell A. Dixon Award for the best applied paper published in a single volume of *ACI*. Dr. Cude's article, "Students Learn by Doing: Teaching Rules of Thumb," appeared in Volume 2, Number 2, 1990. Several *ACI* readers reported using this article in their professional activities. Many excellent articles were seriously considered for the award and the final decision was difficult for the committee. Robert Kroll, Chair, Russell A. Dixon Award Committee, presented the award to Dr. Cude at the annual 1991 ACCI conference in Cincinnati. The other members of the award committee are Rosella Bannister, Michigan Consumer Education Center, and Mary Carsky, University of Hartford. For details about this award, consult *ACI* Volume 2, Number 1, page 4 or write the *ACI* editor.

AMERICAN COUNCIL ON CONSUMER INTERESTS 38TH ANNUAL CONFERENCE TORONTO, ONTARIO, CANADA MARCH 25-28, 1992

CALL FOR PAPERS AND PROPOSALS

Papers: You are invited to submit theoretical, methodological, empirical, philosophical, or other papers relevant to consumer topics (e.g., consumer economics, education, information, policy, programs and issues) for possible presentation at the 1992 ACCI Conference.

Papers must conform to the style and guidelines of the *Journal of Consumer Affairs*. Only completed papers will be accepted for review.

Authors of the selected papers will be asked to submit a camera ready-copy for inclusion in the Conference Proceedings. Papers submitted to ACCI should not be pending with other journals or conferences.

Proposals: Opportunities for workshops, roundtable and panel discussions will be provided to encourage the exchange of ideas on special topics. If you wish to organize such a session, please submit a proposal describing the topic, purpose, format of the session, and presenters.

Send papers and proposals
(four copies plus cover) to:

Brenda J. Cude, Program Chair

University of Illinois
271 Bevier Hall
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Urbana, IL 61801
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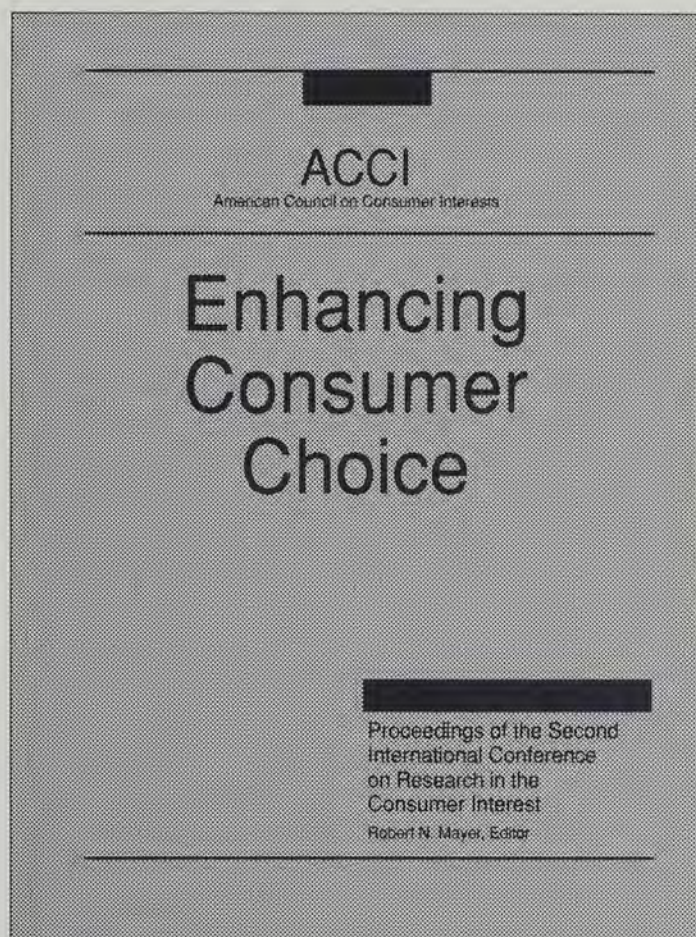
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