

# 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 MISSION STATEMENT

The mission of ACCI is to provide a forum for the exchange of ideas and presentation of information among individuals and organizations that are committed to improving the well being of individuals and families as consumers. This mission includes the production, synthesis, and dissemination of information in the consumer interest.

### GOALS OF THE ORGANIZATION

To promote the well-being of individuals and families as consumers, nationally and internationally, by identifying issues, stimulating research, promoting education, and informing policy.

To provide for the professional development of the membership by creating, maintaining and stimulating interactive communication among advocates, business representatives educators, policy makers, and researchers through publications, educational programs, and networking opportunities.

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*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 six times a year, offers information on the latest developments in the consumer field.

Annual Conference Proceedings features keynote speakers, papers research findings, reports of consumer articles and education programs.

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*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 is not necessarily be limited to:

1. Position papers on important issues in consumer affairs and education.
2. Description and analysis 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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## GRUMBLINGS OF A NEOMUCKRAKER

A few months ago, a potato chip company announced it was introducing a line of chips where there would be no burnt or deformed chips in the container. I was a little annoyed since I savor burnt chips and appreciate the diversity of shapes and sizes. Later I viewed a PBS program portraying how the current method of banana growing in Central America is detrimental to the environment. Growers encase the bunches in plastic bags during growing because the consuming public demands unblemished bananas. The discarded plastic bags are often left to contaminate the environment. In addition, since any blemished bananas which are harvested cannot be marketed, more forests must be cleared to make room for increased banana production.

Recently, a local news program reported that a Utah cherry grower chose not to harvest over one million pounds of cherries since they were blemished in a windstorm. During summers of my youth, I worked in my family's orchard and other orchards in Rhode Island. Hundreds of bushels of apples each year were discarded because they were undersized or had slight imperfections. We also used vast amounts of pesticides and fungicides to reduce the likelihood of blemishes and deformities. In my consumer issues class, we discuss federal market orders which prohibit the sale of certain less than "perfect" fruit and vegetables. What is not sold is destroyed.

These are just a few examples of the meaningless waste occurring in our society. There must be something wrong with a populace which wastes food, when people are hungry, and wastes resources, both environmental and human, to grow food that will be discarded. I can understand consumers expecting near perfection in products such as automobiles, since faulty durable goods can result in a wide array of inefficiencies. However, fruits and vegetables which have minor imperfections usually taste no different and have just as much

nutritional value as "perfect" produce.

We teach our children to accept others whether they have a birthmark or not or whether they are short or tall. Yet we teach them to discriminate against products which are not aesthetically perfect. In this regard, we teach them that appearance is more important than substance.

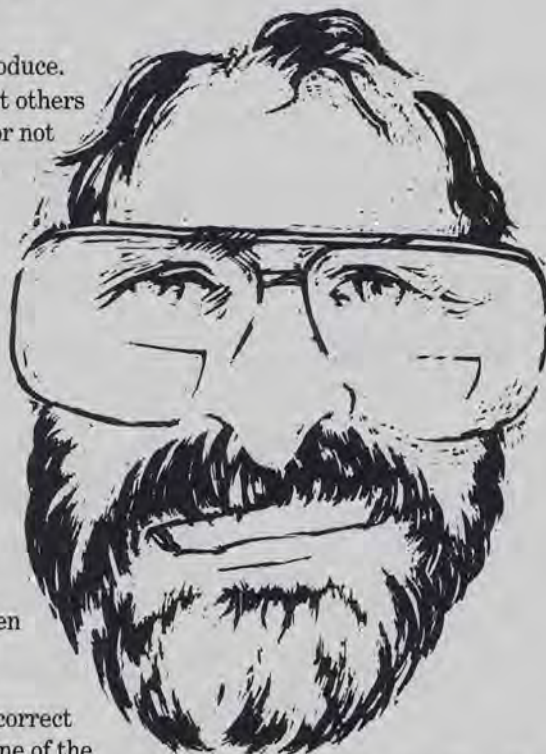
Is this part of a big conspiracy by the business community that also tells us we must use a wide array of beauty products in order to make us look like someone we aren't? Probably not. Yet commercialism in America all too often promotes superficial values and ignores substantive ones.

Being a liberal, it is politically correct for me to be politically correct. One of the politically correct ideologies is to advocate diversity of culture. I would like to extend this diversity of culture theme to advocating diversity in the so-called quality of the produce we eat.

We can take one small step toward encouraging diversity in produce quality and in eliminating the waste created by commercialism by teaching our children that ugly fruit is just as good as pretty fruit. One way might be to give them a blind taste test. We will not only help save the environment by consuming the ugly fruit, but will save our personal economic resources as well. An externality of this process might be that if our children learn that less than perfect appearing produce is OK, then maybe less than perfect appearing people are also OK.

. . .

A colleague once told me that making one donation to a non-profit organization was like giving a stray cat one saucer of milk. Both the fund raiser and the cat will hound you from that moment on. No truer words were ever spoken. In a July 12-18, 1993 commentary in *The Washington Post National Weekly Edition* entitled "How the GOP Scared My Mother," the author, Ken Ringle describes how his elderly mother gave thousands of dollars to the National Republican Party and its affiliated politi-



cal organizations. It all started when his mother made occasional modest contributions to the Republican Party; then it snowballed. Many Republican and other conservative groups began soliciting her regularly using hard sell and, sometimes, deceptive techniques. Their tone and content was, "often alarmist, sometimes unctuously flattering, other times cozy and clubby and almost always misleading. . ." The solicitations would often resemble official government correspondence and include "membership cards," announcements that the "dues were overdue," "petitions," and other such literature that made it seem imperative that his mother respond, especially by enclosing a contribution. Ringle concludes by describing the negative psychological and physical effect on his mother who felt obligated to give.

Being a life-long Democrat, it would give me great joy to point a finger at the Republicans and accuse them of unethically exploiting the elderly. However, I must sadly admit these tactics are not exclusive with Republicans or even with political parties. Most fund raisers use the same methods and these methods are even used by environmental groups.

As an active tree hugger, I now find myself bombarded, by mail and phone,

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## CONSUMER & FAMILY ECONOMICS: A JUSTIFICATION—COMMENTARY

Widdows and Bryant (*ACI*, Spring 1993) have performed a noteworthy service to the field of Consumer and Family Economics with their reflections and articulate justification. However, several elements of the position paper merit challenge and/or elaboration.

The taxonomy suggested for Consumer and Family Economics is, in my judgment, faulty. Widdows and Bryant categorize saving and investing behavior and financial counseling and planning, as aspects of Consumer Economics. It seems appropriate, rather, to include saving and investment as an element of Family Economics, as a productive activity of the household, along with household production of goods and services and human capital development. Surely saving and investing can hardly be categorized as predominantly consumption activity; indeed, saving is often defined as *forgoing* consumption. There is a bit of consumption activity involved in saving and investing in terms of purchasing information and brokerage services, but these are merely process aspects of saving and investing, not the primary economic activity.

Financial counseling and planning is characterized by Widdows and Bryant as an area that is addressed primarily from the consumer perspective ("consumer economics of financial markets"). While our programs may devote some attention to the *purchase* of such services, the primary goal of our curricular majors is to develop professionals to *provide* specialized financial counseling and planning services at market. Our focus is predominantly on production, rather than consumption, of those services. Thus financial counseling and planning is best conceptualized as an applied professional outgrowth of Family Economics. Support for such categorization is supplied by

Widdows and Bryant themselves in their statement of justification for Family Economics, in which they identify family financial counseling as an example of the type of entry-level job for which education in Family Economics can be beneficial. A parallel exists in the consumer domain, with preparation of consumer professionals for consumer affairs, consumer advocacy, or consumer education positions emanating from Consumer Economics.

Thus, degree programs in both Consumer Economics and Family Economics encompass curricula to prepare professionals to provide specialized services at market: the one to assist consumers in the resolution of problems in the market and to facilitate enhancement of the marketplace in which consumers function, and the other to assist individuals and families in the effective allocation and management of their resources. Both involve *providing services to individuals and families at market*, and are thus production activities.

With respect to root disciplines for Consumer and Family Economics, it seems essential that economics be clearly defined as the primary root discipline, rather than adopting a vague posture about the central paradigm of the field. It is the case that Consumer Economics and Family Economics are generally regarded as multidisciplinary or interdisciplinary. And certainly psychology, sociology, demographics, and other disciplines and fields have much to contribute to both the theoretical and the applied aspects of Consumer and Family Economics. Yet if Consumer and Family Economics is to be, and is to be perceived as, a field that has a coherent core and substantial characteristics of a discipline, it is important that we acknowledge the centrality of an economic paradigm and that our curricula and our scholarly activity reflect that centrality. Those programs that are developed around a different primary discipline might appropriately be identified by a different title—consumer psychology, for example. Perhaps there is need to develop a rubric that encompasses a variety of related programs built around several different root disciplines—consumer and family

resource sciences, for example. Whatever may develop on that front, it seems important for purposes of identity to hold that economics is the central root discipline of Consumer and Family Economics—else what's in a name?

A point that merits added emphasis in the articulation of our field and the delineation of its components is that, in addition to the development of professionals to provide specialized services in the marketplace, our Consumer and Family Economics programs serve a distinctly different, extremely important educational purpose. That purpose is general education, with the aim of *empowering individuals and families themselves* to function more effectively as consumers and as managers of household resources. In relation to this purpose, our clientele are not limited to our professional majors but include potentially the entire student population on the campus—and, in the case of extension, the entire population.

Although lines of differentiation between Consumer Economics and Family Economics, and their theory and application elements, are not neat and simple, it will be useful to the field to distinguish consumption and production elements in our curricular conceptualization and implementation, and to differentiate between (1) the analytical/theoretical/predictive component, (2) the applied professional preparation component, and (3) the general education component of our programs.

While Widdows and Bryant are correct in stating that the primary focus of Consumer and Family Economics has been, and continues to be, on the individual family and consumer, it is important to note that the purview of the field has included interactions among those units and between those units and business (the marketplace), government (the public policy arena), and not-for-profit entities (the voluntary sector). I am perhaps more optimistic than Widdows and Bryant about the extent to which Consumer and Family Economists give attention to the policy arena—although, I would agree, still not enough. Public

CONT. ON PAGE 39—JUSTIFICATION

# CREDIT CARDS: WHAT YOU DON'T KNOW CAN COST YOU!

T

*he role of credit cards in American's personal finances has increased dramatically over the past two decades. Even the recent slow down of the economy has failed to halt credit card use. While consumers' use of car loans and installment loans stalled during the recession, the use of credit cards continues to grow.*

- The average cardholder carries two to three bankcards (Visa, MasterCard, and Discover), and eight to ten pieces of plastic in all.

- Five years ago, about half of all credit cardholders paid their balances in full. Now less than one-third (28%) do.

- Credit card debt totalled \$254 billion in 1992. That's more than three times the \$80 billion outstanding in 1982.

Credit cards can be one of the most expensive ways to borrow money. Discussions of credit card costs have traditionally focused on interest rates and annual fees. *However, stated interest rates and annual fees alone do not tell the story. Complex interest computation methods and additional fees often boost the price of credit card loans to consumers, and help make credit cards the most profitable type of consumer loan for many lenders.*

## MISLEADING INTEREST RATES

Under the Truth-In-Leading Act, credit card issuers must state the interest rates they charge on credit cards as an Annual Percentage Rate, or "APR." The APR listed on credit card applications and solicitations can be somewhat misleading to consumers, because it does not include the effect of monthly or daily

compounding of finance charges, additional fees, or the effect of the grace period, all of which can raise the true cost to consumers. The result is that consumers may be told they will be charged, for example, 19.8% APR on their outstanding balance, while they are actually being charged an effective rate of 21.69% or more.

The Truth-In-Lending Act (TILA), which is interpreted by the Federal Reserve Board (FRB), describes the way issuers must disclose interest rates to consumers. Regulation Z, the FRB's interpretation of the Act, seems to be self-contradictory. Part (a) in section 226.14 states that "the APR is a measure of the *cost of credit.*" However, in section (b) (and later) the act suggests that the APR should be obtained "by multiplying each periodic rate by the number of periods per year." These two definitions are contradictory since section (b) fails to take into account the impact of compounding on the effective cost of credit.

Many issuers compound interest, usually on a monthly basis, but sometimes on a daily basis. For the 72% of cardholders who revolve debt from month-to-month, those average daily balances include finance charges. Thus, the effect is that those charges are *compounded* over the course of two or more months, yield-

**GERRI DETWEILER,**  
*Executive Director,*  
*Bankcard Holders of America*

ing a higher effective rate for the year than what the consumer is told he will be charged in the stated APR.

### GRACE PERIODS

The grace period is defined by the Federal Reserve Board as "the date by which, or the period within which, any credit extended for purchases may be repaid without incurring a finance charge." It is not—and this is a common misconception—the number of days a consumer has after receiving her bill to pay it. In addition, many consumers believe that if their card offers a twenty five-day grace period, all new purchases will be free of finance charges until after that twenty five-day period. That is also incorrect. The fact is, the 72% of cardholders who revolve unpaid balances from month-to-month forfeit the grace period on new purchases, for reasons discussed below.

Whether new purchases in any given month actually receive a grace period at all—and, if so, how long it will be—depends on a number of very specific conditions buried deep in the fine print of cardholder agreements. Moreover, those conditions vary among card issuers, depending on the balance calculation method used and, in a few cases, state law. Under most card programs, the only time a consumer's new purchases escape all finance charges is when both of the following conditions are met:

1. There is no unpaid balance left over from the previous billing cycle. That is, either the entire "new balance" on the last month's bill was zero, or, if that new balance was greater than zero, the consumer paid it in full.
2. The new balance of purchases made during the current billing cycle is paid in full by the due date.

Again, when both of the above conditions are met, new purchases escape finance charges completely. *If the consumer fails to pay the entire outstanding new balance due on his previous statement, however, any new purchases made in the current month will start accruing interest immediately.*

### COSTLY BALANCE CALCULATION METHODS

Interest charges on credit cards are calculated in a completely different way from other consumer loans. Moreover, while the stated APR on two credit cards may be the same, the finance charges a cardholder might pay on each may differ dramatically.

The different finance charges are determined by the way the card issuer calculates the balance on which interest will be charged. The

Interest charges on credit cards are calculated in a completely different way from other consumer loans. Moreover, while the stated APR on two credit cards may be the same, the finance charges a cardholder might pay on each may differ dramatically.

Truth-In-Lending Act does require disclosure of the balance calculation method used by the card issuer. Even if a consumer can master the subtle differences among different calculation methods, however, the task of computing credit card costs is further complicated by the interaction of those methods with other financial terms, such as the grace period.

BHA has identified four balance calculation methods used by bankcard issuers:

**AVERAGE DAILY BALANCE (ADB) (INCLUDING NEW PURCHASES).** This is by far the most common balance calculation method used. It is figured by adding the outstanding balance (including new purchases and deducting payments and credits) for each day in the billing cycle, and then dividing by the number of days in the billing cycle.

**AVERAGE DAILY BALANCE (EXCLUDING NEW PURCHASES).** This method is similar to the previous method, except new purchases are not included when figuring the average daily balance.

**TWO-CYCLE AVERAGE DAILY BALANCE (INCLUDING NEW PURCHASES).** This method is calculated by adding the average daily balances for two billing cycles: the current cycle and the previous one. Under the average daily balance method described above, if a consumer starts a billing cycle with a zero balance, any new purchases made in that billing cycle will not start accruing interest until the first day of the next billing cycle (unless the consumer pays the balance in full and pays no interest).

Under the two-cycle system, a consumer who starts the billing cycle with a zero balance, makes new purchases and then fails to pay them off in full by the due date, will be charged interest on two cycles' interest in the following month. The first balance is for the current billing cycle, and is figured by adding the outstanding balance (including new purchases and deducting payments and credits) for each day in the billing cycle, and then dividing by the number of days in the billing cycle. The second balance is for the preceding billing cycle and is figured in the same way as the first balance.

In other words, if a consumer starts the cycle with a previous balance of zero, new purchases will not accrue finance charges during that billing cycle. If those purchases are not paid in full by the due date, the issuer using the two-cycle method will include them in the average daily balance for the current month (like other issuers do), but will also figure an average daily





balance for the previous month, and assess a finance charge for that balance as well.

**TWO-CYCLE AVERAGE DAILY BALANCE (EXCLUDING NEW PURCHASES).** This balance is similar to the previous one, except new purchases are not included in calculating the average daily balance.

Each issuer may include its own variations on each method. For instance, an issuer may or may not include finance charges, late fees and other fees in the average daily balance.

*The net result of these variations in balance calculation methods is that a consumer could hold several credit cards, all with the same stated APR, make the exact same purchases and payments on each, but be charged very different finance charges.*

The most expensive method for calculating balances is in most cases the two-cycle average daily balance method, including new purchases. The least expensive is the average daily balance method excluding new purchases.

To illustrate how different the finance charge can be under different methods, suppose a consumer starts the billing cycle with a zero balance and charges \$1000, of which he pays off only the minimum amount due (1/36th of the balance). The next month, he charges another \$1000. He then pays off the entire balance due. The interest rate is 19.8%. The finance charge for each method is:

Average Daily Balance Including New Purchases:	\$33.00
Average Daily Balance Excluding New Purchases:	\$16.50
Two-Cycle Average Daily Balance Including New Purchases:	\$49.05
Two-Cycle Average Daily Balance Excluding New Purchases:	\$32.80

#### CASH ADVANCE GOUGING

Cash advances are often the most expensive way for consumers to borrow money. *In fact, many consumers will pay effective interest rates of twenty five -thirty percent or more for the money they borrow with their credit cards.*

Cash advances can provide substantial income for issuers. A typical cash advance, for instance, is about \$100 to \$150 through an ATM, and \$300 to \$350 at a bank, while the average credit card purchase is about \$60.<sup>1</sup> Cash advance volume for 1991 was approximately \$34 billion dollars on Visa and MasterCard and accounted for 12% of total charge volume.<sup>2</sup>

There are several reasons why cash advances are often much more expensive than purchases:

**HIGHER INTEREST RATES.** Some issuers charge higher rates for cash advances than for purchases. Issuers are not required to disclose

the cash advance rate in solicitations or on applications.

**FEES.** Many issuers charge cash advance fees, which typically amount to between 2% and 2.5% of the total cash advance. The fee may have a minimum amount, often \$2, and a maximum amount, often \$10-\$20. The cash advance fee is a one-time fee, assessed for each cash advance taken.

**GRACE PERIODS.** Few issuers offer grace periods on cash advances. Therefore, interest will start accruing immediately regardless of whether or not the consumer pays the advance in full by the statement due date.

Several card issuers—Discover and the AT&T Universal Card (Visa and MasterCard), for example—do offer cash advances with twenty five day grace periods. *The fees they charge, however, in most cases are more expensive than simply paying interest from the date of the advance.* In addition, if the advance is not paid off in full when due, it will begin accruing finance charges at the cash advance rate beginning on the first day of the new billing cycle until it is paid back.

Unfortunately, most cash advances are even more expensive than these two issuers'. Many banks do not offer grace periods on cash advances and also charge cash advance fees. *Banks that charge interest immediately and assess cash advance fees are usually the most expensive sources for cash advance loans.*

Only two states—Alaska and Louisiana—specifically regulate cash advance fees. Cash advance interest rates or fees may be regulated under state usury statutes, however.

**EFFECTIVE INTEREST RATES FOR CASH ADVANCES.** The effective interest rate on cash advances, again, is often much higher than the stated rate, especially when fees are included. The effective rate depends on when the cash advance is taken out and when it is paid off. At BHA, we have received billing statements from consumers that indicate interest rates on cash advances of 35% or more.

Suppose, for example, a consumer takes out a cash advance of \$300 (the average advance) and is charged the average fee of \$2.50 in addition to one month's interest at 18.5%. If the cardholder pays the advance back in full twenty five days after taking out the advance, she will have paid an effective interest rate of 32.94% for the loan!

An extreme example would be a cash advance taken out on the last day of the billing cycle for a small amount, say \$20, which is paid back the next day. Assume the issuer charges a mini-

Cash

advances are often the most expensive way for consumers to borrow money. *In fact, many consumers will pay effective interest rates of 25-30% or more for the money they borrow with their credit cards.*

imum cash advance fee of \$2 and a minimum finance charge of \$0.50. In that case, he would be charged \$2.50 for the one day in the billing cycle that the cash advance was outstanding, i.e. 12.5% a day.

### NUISANCE FEES

According to an American Banker's Association survey, at year-end 1989, 62.5% of issuers were charging late fees that averaged \$8, up from 50% at year-end 1987. Half of banks surveyed were charging \$11 on average for over-limit fees, up from 32% in 1987.<sup>3</sup>

In 1991, the ABA reported these statistics based on the size of the bank. Eighty percent of banks with more than \$750 million in outstandings levy late fees averaging \$12.50, while 90% charge over-limit fees averaging \$10.

Clearly, "nuisance fees" are on the rise. While they may only apply to a portion of the cardholder base, the revenue can add up for issuers. *Credit Card News* estimates that in 1991, issuers generated \$1.11 billion in revenue from late and over-limit fees.<sup>4</sup> In most cases, nuisance fees are just "gravy" for issuers.

**LATE FEES.** Late fees are typically charged when a cardholder fails to make at least the minimum monthly payment by the due date. Some issuers charge a flat late fee, \$10 for example, while others charge a fee that is a percentage of the minimum payment that is late: 2% of the minimum payment due, for example. Some issuers will give cardholders ten or twenty days after the due date to pay before they will charge a late fee. Other issuers, however, will charge late fees immediately.

Currently, twenty-one states restrict or prohibit late fees.<sup>5</sup> Most limit late fees to 5% of the delinquent payment amount, although some, such as Massachusetts, prohibit them altogether.

Late fees have been under fire recently in state legislatures and national court cases. The controversy stems from a 1978 Supreme Court decision, *Marquette National Bank of Minneapolis v. First Omaha Service Corp.*, which essentially interpreted the National Bank Act to allow issuers to export interest rates and be governed only by the laws of the state in which they are located. For example, a bank that bases its credit card operations in Delaware, where there is no ceiling on interest rates, may export cards at 19.8% to Arkansas, where credit card rates are capped at 5% above the federal discount rate.

The Marquette decision affects late fees because some issuers have maintained that under Marquette they can also export fees (in

addition to interest) to other states. (Some states, friendly to the credit card industry, have statutorily defined fees as part of the interest rate.) This interpretation is being debated in a slew of lawsuits across the country.

The biggest problems with late fees are:

1. The amounts, which are often very high. It can cost a bank less than \$2 to process a late fee, but many banks charge far more than that.
2. The timing. Some issuers will assess a late fee if the consumer is only one day late. With some sort of twisted logic, the banks often justify their high interest rates by pointing to the number of delinquent customers, but then justify late fees by saying that customers who pay on time should not have to subsidize those who don't.

**S**ince it usually takes at least three to five days (and sometimes longer) for a transaction to be posted to a cardholder's account, lenders are charging interest on money that they have not yet lent.

**OVER-LIMIT FEES.** Over-limit fees are charged to consumers who go over their credit limits. The over-limit fee is one of the most egregious, since most issuers have the ability to stop a consumer from going over the limit through the authorization system, but don't. Then they charge a high over-limit fee. Some banks also charge interest on over-limit fees. Even worse, if a cardholder goes over the limit and cannot pay the amount that is over the limit immediately, she will often be assessed a fee every month until she can pay the balance down.

Currently, sixteen states prohibit over-limit fees.<sup>6</sup> Nevertheless, consumers in those states may find they are charged over-limit fees by out-of-state card issuers.

Nuisance fees can be outrageously expensive for a small transgression. For instance, if a consumer is carrying a \$1500 balance on her card with an interest rate of 18% and goes over the limit by \$50, she may be charged a \$15 over-limit fee. Since that fee is assessed only due to the \$50 transaction, it amounts to the equivalent of a monthly periodic rate of 30%, or an APR of 360%!

### BACKDATING INTEREST

Another way card issuers are making additional profits from consumers is by "backdating" interest from the date of posting to the date of purchase. Over the last several years, a number of large issuers, including Signet Bank, First Card, Chase Manhattan, and Chemical Bank, have changed from charging interest from date of posting to date of purchase. Since it usually takes at least three to five days (and sometimes longer) for a transaction to be posted to a cardholder's account, lenders are charging interest on money that they have not yet lent.

## MINIMUM PAYMENTS

The minimum monthly payments due on credit cards are typically based on a percentage of the total balance due. This figure has decreased from an average of about 5% in the mid-1980's to 2-3% today.<sup>7</sup> Lower minimum monthly payments often create a false sense of security among consumers, since they may believe that as long as they can make the minimum payments, they are doing "O.K." Instead, what they are doing is extending a small loan for many years and paying hundreds or thousands of dollars in often excessive, often compounded, interest over that time period.

Some issuers also offer zero minimum payments if, in the preceding month, the consumer paid at least twice the minimum payment due for that period. Other issuers periodically promote "skip-a-payment" offers. Interest, of course, continues to accrue on unpaid balances.

Many consumers do not realize the extent that low minimum payments on credit cards encourage long-term indebtedness. For example, a balance of \$2500 at an interest rate of 18.5% will take a consumer more than 30 years to pay off at a minimum payment of 2% and she will pay over \$6650 in interest over that time!

## CONCLUSION AND RECOMMENDATIONS

The Truth-In-Lending Act was passed in 1968 and updated in 1980. It was designed to help bring uniformity to the credit industry. For the credit card industry, it simply does not appear to be working well. Consumers today are faced with a bewildering number of choices with respect to credit cards. In addition, lenders are devising complicated, and sometimes misleading, ways to calculate finance charges that raise the true cost to consumers far above what they expect or believe they are being charged. Finally, it has become nearly impossible for consumers to ascertain exactly how their card charges are calculated.

### RECOMMENDATION.

1. Consumers should be given more information about credit card costs up front, including cardholder agreements, when requested. The large majority of card issuers flatly refuse to send consumers copies of cardholder agreements to prospective customers. A consumer is being asked to enter into a contract, but can't even review the terms!
2. All issuers should be required to use a standardized balance calculation method so consumers can compare offers. Use of the two-cycle method should be prohibited.

3. Consumers should be told, on each monthly statement, how long it will take them to pay off their current balance if they make only the minimum monthly payment and make no further purchases. This will give consumers a sense of the long-term, high-cost nature of most credit card loans.

4. Over-limit fees and most late fees should be banned. Late fees should not be permitted until a consumer is at *least* twenty days late, and then a relatively small fee, no more than \$2, should be permitted.

5. Cash advance fees should be banned. Issuers are currently allowed to charge a higher rate for cash advances than purchases (subject to state limits). It is much easier to compare the costs of cash advance loans based on the disclosure of comparable APRs than to try to figure out comparable costs based on APRs *and* cash advance fees. Issuers should be required to disclose the cash advance rate on applications and solicitations.

6. The Federal Reserve Board should develop a clearer and more accurate description of how the grace period works, and should require issuers to incorporate that description into advertisements, solicitations and cardholder agreements.

Gerri Detweiler is the executive director of Bankcard Holders of America (BHA), a national consumer credit education and advocacy group. BHA is supported by 75,000 consumer members, not financial institutions. She is also author of *The Ultimate Credit Handbook* (Plume, 1993). This article was taken from a 1992 BHA report by the same name. Copyright 1992 Bankcard Holders of America.

<sup>1</sup> *Credit Card Management*, February 1991, page 34.

<sup>2</sup> Kurt Peters, editor of *Credit Card News*, 1992

<sup>3</sup> *Credit Card Management*, November 1991, p. 39 ABA *Bankcard Industry Report*, 1992. The ABA did not ask these questions in its 1990 survey.

<sup>4</sup> *Credit Card News*, April 1, 1992.

<sup>5</sup> The following states prohibit or restrict late fees: D.C., IN, IA, KS, LA, MD, MA, MN, MS, NC, OK, OR, PA, RI, SC, TX, UT, VA, WV, WA, and WI. See *Credit Card Management*, November 1991, p. 40.

<sup>6</sup> CO, IN, IA, KS, KY, LA, ME, MI, NJ, NC, OK, SC, TX, WV, WI, WY. Source: *New York Times*, February 23, 1992.

<sup>7</sup> *Debt, Credit Card Borrowing and the Economy*, Report prepared by the Boston Company, May 1992.

# PRODUCT MANUALS: A CONSUMER PERSPECTIVE

T

*his paper summarizes insight gained from a series of consumer focus groups on product manual usage. Results of a qualitative analysis reveal consumer perceptions and preferences with respect to manual and safety message format. Important implications for both consumer educators and product manufacturers are discussed.*

Do YOU read product manuals? Could you locate manuals for specific products in your home right now? Do you REALLY read the manuals, or do you check the assembly diagram, put the product together and "you're off and running?" The provision of product information to consumers has long been a topic of import for consumer researchers and educators (Mazis, Staelin, Beales, and Salop, 1981; Russo, 1988). Much work has been done in the areas of information disclosure and labeling (e.g., Russo, Staelin, Nolan, Russel, and Metcalf, 1986; Schucker, Stokes, Stewart, and Henderson, 1983; Weiner, 1985). Despite advances in our understanding of consumers' use of product information and resulting implications for the format of such product information, we have virtually ignored a critical category of product information which has the potential to directly influence consumers' safe use of products: the product owner manual.

Showers, Celuch and Lust (1992) call for research examining consumers' use of and attitudes toward product manuals as input for developing better, more effective manuals. Their descriptive work on consumer behavior with respect to manuals indicates that consumers do report reading manuals. However, several context factors affect readership of manuals, and safety sections in particular (e.g., perceived lack of time to read, already knowing how to use product). Showers, Celuch and Lust (1992) call for further work on consumers' use of

product manuals to reveal the extent of manual readership, perceptions of and attitudes toward manuals, and safety messages which influence consumers' product use behavior.

This study includes a qualitative analysis of a series of consumer focus group discussions on product manual usage. Insights related to behavior patterns and perceptions of product manuals were revealed through this qualitative approach which would not be uncovered in traditional survey and experimental methods. This paper summarizes insight gained from this series of focus groups on manual use and illustrates the value of qualitative techniques in supplementing more quantitative research approaches to understand consumer behavior.

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## METHOD

Qualitative research methods are often overlooked by consumer researchers in search of "real" results (Langer, 1987; Zimmerman, 1989; Byers, and Wilcox, 1991). At best they are viewed as exploratory in nature and are used as a first step in a research program. It is our contention that qualitative research such as focus group methodology can provide deeper consumer insight than traditional survey or experimental methods, and in certain circumstances, may clarify more quantitative measures of consumer perceptions, attitudes and reported behavior. Such techniques often allow much greater depth of exploration and response,

reveal contextual issues and allow the consumer to explain the boundaries and frequencies of a behavior, and the strength and consistency of a perception or attitude.

In the substance of our research exploring consumer behavior with respect to product owner manuals, focus group methodology has proven invaluable in helping us to 1) more insightfully explore specific responses to safety messages, and 2) target issues variables for further research.

**SAMPLE.** A series of eight focus groups, including over sixty consumers was conducted. Two of the groups were recruited from an MBA student population at a midwestern university. A mixture of part-time and full-time students was included. The other six groups were recruited from churches in two midwestern communities. These groups included a mixture of consumers who held various occupations and represented a cross-section of income and education levels. The demographic profiles of the congregations and communities are skewed slightly upward in both income and education compared to the U.S. population (CACI 1990), which might result in some elevation in the reported readership of manuals in general.

**PROCEDURE AND MEASURES.** Each session included eight to ten participants and lasted approximately one hour. The discussion guide for the sessions included questions on readership of manuals (general tendencies, specific sections read and attention to safety warnings), reactions/critique of actual manuals and safety messages (manuals for several different products were included), and a discussion of preferences for manual layout and content. The specific areas covered in the focus groups and the order of discussion are outlined in Figure 1.

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 FOCUS GROUP DISCUSSION OUTLINE

1. general readership of manuals, reasons why/why not read
2. readership of specific sections: assembly, operation, maintenance, reasons why/why not read
3. awareness of and readership of safety messages, reasons why/why not read
4. critique of actual manuals—Several examples of manuals for various power tools and lawn and garden equipment were examined by the respondents. Respondents were then asked to indicate what they liked/disliked about each.
5. critique of safety messages in actual manuals—Participants' attention was turned to several alternative safety message sections for their evaluation.
6. preferences—What can be done to improve manuals? Reactions to alternative manual formats (e.g., video supplements)

.....  
 FIGURE 1

In moderating the discussion, care was taken not to prompt or mention the safety warnings in the beginning of the discussion. We were partic-

**D**uring the discussions respondents were encouraged to describe episodes of behavior with specific products that they could recall.

ularly interested in whether or not the respondents would mention the safety messages as part of their description of routine exposure to product manuals. During the discussions respondents were encouraged to describe episodes of behavior with specific products that they could recall. All sessions were tape recorded. The results discussed below are limited to responses and behaviors that were described by at least several respondents across several sessions. Respondents included a variety of products (power tools, lawn and garden equipment, electronics, kitchen equipment) in their comments on product manuals.

RESULTS

**MANUAL USE AND EXPOSURE TO SAFETY MESSAGES.** Similar to Showers, Celuch and Lust (1992), most of our focus group participants reported that they did read manuals. However, the value of the focus group approach was revealed when further probing was done. Although most respondents said they did read the manuals, what was meant by "reading" varied greatly across respondents. Based on consumer responses, we were able to identify a typology of manual readers which was consistently observed across the eight sessions. Figure 2 includes a summary of the typology of manual readers.

.....  
 TYPLOGY OF MANUAL READERS

- No-Nonsense Doer:** This was the most common type of respondent. These consumers got right down to business in assembling and using the product - they referred to the assembly instructions (preferring a simple stepwise procedure), got the product running and did not tend to consult other sections unless needed, e.g. an operation problem.
- Careful Consumer:** These respondents were less common but represented in each session. They were cautious and preferred to read the manual thoroughly before using the product. They tended to express less confidence in being able to safely use the product or correctly assemble and operate the product. In some cases these consumers would thoroughly read the manual while their spouse was assembling. These respondents tended to be female and reported this tendency across product types—usually offering that this was "just how I am."
- Technical Expert:** These consumers were few in number, but very decisive and confident in their responses. They typically did not refer to written sections of manuals unless there was a technical detail that was needed in the assembly and maintenance of the product. They did mention preferring a product diagram to refer to in assembly rather than reading lots of written instruction. They reported very little readership of the safety messages if any and reacted with some disdain for typical safety messages, implying that their expertise was beyond the need for such reminders. These consumers tended to be male and work in a skilled service-oriented or technical position.

.....  
 FIGURE 2

From the summaries in Figure 2, it is clear that the common response that they did "read" manuals should be more accurately interpreted as selected use of product manuals. Most of our respondents read manual sections as needed rather than the entire manual, with particular attention to the assembly instructions and/or diagram and to a lesser extent the operating instructions. Common explanations for limited reading of the manuals included 1) already know the information; 2) want to get product operating, takes too much time to read; and 3) manuals are too wordy, long, difficult to understand.

In regard to the safety messages, most respondents did not typically intend to read safety sections. They reported readership if the safety warnings were interspersed in the operating section or in a simple, bold, easy-to-read list in a section of the manual they were already using.

Many of the "No-Nonsense Doers" and "Technical Experts" described safety messages as being obvious and insulting to the point that they were "turned off" from reading the rest of the safety warnings, e.g., "Keep hands and fingers away from blade when in operation." This reaction was pervasive and strongly held among these respondents and offered as the primary reason for their lack of readership of safety messages.

**WHAT CONSUMERS WANT IN MANUALS AND SAFETY MESSAGES.** Respondents in all of the sessions were generally critical of manuals citing poor organization, too much fine print, not enough use of bolding and subheads, and "generic" manuals which were to be used for several models. In critiquing the product manuals used in the focus group sessions and in brainstorming about what they would like to see in manuals and safety messages, several preferences surfaced. A summary of consumers' preferences with respect to manual and safety message content and format is presented in Figure 3.

CONSUMER PREFERENCES FOR MANUAL AND SAFETY MESSAGE FORMAT

<i>Visuals</i>	Most respondents wanted to see more visuals used in manuals, particularly in the assembly and operating sections, demonstrating use/steps. Humorous "cartoon" visuals were well received, with respondents remarking that the use of this technique results in their exposure to the safety messages - even the obvious ones.
<i>More white space, larger print, bolding</i>	Respondents frequently wanted a less "busy" appearance with more white space on the pages, larger print and bolding used for subheadings and listing of steps or points with the use of bullets or other notation.
<i>Manuals tailored to the model purchased</i>	A common complaint was the use of a generic manual to cover several models. Respondents complained that

this was confusing and cumbersome. They preferred a manual written specific to the model they purchased, with pictures of that model.

*Trouble-shooting sections*

Several respondents mentioned that they found "trouble-shooting" sections very helpful in the event of a problem with the product. Respondents found it helpful to match a symptom to possible solutions.

FIGURE 3

**R**espondents in all of the sessions were generally critical of manuals citing poor organization, too much fine print, not enough use of bolding and subheads, and "generic" manuals which were to be used for several models.

At the end of the session, focus group participants were prompted about specific alternative manual formats. Respondents were somewhat positive in their reactions to video formats to accompany written product manuals, although they offered several limitations: not all consumers have VCRs, many products are assembled and used outside, video formats would mean added cost to the consumer. In fact, several consumers did express concern that improving product manuals in general would increase the cost of products and that they were not sure it was worth the tradeoff.

DISCUSSION

The focus group methodology used in this study proved very valuable to the authors' research program. Not only did this approach reveal several issues which must be explored further in developing better manual formats (e.g., visuals, bolding, organization), but it also uncovered an important consumer reaction that more quantitative approaches were masking: after confronting an "obvious" safety warning, many consumers "turn off" and fail to read the remainder of the safety messages. This finding may suggest an important implication for the placement of certain safety messages to avoid decreasing consumers' exposure to all safety warnings in product manuals, i.e., it may be prudent to avoid placing several obvious warnings in the beginning of a list of safety messages.

It should also be noted that survey measures which report that consumers "do read" product manuals are lacking in the detail of extent of readership revealed in this focus group methodology. It is the depth of response here that paints a somewhat different picture of consumers' use of manuals.

The focus group methodology, then, is critically important in revealing the degree of readership where the experimental setting masks it. Further, this is no minor indictment of our traditional experimental methods for investigating information processing phenomena. In this case, the contrived setting may be altering the consumer's typical processing of the manual to the point that concerns about external validity do, in fact, directly affect the value of the findings



of such experiments (Lynch, 1982). At the very least this contrast in the findings of the two methods suggests that such qualitative techniques are valuable supplements to more quantitative approaches.

The authors acknowledge the qualitative nature of this analysis and the resulting concern with regard to interpretation of the data. Although several session samplings from three different consumer populations were run, these results remain to be replicated in other samples, as well as via quantitative techniques. Further, given the upwardly skewed education and income levels of the sample, reported readership of manuals in this study may be somewhat higher compared to the general consumer population.

Results of this analysis reveal that consumers want manuals that are better organized, less complex, and, generally easier to read. Specifically, respondents mentioned 1) including more visuals for demonstration and illustration, 2) structuring sections with easy-reading tactics such as bolding, larger print and more space in between sections, 3) offering manuals written for each specific model, and 4) adding "trouble shooting" sections summarizing symptoms of and potential solutions to product problems. While most of these things are being done in some manuals, the use of such tactics by manufacturers is not widespread. Additionally, pervasive consumer perceptions that manuals are generally poorly organized and hard to read may continue to influence consumers' selective use of product manuals.

Results of this research suggest that we may need to first change consumers' existing perceptions with regard to the value of reading product manuals. Regardless of improvements in manual information format, if consumers have strongly held beliefs that manuals or certain sections of manuals are not useful, behavior, i.e., safer use of products, will not change. It is, then, a combination of consumer education efforts and manual format changes that may be needed if we are to achieve modification of product use behavior. Such an agenda will require cooperative efforts between manufacturers and consumer researchers, educators and policy makers. It is our view that manufacturers have an opportunity to take the lead in sponsoring research and advocating improvements in product manuals and consumer education regarding safe product use. Research that is particularly called for here would examine the impact of education/awareness efforts on consumer readership, as well as the interaction of education efforts with structural changes, e.g., repetition and/or placement of safety messages in manuals.

**R**esults  
of this analysis reveal  
that consumers want  
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The question of manufacturers' motivation to improve the readability of product manuals remains. Structural and format changes suggested here will require allocation of resources. It is our contention that manufacturers stand to gain in several ways from efforts to improve product manuals: 1) by providing consumers with visible evidence of their concern for consumer welfare, and 2) by increasing consumer satisfaction with products due to easier, more effective and safer operation of products. Results of this study suggest that product manufacturers and consumer educators both have a significant role to play in increasing consumer use of manual information aimed at encouraging safer use of products.

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# GAMBLING: A CONSUMER ISSUE?

**L***n less than 30 years, the United States has changed from a nation where legal gambling was an activity limited to a few specific locations to a nation of readily available games of chance. Gambling is now within easy reach of most households as 33 states and the District of Columbia have highly promoted lotteries. Casino gambling is no longer limited to Nevada as it was from 1931 to 1978; its growth in selected states, on waterways, and on Native-American reservations has lessened access distance for most households. Only two states—Hawaii and Utah—have no legalized gambling. In a decade, states' revenues from gambling grew from \$3 billion (1980) to \$20 billion (1990) (U.S. Bureau of the Census, 1991, 1992), a 554% increase.*

States' revenues from gambling translate to \$215 per household. Gambling has been estimated to be 5.7% of the Gross National Product (Shear, 1991) and 6.2% of total personal income (Von Brook, Siegel, and Foster, 1988). Growth has been in excess of 10% per year. Lotteries are the largest and the fastest growing gambling operations, providing 94% of states' gambling revenues. Between 1980 and 1990 states' revenues from lotteries grew 793%. In 1988 state lotteries ranked 38th in gross sales if viewed as a collective company; two years later states' lotteries were ranked 24th by Forbes (Karcher, 1992).

The purpose of this paper is to focus attention on gambling, the 12th largest industry in the United States. Lotteries (the most accessible and largest segment of the gambling industry) and gambling's impact on consumers will be explored both as consumer and policy issues.

Consumer professionals must recognize gambling as an activity that impacts families every day. It is no longer impacting just a few families

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once in a great while when they visit Nevada for a few days or when a family member plays penny-ante poker or church bingo. Gambling is no longer primarily a moral question. It is a consumer and public policy issue. It is heavily advertised and promoted, it takes time and money and therefore alters family interaction and well-being—either positively or negatively. Gambling provides employment opportunities, transforms community environments, funds public projects from education to parks, and provides property (Wisconsin) and auto excise (Indiana) tax relief. Gaming also funds private schools and nonprofit agencies' programs and activities through bingo nights and raffles.

## HISTORIC PERSPECTIVE

Gambling, as an activity of individual participation or as a means for governments to generate revenue, is not new. Gambling was an integral part of early U.S. history. As Fabian described in his history of the nineteenth century:

Public lotteries were common in the American colonies, and in the nineteenth century, cities, states, and Protestant churches still looked to revenue raised in lotteries to finance expensive construction projects; many schools, bridges, roads and jails could not have been built without the support of a public willing to wager on the outcome of a drawing (1990, 1).

In the early 1900s, gambling became illegal primarily because of the anti-corruption and reform attitudes that developed. With the exception of casino gambling in Nevada, most gaming remained illegal except for parimutuel betting and bingo games run by nonprofit organizations. In 1964, New Hampshire became the first state to institute a lottery. Since then promises of public funding without taxation and the chance to get rich quick, coupled with state

supported promotion (\$257 million spent in 1990) (Karcher, 1992), have expanded lotteries and other gaming to 48 states. The greatest growth and expansion occurred in the 1980s.

Gambling was primarily an activity of the very rich or very poor. Numbers, dice, cards, and some sports betting were ways for low income people, if they were lucky, to break out of poverty. For the wealthy gaming was a form of recreation—a social occasion usually for men who could afford the financial risk. Legalization has made gambling more acceptable and accessible to the middle class. Promoted as a way to perform public good, the states' sometimes questionable advertising of odds and benefits encourages participation.

The spread of legalized gambling also has appeal for the middle class who fear increased



taxes that erode purchasing power. Mention is seldom made of the social, economic, and political costs of gambling or communities' costs of increased law enforcement, security, pollution, and infrastructure demands resulting from increased density of visitors when proposals for legalized gambling are being considered. These factors, at least in Colorado, were widely discussed only after casino gambling's introduction. More recently, a front page story in *The Wall Street Journal* summed it up under the headline, "Casino Gambling Saves Three Colorado Towns But the Price is High" (Charlier, 1992). Other localities see riverboat gambling as an option that avoids many of the security and infrastructure demands. Current opposition to expansion often includes casinos and other existing gambling interests lobbying

against new competition. Behind the scenes, these interests may financially support others' opposition to expansion often on moral grounds (Wheeler, 1992).

In the two-year period, 1988 to 1990, states supporting gambling helplines (e.g., Iowa, Minnesota, Maryland) recorded a doubling in the number of calls ("On and off Lotteries," 1991). Lesieur (1992) argued that expanding the forms and locations of legal gambling is associated with increased incidence of pathological gambling. Estimates of compulsive gamblers now range from four to 6% of the adult population. If we extrapolate this to current household size (2.6 persons), 3.6 to 5.5 million U.S. households may have a compulsive gambler in their midst. Compare these numbers to the total of five million households in the eight mountain states



(Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming). Eight states of compulsive gambler households should help us grasp the magnitude of the situation.

Growth is evident in increases in dollar revenues, number of states and Native-American reservations (in 24 states) with gambling options, and number of persons participating in programs for addictive gaming behavior. Expansion of existing gaming into bigger endeavors, more and larger casinos or entertainment/cultural complexes (Chicago, New Orleans, etc.), and betting on sporting events are future blueprints of the industry.

## LOTTERIES

Lotteries should receive our attention. They generate the most revenue for states. They are state monopolies created primarily to generate state revenue selling a highly promoted product with minuscule odds. Oversight is usually limited—and by a state appointed body. Utilities as monopolies never had this free rein in supplying a commodity to consumers.

Lottery sales exceeded \$18 billion in 1990. These totals and per capita data by state do not readily provide the true message of the impact on the household budget. Lotteries may be viewed either as a consumer commodity or as a source of public revenue (Clotfelter and Cook, 1990a). As a consumer commodity, lotteries are available to citizens in 33 states and the District of Columbia as of May 1992 with most tickets sold at convenience, grocery, and liquor stores (Von Brook, Siegel, and Foster, 1988). Clotfelter and Cook (1990a) estimated that 60% of adults in lottery states play at least once per year. In 1989 per capita sales averaged \$108 in states with lotteries (\$238 per household). The range was from \$16 in Montana to \$262 in Massachusetts. The per capita amount exceeded \$100 in one-third of the states with lotteries. Adjusting the per capita data to the adult population who play the lottery, the amount wagered is \$152 annually. The situation is not much different in Canada. Nearly 70% of households purchase lottery tickets. In 1986 the average household spent more than \$195 (0.60-0.63% of after-tax income) playing the lottery (Kitchen and Powells, 1991).

Though the large majority of adults purchase lottery tickets, a small proportion of these adults (20%) account for 65% of amounts wagered. One-half of the amount bet is wagered by 10% of the adult population. Thus for every 10 lottery players and every \$1000 spent, one person accounts for \$500, the second person for \$150, and the other eight for \$44 each (\$350 total).

**T**hey are state monopolies created primarily to generate state revenue selling a highly promoted product with minuscule odds.

Those spending the most (top 10%) are doing so at a rate 11.5 times that of the bottom 80%.

Lotteries' with their high rate of participation, though as noted a small percentage of people do most of the betting, have the "lowest odds in winning of any form of gambling" (Bayer, 1990, 11). Lotteries pay out 49% of take, while slot machines pay 75-95% and craps 98%. Major promotions, new games (numbers, instant, lotto), accessibility, and a few persons who have won more than once fuel participation. Further, consider this as a consumer issue. In an analysis of lottery advertisements from 13 states, only 12% of 151 ads gave odds information. In contrast, two-thirds of 52 television ads showed at least one winner (Clotfelter and Cook, 1990b).

Lotteries were originally approved, whether by state legislatures or citizen referenda, based on promises of tax relief or extra revenues for states. Lottery revenues go to education (65%), general funds (15%), senior programs (8%), cities (6%), and the remaining 6% to economic development, roads, and environmental programs (Baumann, 1991). Two issues emerge from use of lottery profits. The first is whether the revenues are being used as designated in the enabling legislation. Recently a Wisconsin legislator successfully sued the state's governor for using lottery revenues for school funding instead of its designated purpose of primary residence property tax relief (Satran, 1992). In Illinois, researchers concluded "that lotteries which are designated to support education, in all likelihood, do not" (Borg and Mason, 1988, 83). The same research found that lottery funds are not supplementing education as intended but replacing state funds "that are being diverted elsewhere" (83).

The second issue is whether lottery revenues will grow and/or maintain predicted levels. With increasing competition for the consumer's gaming dollars and economic uncertainty, will growth be sustained? If not, where will the money come from? Indiana, after beginning its lottery in 1989, has found revenues short of predictions and decreasing from 1991 to 1992. The state suspended the auto excise tax relief for 1992 and 1993 and other programs that were to benefit from lottery revenues—job creation, school aid—will find little money available (Gerrety, 1992).

Another policy consideration is that of lottery revenues as taxes. Even when the benefits—distributions of revenues to education—are factored in, the conclusion is that the effect is regressive (Borg and Mason, 1988). Similarly in Canada lottery expenditures are regressive being nearly twice the percentage of after-tax

incomes for those under \$10,000 (1.28%) compared to all households (0.65%). The percentage is 0.34 for those with incomes over \$70,000 (Kitchen and Powells, 1991). Further, evidence indicates that lotteries are an inefficient means of raising state revenues (Borg, Mason, and Shapiro, 1991).

### COSTS OF GAMBLING

Although research is needed regarding the social and economic costs of compulsive gambling, some data indicate negative impacts on families much like those for the families of substance abusers. For example, teens who gamble are likely to have gambling parents (Lesieur and Klein, 1987). Spouses of compulsive gamblers are likely to go through the process of denial, much like the reaction of an alcoholic's partner. In addition, approximately one-tenth of these spouses commit suicide (Custer and Milt, 1985, 145). We may be kidding ourselves if we believe that only gamblers lose if they gamble to excess.

Community costs also warrant attention. In gambling communities, changes in property demand alter perceived and actual worth. Small retailers sell their properties to make room for casinos, and real estate values rise as these sales are reported. Affordable housing can be in short supply for gaming employees and other service workers as well. Although gambling may have been introduced as community or economic development, it can squeeze out long-time residents as residential property taxes become prohibitively expensive and basic services leave the area. The situation for Native-American families and communities also warrants attention. An entire paper could be developed on the issues evolving from legalized gambling as an economic base for many Native Americans and their communities—not to mention the divisions developing between the states and the tribes. At best the direct costs can be anticipated and indirect costs are only beginning to become known.

### ISSUES FOR PROFESSIONALS

Bringing a societal phenomenon such as gambling to the fore presents consumer educators with a number of challenges. It is our belief it cannot be ignored on the basis that it is a voluntary activity OR that it is another recreational activity (as jogging, golf, or collecting stamps). Gambling is both a consumer commodity and a public revenue (in some cases a private revenue, i.e., bingo night for a private school or a raffle for a civic group). Unlike cigarette and liquor taxes, public revenue from gambling is not of

the sin tax type, designed to discourage the activity. The state's revenue is a planned percentage of the amounts wagered on what has become highly promoted activities (be reminded that winners are also taxed on their earnings—winnings minus documented gambling losses). Promotions often grow when lottery revenues stabilize or decrease. Whether by more advertising, a new game, or a new prize structure, consumers are encouraged to participate, if not to win, then to help their state. Mixed messages abound. A prime example of a mixed message is this statement from a brochure "Compulsive Gambling: First it takes your money; then it takes your dignity."

The Ohio Lottery hopes you will be a responsible player and a good citizen. Remember to support your local schools. And get help if you think your gambling is becoming compulsive. Help the Ohio Lottery continue to be a source of fun for many, and increased opportunities for our children. (Ohio State Lottery Commission, 1987).

What was either illegal or inaccessible 30 years ago is now commonplace, close-by, and promoted by states (that is, you and me). Therefore, the following issues are presented for consumer professionals to explore, not to ignore.

1. In classes, including consumer behavior, issues, and/or public policy, is gambling used as an example, studied from a conceptual perspective, and/or analyzed for its costs and benefits—both micro and macro? Are value and ethical implications of gambling discussed? Gambling can serve as a prime example for exploration of value change.
2. In personal finance management education, counseling, and/or research, should gambling be included as an identifiable household expenditure? With a large portion of the adult population participating and one-fifth of the population spending what may be labeled a considerable amount, should it be ignored or grouped into 'other' or 'leisure' spending?
3. In career preparation of students, are careers in the growing gaming industry explored for opportunities, ethical challenges, and/or family impact? Are students who are preparing for careers in consumer or financial counseling made aware of the warning signs of compulsive gambling so they can make referrals to Gamblers Anonymous or trained therapists?

In addition to the educational issues presented, gambling and its impacts on consumers are prime areas for research. Most research has

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concentrated on identifying market segments—be that to target voters for gambling referenda or potential gamblers for participation. Policy studies usually explored the role and economics of gaming as a state tax for revenue generation and potential. We are just beginning to explore gaming from the consumer perspective (Borg, Mason and Shapiro, 1991; Brown, Kaldenberg, and Browne, 1992; McConkey and Warren, 1987).

Three suggested areas of research are gaming's impact on (1) family finances, (2) value evolution, and (3) consumer issues. Individuals and families are spending more money and time on gambling now than ten years ago—What are the trade-offs? How does spending differ for non-, moderate, and intense participants? What is the time involvement? What are the indirect costs (trips to buy tickets, play bingo, travel to the nearest casino, etc.)? Do parallels exist between compulsive consumption (Faber and O'Guinn, 1988) and compulsive gambling?

The study of values and attitudes challenges the imagination. How do younger and older generations' values related to gaming differ? What is perceived as riskier—investing in stock or purchasing lottery tickets? Does "good of all" outweigh the potential gambling compulsion of some?

Consumer issues relate to the active promotion of lotteries and the policy implications of taxes and their use. Are lottery advertisements accurate or deceptive? Are benefits and odds given appropriate coverage? Who is using gambling helplines (intended for problem gamblers)? Do consumers prefer gaming to other alternatives for state revenue and economic development of selected communities? The list could go on but attention to gaming and media coverage can quickly generate other ideas.

Consumer professionals are challenged to recognize and include the implications of gaming in their education and research efforts. It is with us. We cannot ignore its implications and effects on consumer policies and society. The trade-offs are coming!

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# THE MATERIALISM CONCEPT IN CONSUMER RESEARCH AND PRACTICE

**I**t is difficult to imagine a more complex, controversial or consequential concept to challenge the consumer affairs professional than that of materialism. Many consumer affairs professionals deal with the concept in a gingerly fashion, precariously perched, it would seem, on a practitioner's tightrope. Simply put, the problem they face is how to promote a better material life for their students and clients, while, at the same time, giving serious attention to the environmental implications of such a life for other inhabitants of the planet. Many of us find it all too easy to adopt a "tree" rather than a "forest" approach here in that we avoid dealing with the larger environmental context in which the consumer acquisition decisions are implemented.

The age-old materialism concept has recently been revived in the dual worlds of scholarly research and practical affairs. In what follows, a brief overview is presented of new developments in these two domains. The overview was stimulated by the author's attendance and participation in 1992 at the Research Workshop on Materialism and Other Consumption Orientations, held in Kingston, Ontario. The workshop, which was jointly sponsored by the School of Business of Queen's University and the Association for Consumer Research, was not only multidisciplinary in character (with representation from such fields as advertising, anthropology, psychology, philosophy, sociology, marketing, and law), but international as well (with partici-

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pants from Canada, Britain, New Zealand, Poland, and the United States). A proceedings volume for the workshop has recently been published by its organizers (Rudmin and Richins, 1992) and is available through the Association for Consumer Research.

The brief overview which follows is in four sections. The first two are concerned with issues in the scholarly arena, the third treats new developments in practice, and the fourth looks at future prospects. Two sections, rather than one, are devoted to scholarship to reflect the major concerns surfacing here relating to conceptualizations and measures of materialism. An organizing device used herein is that of either-or dichotomies. While on one hand they may

exaggerate the differences between scholars in the field on certain issues, on the other hand, the contrast between positions which they highlight is believed to have pedagogical value.

### CONCEPTUALIZING MATERIALISM

As Richins and Dawson (1992) have noted recently, scholars differ considerably in how they view materialism. One of the research pioneers in the area (Belk, 1984, 291) defines it as "the importance a consumer attaches to worldly possessions." Two others (Rassuli and Hollander, 1986, 10) see materialism as "a mindset...an interest in getting and spending." Murkerji (1983, 8), on the other hand, views materialism as "a cultural system in which material interests are not made subservient to other social goals."

While this brief sampling of definitions of materialism does not begin to exhaust the field, it does illustrate the possibilities and the problems in conceptualizing materialism. Some of the dilemmas confronted are as follows:

1. Is materialism a psychological or a sociological concept? Does materialism describe an individual or a society? As we have just seen, both uses have been evident in the scholarly

literature, with both individuals and societies being referred to as "materialistic."

2. Does the concept focus on material in general, or on material wealth in particular?

While a focus on the material world as compared to the spiritual world would seem to define the materialist, many scholars and practitioners find this domain too broad; agreeing with Madonna's "Material Girl" they opt for a conceptualization which concentrates on material wealth. Yet one wonders if this definition is too confining, eliminating as it does from consideration such interesting phenomena as the voluntary simplicity movement with its emphasis on the beauty and value of simple tools and devices to help one live a more self-sufficient life.

3. Does the concept focus on acquisition or possession? Acquiring material things would appear to be a major concern and source of satisfaction for materialists but most scholars also stress the importance of possession. In practice it is difficult to separate these two entities in that most of our possessions don't just land on our doorsteps but become ours through an acquisition process. So the joy of owning may in part derive from the joy of acquiring, especially if it entailed something





memorable like a gift from a loved one. Yet the two entities are sometimes separated in the real world and such occasions may present research opportunities for social scientists. For example, the professional shopper buys goods for others, and is thus an example of one who may acquire without the objective of ownership. Conversely, the "old money crowd" is said to consist of individuals who are born to wealth and comfortable circumstances, and yet show little inclination to acquire more material goods, especially those associated with affluence.

4. Does the concept focus on instrumental materialism or terminal materialism? Rochberg-Halton (1986) and Csikszentmihalyi and Rochberg-Halton (1978, 1981) have proposed two types of materialism based on the intended purposes of consumption. When objects act "as essential means for discovering and furthering personal values and goals of life," the materialism is referred to as "instrumental" (Csikszentmihalyi and Rochberg-Halton, 1978, 8). When, on the other hand, consumption satisfies no objective other than possession, materialism is regarded as "terminal." As we shall see shortly, these terms are hardly neutral, with terminal

materialism, like its cancer counterpart, being viewed as an unhealthy human condition. Of greater interest at the moment, however, are the difficulties in operationalizing the concepts. As Richins and Dawson (1992) have noted, it is not always clear which relationships with objects are instrumental and which are terminal. Also not clear is whether materialistic relationships exist which are neither instrumental nor terminal.

5. Does the concept focus on commercial or non-commercial materialism? Although claims of increasing interest in materialism in American society have long been made by humanists such as Hannah Arendt, supporting empirical evidence has been in short supply. Recently this changed with documentation of dramatic increases in the use of brand names (but not generic names) in popular American novels, plays and music of the post-World War II era (Friedman, 1991). This finding, along with others, prompted Friedman to propose that the brand-name phenomenon be called "commercial materialism" to distinguish it from its generic name counterpart of "non-commercial materialism." By proposing this distinction Friedman is suggesting that the two types of materialism



may not only behave differently empirically but that they may also relate theoretically to different explanatory systems.

The foregoing brief discussion illustrates some of the complexities encountered in attempting to conceptualize materialism. Additional problems arise when one realizes that many of the either-or dichotomies set forth are false in that some scholars have viewed materialism as embracing *both* categories (e.g., acquisition and possession). Also not considered are the cultural and sub-cultural contexts in which materialism manifests itself. Thus an act viewed as an example of instrumental materialism in one context may be viewed as an example of terminal materialism in another.

### MEASURING MATERIALISM

An entity must be defined before it can be measured and we have already seen some of the prickly problems encountered when one attempts to define materialism. In addition to this thorny thicket are the problems relating to the measurement approach taken to operationalizing the concept. Richins and Dawson (1992) recently reviewed 13 measures of materialism reported in the scholarly literature. Seven of them infer materialism from related constructs, such as self image and envy, while the remaining six are attitude measures of materialism. Richins and Dawson are critical of these measures on psychometric grounds. In particular, they note that many of the measures are lacking in reliability and that evidence of construct validity is usually not documented. They argue too that materialism has been incorrectly conceptualized as a personality trait or as an attitude, when it should be viewed as a value. In their words, "Defining materialism as a value is consistent with the notion that materialism reflects the importance a person places on possessions and their acquisition as a necessary or desirable form of conduct to reach desired end states including happiness" (1992, 307). The authors offer a new scale to measure materialism, a value oriented scale drawing upon three belief domains: acquisition centrality, the role of acquisition in happiness, and the role of possessions in defining success.

What are we to make of this new materialism measure? While the authors should be congratulated for the extraordinary effort they have made to develop and empirically test the scale, making it a likely leading candidate for scholarly investigations of materialism in the future, the instrument is not free of the conceptual problems noted earlier. For example, most of their scale items deal with material goods in general,



but a few focus on costly goods (material wealth). Also, all of the items treat acquisition or possession, but none consider two other activities commonly associated with the materialistic behavior of consumers, i.e., product use and disposal. Nonetheless, as indicated, the scale offers a most promising instrument to advance understanding of the materialism concept.

## PROTESTING MATERIALISM

While scholars have been content to dissect and analyze materialism, some practitioners have seen the need to become advocates against certain types of materialism. These advocates have adopted a medical model of materialism by claiming that the phenomenon is generally unhealthy for the individual and the society, with some varieties or strains being especially harmful. A more sophisticated rendering of this approach might be referred to as the "cholesterol model of materialism." It recognizes that, like cholesterol, material goods are necessary for survival, but recommends that one limit oneself to moderate levels of consumption. Furthermore, the model recognizes that some varieties are especially harmful (the LDLs of materialism) while others may actually be helpful (materialism's HDLs). Among the LDLs are some of the concepts we have already discussed, namely material wealth, terminal materialism and commercial materialism. The HDLs are a more controversial category which, indeed, may not exist for some advocates, and for others may be limited to such concepts as instrumental materialism or non-commercial materialism. In a larger sense "HDL materialism" may be thought of as "utilitarian materialism" where the emphasis is on securing and using high quality goods to help people perform life's basic functions.

HDL materialists may be found today in the voluntary simplicity movement. Its antecedents go back to the early days of the consumer testing movement in the United States. Consumers Union, it will be recalled, was established during the Great Depression of the 1930s, and it represented an attempt to help people buy high quality products, regardless of brand name, to satisfy many of life's basic needs. Since then, of course, the organization and its magazine, *Consumer Reports*, have moved up several notches on the Maslow hierarchy of needs to provide "best buy" information on such non-essentials as camcorders, home computers, and sophisticated stereo gear and photographic equipment.

As indicated, HDL materialism is controversial, and some advocates may question whether any forms of materialism can be considered healthy. While LDL materialism is also controversial, it is not because advocates are unsure of its existence; rather, the concern here is with what varieties of materialism should be included, or even more critically, given center stage attention in advocacy campaigns. Two North American non-profit organizations have recently answered this question by focusing on the commercial aspects of materialism. These organizations, the Media Foundation and the Center

The magazine's staff is concerned that "in spite of the (ecological) forces imperiling our planet, advertisers are telling people to consume more than ever," and this concern is apparent with educational materials on environmentalism and with a "tubehead" campaign against TV addiction.

for the Study of Commercialism, are briefly described below.

Headquartered in a house near downtown Vancouver, the Media Foundation is Canada's recent entry into the battle against commercial interests. The foundation is best known to Canadians and Americans for *Adbusters*, its quarterly magazine designed "to change the way we think about advertising." The magazine offers a forum to consumers who are concerned about the impact of advertising. Included here are "environmentalists who want to break the consumption binge, women who are fed up with the way they are portrayed in ads, and parents and teachers who are fighting the battle against the values advertising encourages in children." The magazine has a distribution list of 20,000 which includes environmentalists, educators, business and government leaders, as well as advertising agencies. Its small staff, which is supplemented by volunteers, is savvy about advertising; indeed, at least one of the magazine's founders has won awards for commercial ads he designed before launching *Adbusters*. And this background of "getting one's hands dirty" (some might say in more ways than one!) shows in the sophisticated and professional treatment of the magazine's material. Especially noteworthy in this regard are the satirical articles and depictions reminiscent of the *National Lampoon* or "Saturday Night Live." The magazine's staff is concerned that "in spite of the (ecological) forces imperiling our planet, advertisers are telling people to consume more than ever," and this concern is apparent with educational materials on environmentalism and with a "tubehead" campaign against TV addiction.

Looking next at the Center for the Study of Commercialism (CSC), one finds a small operation housed in Washington, DC in the quarters of the Center for Science in the Public Interest (CSPI). This location for the CSC is not coincidental, since CSPI's executive director, Michael Jacobson, is co-founder and director of CSC. Since its establishment in 1990, the CSC's activities have made clear that its title is a misnomer in that it is less of a "study" organization and more of an advocacy organization, with a focus on "exposing and opposing excessive commercialism." To illustrate, the CSC advocates:

1. banning "junk" telephone calls,
2. banning advertising aimed at children,
3. boosting the cost of sending junk mail,
4. eliminating corporate promotions in schools,
5. developing curricula on commercialism and media literacy for high school students, and
6. creating public service messages encouraging people to consume less, to be skeptical of advertising claims, and to spend TV-free days.

The CSC issues a quarterly newsletter, *AdVice*, to its members, and has recently published a report by its co-founder (Ronald K. L. Collins) on the "corrupting effect of advertising pressure on a free press."

#### CONCLUDING COMMENTS

What does the future hold for materialism in research and practice? While crystal-balling is always a hazardous activity, there is reason to believe that efforts in both arenas will continue and, perhaps, at an accelerated pace. In 1985 Belk noted that in light of the importance of materialism as a concept, "it is amazing that" it has "received so little research attention." Just eight years later, dozens of papers have appeared, and the 1992 materialism workshop in Canada is likely to generate more. Also contributing to this research movement is the new Richins and Dawson materialism scale which provides a new easy-to-administer instrument for the collection of data.

Looking next at the world of practice, it seems likely that the organized anti-commercialism efforts we have briefly reviewed will continue but it is not clear that their low levels of financial and popular support will expand to permit them to be influential forces in society. One ray of hope is evident in the recent writings of leading environmentalists—writings which focus less on the negative (e.g., anti-consumerism) and more on the positive with their stress on nonmaterial sources of fulfillment yielded by a simpler lifestyle (e.g., Durning, 1992) as well as one closer to nature (e.g., Shabecoff, 1993).

In his recent book on "the consumer society and the future of the earth," Durning gives voice to what he believes is needed:

The future of life on earth depends on whether we, among the richest fifth of the world's people, having fully met our material needs, can turn to nonmaterial sources of fulfillment. Whether we—who have defined the tangible goals of world development—cannot craft a new way of life at once simpler and more satisfying. Having invented the automobile and airplane, can we return to bicycles, buses, and trains? Having pioneered sprawl and malls, can we recreate human-scale settlements where commerce is an adjunct to civic life rather than its purpose? Having introduced the high fat, junk-food diet, can we instead nourish ourselves on wholesome fare that is locally produced? Having devised disposable plastics, packaging without end, and instantaneous obsolescence, can we design objects that endure and a materials economy that takes care of things? (1992, 149)

He concludes his work as follows:

In the final analysis, accepting and living by sufficiency rather than excess, offers a return to what is, culturally speaking, the human home: to the ancient order of family, community, good work, and good life; to a reverence for skill, creativity, and creation; to a daily cadence slow enough to let us watch the sunset and stroll by the water's edge; to communities worth spending a lifetime in; and to local places pregnant with the memories of generations. Perhaps Henry David Thoreau had it right when he scribbled in his notebook beside Walden Pond, "A man is rich in proportion to the things he can afford to let alone" (1992, 150).

With eloquent words such as these to inspire, energize and direct its efforts, the fledgling anti-materialism movement may yet have a chance to have its influence felt in society in the years ahead.

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# INVOLVING UNDERGRADUATE STUDENTS IN FACULTY RESEARCH

Whether headed for the job market or graduate school, undergraduate students can benefit from participating in faculty research projects. Those students seeking jobs benefit from enhanced problem solving skills learned from the research process. Undergraduate students, who often don't understand how graduate study will be different, can learn about the research dimension of graduate school while still undergraduates. Faculty also benefit since undergraduate research assistants can enhance faculty productivity.

This article describes a faculty research project that involved undergraduate research assistants. It offers specific recommendations to faculty considering implementing a research apprentice program.

The focus is on recruiting student research assistants for a faculty project rather than a student-initiated undertaking; see Hayes (1989) and Wang and Dolan (1991) for descriptions of the latter. While involving undergraduates in research is not a new idea, more consumer science faculty should offer an individualized research assistant opportunity to selected undergraduates. Although this article focuses on the field of consumer science, the following process can be applied in a variety of academic disciplines.

## WHY INVOLVE UNDERGRADUATES IN RESEARCH?

The benefits of internships for consumer science majors are undisputed and mentioned frequently in the literature (Garman, 1990; Goldsmith and Vogel, 1990; Reagan, 1989; Savoian, 1983). However, our professional literature contains little mention of the value of an undergraduate research experience. Graduate students are expected to conduct re-

search, but undergraduate students can also benefit from research experience.

In home economics, the home base for many consumer science programs, Breen (1983) noted that the push to promote faculty research productivity has overshadowed attention to undergraduate research. Yet, undergraduate students can reap a variety of benefits from participation in research (Breen, 1983; Hayes, 1989; Wang and Dolan, 1991).

To be prepared for careers in government and industry, consumer science students need survey research skills (Garman, 1990; Goldsmith and Vogel, 1990). Students who expect to pursue a consumer education career can also benefit from acquiring the systematic analysis skills required in research. Vosburgh (1987) makes a strong case for the role of research in consumer education. In fact, involvement in the research experience fosters inquisitiveness, active learning, and problem solving skills, which are important for every student.

One way to introduce undergraduates to research is to incorporate a research project into a course. However, this approach often doesn't involve all students in every phase of the process as time limits often require dividing responsibilities among teams of students. Faculty who plan to incorporate a research experience into the classroom can find valuable recommendations in the consumer science literature (viz., Hayes, 1989; Wang and Dolan, 1991).

A faculty-student research project that involves both graduate and undergraduate students is also an excellent way to foster faculty-student cooperation. Sawyers, Moran, Fu, and Milgram (1982) describe a research team consisting of faculty, graduate students, and undergraduates. However, such an undertaking is more extensive and complicated than would be feasible for many faculty.

## PLANNING FOR AND SUPERVISING STUDENT PARTICIPATION

To decide if an undergraduate research program is feasible, consider how well your planned research activities match the skills of undergraduate students.

Undergraduates are competent for many research tasks including library searches for literature reviews, tasks associated with mailed survey data collection, data entry, and data checking. However, few undergraduates have the skills and experience to analyze data without extensive supervision. Seniors with a background in elementary statistics and computer skills could be expected to perform many of the same research activities as first year masters students. With supervision they can run frequencies for initial data cleaning, locate the mis-codes, check the original survey, and correct the data. This is a time consuming task that builds basic research skills.

Also consider whether you can make the research experience meaningful for the students. They may be disappointed if their only assignments are routine tasks, such as stuffing envelopes for a mailed survey, no matter how essential the task may be to the research process. Participation in a variety of research activities will give students a broad overview of the research process and increase the value of the experience.

During the planning stage, determine whether your university has guidelines for undergraduate research to aid in planning and implementation. If no guidelines exist, consult campus Cooperative Education and intern programs for help in setting the number of hours of work required for each unit of credit. The consensus at my university was 30-40 hours of work per credit hour. Since office space may be limited, consid-

er where the students will work. A location convenient for supervision makes the students feel part of the research team.

If students have to pay extra tuition for the credit, faculty might consider reimbursing the cost of tuition. Funds may be available from department or college sources to pay tuition fees or an honorarium in appreciation for their contribution. Student assistants should be acknowledged in publications resulting from their work on the project.

**RECRUITING STUDENTS.** Based on my experience, I recommend that you begin to recruit undergraduates by writing a job description of the tasks to be accomplished. Use the description to discuss expectations with prospective participants; honestly describe the experience they can expect. Since my research involved a mailed survey, the tasks included stuffing envelopes, checking and recording surveys as they arrived, managing the follow-up mailings, coding data, and entering data into the computer.

**SUPERVISING STUDENTS.** From the beginning, it is important that students understand the purpose of the research and how the data will be used. Outline the goals for the term. Try to describe to the students the relevance of each task, no matter how trivial, to the overall quality of the research project. Because it is unlikely that students will be able to experience an entire research project in one term, it is important to describe any earlier work on the project and future plans so students can see how their work fits into the overall project.

When human subjects are involved, discuss confidentiality. Emphasize the value of meeting deadlines so the project will proceed on time. Deadlines are particularly vital in a mailed survey that depends on a carefully orchestrated time schedule (Dillman, 1978).

Decide how closely you will supervise the students. Since many of the tasks in my project could be accomplished with students working independently, we met only once a week to assign responsibilities, demonstrate what needed to be done, and answer questions. Students

were encouraged to contact me between meetings if they had questions.

**EVALUATING STUDENT RESEARCH ASSISTANTS.** At the beginning it is important to discuss how students will be evaluated. One component of the evaluation could be actual progress on the project goals for the term. I asked the students to keep a journal describing the tasks they completed and what they learned. They also recorded in their journals their observations of and reactions to the research process. I referred to their journal summaries to write letters of recommendation and to evaluate the effectiveness of the process and assign grades.

**STUDENT FEEDBACK.** Both students expressed surprise at the amount of attention to detail and time required to do research. For example, they were amazed that Dillman (1978) had written an entire book describing how to conduct a mailed survey including precisely how to fold the surveys when stuffing envelopes.

The students became experienced envelope stuffers and improved their computer word processing skills. However, according to the students, the most valuable learning activities were coding the data, coding occupational status, and conducting a content analysis of the respondents' written comments. The two students read all comments from respondents, identified major themes, developed a coding scheme, coded all comments independently, and compared their codes for reliability. From the content analysis they suggested questions to include in the next phase of the research.

The students pointed out problems in the response categories (not all possible options were represented) and suggested improvements to the instrument for future data collection. Thus, they learned that refinements may be needed in an instrument even after a pilot study.

### CONCLUSIONS

**BENEFITS FOR THE STUDENTS.** The most obvious benefit for students is the opportunity to participate in the research process. Another benefit was a detailed letter of recommendation for their files describing their contribution to

the project and the skills they learned. Additionally, research, inquiry, and problem solving skills are important preparation for students, regardless of their career choices. Student researchers should develop an appreciation for the complexity of issues, learn the questions to ask before accepting the results of a survey, and appreciate that non-respondents may differ from respondents. Students who learn to be skeptical, to analyze issues and survey results, and to consider alternative hypotheses and explanations for consumer behavior are better prepared for their multiple roles as consumers, consumer advocates, employees, and citizens.

A long term benefit of an undergraduate research project is that students learn that research is a key difference between undergraduate and graduate programs. The students also develop an appreciation for what faculty do with much of their time spent outside the classroom. Also, involving students in research is one way to encourage students to consider a career in research and teaching. In fact, discussions of career opportunities and graduate study came up often in our weekly meetings.

### BENEFITS FOR THE

**RESEARCHER.** The most obvious benefit to the researcher is assistance from bright, enthusiastic students. It was a pleasure to discuss research, graduate school, and the role of a faculty member with them. With an expanding enrollment and larger classes each term, it was enjoyable to work closely with a couple of top undergraduates in a professional activity where the students weren't concerned solely with grades and exams.

With limited research funds and pressures to publish, recruiting selected undergraduates as research assistants promises to enhance faculty research productivity. At the same time, we can also recruit prospective graduate students. While considerable time was invested in the project the benefits outweighed the costs.

The opportunity to utilize the talents of undergraduate students is not limited to teaching faculty. Cooperative Extension Specialists who are involved in research

could work with instructional faculty to identify potential student assistants. In addition to learning about one of the largest consumer education networks, students could also explore the potential for a career in Extension.

**BENEFITS FOR CONSUMER SCIENCE PROGRAMS.** An undergraduate research project may facilitate recruitment of students from other disciplines to both undergraduate and graduate programs. In the long term, the rising age of university faculty combined with the decline in the proportion of American students pursuing graduate degrees suggests a need to recruit faculty for the next century. Faculty need to begin recruiting and training our replacements at the undergraduate level.

**BENEFITS FOR PROSPECTIVE EMPLOYERS.** Although the purpose of this article was to describe the benefits to students and faculty of involving undergraduates in the research process, employers will benefit too. While few entry-level consumer science jobs require research expertise, many of the skills that are nurtured in the research experience can be useful in the workplace (Garman, 1990; Goldsmith and Vogel, 1990). In the field of consumer science, specifically, many jobs require assessing consumer needs and satisfaction with products or services. These assessment skills can be learned through participation in research.

The research experience fosters critical thinking skills, the ability to deal with the unexpected, and attention to detail as well as an understanding of an important issue. All of these skills are assets for employers.

In sum, an undergraduate-faculty research partnership offers a mutually beneficial situation for students and faculty. It can enhance job-related skills and may serve as a recruitment tool for graduate students.

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JEAN M. LOWN

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## PLINY THE ELDER, FRANCIS BACON, DIDEROT, AND.....BROBECK

**A** sign of the importance of both the consumer movement and scholarship on it is the upcoming publication of the *Encyclopedia of the Consumer Movement*. Stephen Brobeck, executive director of the Consumer Federation of America and author of *The Modern Consumer Movement* (G.K. Hall, 1990) was asked by Garland Press, a publisher specializing in encyclopedias, to serve as editor of a 700-1000 page book that would become the standard reference on the U.S. consumer movement. Steve then recruited ACCI members Bob Herrmann and Rob Mayer to serve as consulting editors.

Any encyclopedia is only as good as its entries and authors. Where would the *Encyclopedia of Philosophy and Psychology* have been without the contributions of John Dewey? Can one imagine the *International Encyclopedia of Economics* without entries from Milton Friedman, John Kenneth Galbraith, and Paul Samuelson? And would the *Encyclopedia of Prophecy* deserve its name without a contribution from Jean Dixon or the *Encyclo-*

*pedia of Police Science* without an entry by Darrell Gates?

To insure the quality of the *Encyclopedia of the Consumer Movement*, the editors would appreciate receiving your suggestions for entries and authors. To guide your thinking, note that the editors are currently compiling entries organized around:

- basic concepts (e.g., consumerism, consumer movement, social responsibility),
- movement activities (e.g., advocacy, education, product testing),
- product/service issues (e.g., auto safety, credit protection),
- leaders (e.g., Colston Warne, Ralph Nader, Esther Peterson),
- organizations (e.g., FDA, Consumers Union, Better Business Bureau), and
- developments in other nations.

To be most useful, the editors need your suggestions by the end of 1993.

Please send your ideas to:

Stephen Brobeck  
Consumer Federation of America  
1424 16th Street, N.W.  
Washington, D.C. 20036

## CONSUMER EDUCATION

# HOME BUYING: INVOLVEMENT OF PROFESSIONALS

**B**uying a home is typically one of the biggest economic investments a person makes. Yet because it is an infrequent purchase and because the home is partly a credence good, individuals usually rely heavily on "professionals" in hopes of optimizing their satisfaction with the place where they will spend much of their time. Is reliance on the professionals, (i.e. real estate agents), associated with the home buying process justified? This article examines this issue and emphasizes the role of an independent home inspector in providing the prospective home buyer objective information upon which he or she may base decisions.

## REAL ESTATE AGENTS

In the author's opinion, it is often helpful, but not necessary, to obtain the services of a real estate agent to help a buyer find a home. If the consumer decides to use a real estate agent, it is recommended to interview several agents before selecting one. The buyer should avoid signing any contracts, including buyer broker agreements, which would obligate him or her to buy a home only through a given real estate agent. If the buyer feels the real estate agent is not doing a good job in finding a home, such a contract could force the buyer to continue using the agent.

One method for a buyer to find a real estate agent is to preliminarily search any preferred neighborhoods to locate homes for sale through real estate agents. Some consumers have found that using the same real estate agent who is listing the property can actually help the buyer negotiate a better price because the agent realizes that he will receive a double commission if the deal goes through.

Real estate agents are agents of the seller at worst and agents of the buyer at

best. The conflict of interest with payment of commission coming from the seller will never be the best method of buyer representation. For example, a real estate agent would be obligated to tell a seller the maximum a buyer would pay for a property even though a lower price is offered. The real estate agent could not legally tell the buyer how low the seller is willing to go. Some states have come to view the conflict of interest in representing buyer and seller or representing the buyer but "only" accepting the commission from the seller as a situation of great concern. Although no states have enacted statutes or regulations prohibiting such an arrangement, as is prohibited with attorneys, some states have promulgated regulations which require expanded and complete disclosure of the conflict of interest to the buyer and renaming of the dual agency status more appropriately, (e.g., "limited agency") (Utah State Real Estate Commission Rule 6.2.16.4). If the agent intends to accept any commission from the seller, regardless of agency status, that real estate agent's economic interests will be to sell a house cost-effectively with regard to time. Whether buyer satisfaction enters into the equation at all is probably primarily a function of the real estate agent's interest in a satisfied buyer and repeat business when the buyer wishes to buy again. This may not be very common.

Frequently, the real estate agent "takes care" of all the arrangements for the buyer (title insurance company, mortgage company selection, closing company, insurance, home inspector, etc.) even though in so doing they may be establishing an undisclosed dual agency in the process. The concern here is that the agent may, at best, be steering the buyer in the direction of using support services which, in the real estate agent's

previous experience, have resulted in fewer complications in reaching the agent's goal of closing on the house. This is not necessarily the same interest as, and is usually quite different than, the buyer's interest in getting the lowest mortgage rate, having a thorough home inspection, etc.

This real estate agent referral "network" has generated such great concerns to some, that at closing, signed assurances are required from the buyer that he/she is not aware of any fee being provided by some support services (e.g., loan officer) to the agent for referral benefits received. Perhaps it would be more appropriate for the agent to sign such a form as a more direct measure. Numerous other ethical and legal analogies can be made to these circumstances (Boatright, 1992). Also, the consumer should be aware of the "buyer consulting firms" that end up just being a real estate office.

## ATTORNEYS

Another option may be to hire an attorney who regularly assists buyers in purchases. The attorney may consult a mortgage company, home inspector, etc. Some good written material exists for guidance in selecting and dealing with an attorney (see Nader and Smith, 1992). Attorneys are relatively inexpensive considering that, outside of the home inspector, they are likely to be the only person obligated to serve only the buyer in the transaction and will rarely, if ever, have any conflict of interest. The buyer should be sure, however, that the attorney does not regularly represent real estate agents or any real estate agent or broker associations.

The best use of an attorney would be to review anything the consumer is asked to sign and to answer any specific questions. To avoid overreaction on the part of the seller, it is recommended not to mention the use of an attorney to the seller or real estate agent, especially if the use of attorneys is rare in the region. Also, for similar reasons, it is generally best for the homebuyer to do much of the legwork of a home purchase his or herself, especially when it relates to a function which is critical to the homebuyer



(e.g., choosing the best mortgage, title insurance, law or home inspection firm).

### CONSUMERS

Consumers should become familiar with neighborhoods they are interested in and begin to compare asking prices for properties being sold "by owner" (without a real estate agent). This way, consumers can envision their options. Once confident of this, the buyer may be ready to make an offer on a property with the advise of an attorney. "Back up" offers—offers that are contingent on a previous offer not going through—should be considered in a seller's market. Too often buyers make an offer on a house only to find they do not financially qualify. Also, a "subject to inspection" clause should be included in the offer which allows the buyer to void the contract if, after an inspection by a qualified inspector (not an appraiser), the condition of the house is not to the buyer's satisfaction. Such a provision should legally allow the buyer to void the contract if it is discovered that the house is, for instance, in below average condition when the offer assumed it was in above average condition. Such a provision may also allow one to renegotiate the price if any significant unexpected items are revealed through the report. Once a seller has accepted the offer, a qualified home inspector should be selected to evaluate the condition of the home.

### HOME INSPECTORS

The more cosmetically appealing a house, the more likely a buyer will have unrealistic expectations of the home's actual physical condition. Homes with non-original construction (e.g., an addition or basement finished after the house was built) or foreclosures are types of homes that will typically have the largest number of problems. The buyer should choose a home inspector who provides a written report and allows the buyer to go on the inspection, even if questions during the inspection are not allowed. The inspector evaluates items in the home that need repair and in many cases identifies items that represent preventative maintenance.

A home inspector is not a code inspector. Often real estate agents will attempt to talk a buyer out of an inspection by

claiming the municipality or FHA, etc., automatically arranges for an inspection and the buyer should not waste their money on an additional inspection.

Inspections by FHA or municipalities typically last only a few minutes and do not cover the same issues addressed by a home inspector due to time limitations on the part of the code inspector and because the code inspections do not address repair and maintenance issues, only issues relating to whether a new home satisfies code requirements.

The use of American Society of Home Inspectors (ASHI) affiliated inspection firms is recommended. ASHI has ethics provisions prohibiting the inspector from working on any home inspected (and vice versa) and from referring the buyer to a given contractor for work. This is a set of standards which is recognized nationally as the standards of choice. Many ASHI members come from construction or repair and maintenance background. Other associations (e.g., National Association of Home Inspectors), franchises and training institutes, do not demand a tenth of what ASHI does before certifying an inspector or sending them out with their blessing to do home inspections. ASHI requires passing a roughly full day exam covering all aspects of a home inspection along with minimum inspection experience (currently 250 inspections) and time experience requirements.

A home inspection covers the electrical, plumbing, heating, air conditioning, roof, structure (although not at an engineering level), foundation, exterior and interior. Typical problem items include exposed electrical connections, furnaces that are not functioning properly or are improperly installed or unsafe stairs or steps.

If a real estate agent is involved, he/she may have recommended not having an inspection or he/she may have recommended the use of an inspector on the agent's special "list." Ask the real estate agent for a copy of the inspection form on the last home the agent personally purchased. Some real estate agents will recommend one inspector to their clients but use a different one for their own purchases.

Referral kickbacks from inspectors to real estate agents do occur. This is one of

many places where it is critical for buyers to do some of their own legwork. Check the Yellow Pages under "Building Inspectors" to evaluate the inspection companies available. Inspectors on the real estate agent's list who do not advertise publicly may tend to be heavily reliant upon real estate agent referrals for their business. This can affect their objectivity in the inspection and their resulting recommendations. The relationship of some inspectors and agents may depend somewhat on the competitiveness of the inspection industry market in a given area. Some inspectors have been discovered to have been giving "kickbacks" to agents in exchange for the referrals. Some agent/inspector relationships go beyond "cozy." In some cases the agent may give the inspector a "benefit" for being soft on poor condition homes by referring all the homes he/she sells to the inspector. Some realtors ask some of their unqualified and inexperienced friends or neighbors to start up an inspection business with the guarantee of many referrals and high pay so long as the inspector doesn't "kill deals."

Ask the inspection companies to calculate or estimate the number of repair and preventative maintenance items they found in their last five inspections. Such information is a good guide in determining the dollar value of the service available since the more thorough inspection companies will have the higher number of items found.

Some companies offer what is sometimes referred to as a "comprehensive" inspection which typically involves a week or more of manhours and is intended to be more thorough than the typical general inspection. Simply by doing a little math it is not difficult to discover that the marginal cost of an inspection which approaches 100% discovery of problems in the home exceeds the marginal benefit since a good general inspection may find 80-90% of the major problems in a home and costs one thirtieth of the comprehensive inspection.

In interpreting inspection information ignore subjective analysis by the inspector ("you are buying a very nice home") and instead rely on objective information ("the water heater is leaking badly and will cost about \$350 to replace"). If the

inspector says a home is above average, ask him/her to give objective information why he/she thinks so (e.g., "many homes in this age range have an older furnace than this one"). Avoid an inspector who consistently rates homes above average to avoid becoming a "deal killer" in the real estate agent's eyes.

When evaluating advertising for home inspectors, remember that only Oregon and Texas currently have licensing or registration requirements for home inspectors. In other states, advertising "licensed" may only mean the firm has a business license or contractor's license neither of which qualify one to do home inspections. States who may license in the future will see that the political power of the real estate and construction industries is far greater than that of the inspection industry. Without the support of consumer groups in the process of promulgating or amending state legislation on home inspector licensing, the law is likely to be very real estate agent and contractor oriented. Advertising "insured" may mean anything from workers compensation insurance to errors and omissions

insurance (the important kind). If an inspector claims ASHI affiliation, ask for a copy of the primary inspector's certificate of membership or member card. With FHA loans, up to \$200 of the inspection fee for an ASHI member-originated inspection can be added to the principal in the loan (FHA mortgagee letter 88-16 and 88-5) avoiding some additional upfront buyer cash outlay and the risk of not qualifying for an important aspect of buying. These same mortgagee letters can also be used to convince FHA that items found by an ASHI affiliated firm need correcting before the sale can close.

An inspector's liability is not an easy concept to definitively identify. It may be based on negligence or contract. If an "above average" inspection firm for the area is chosen, basing a law suit on negligence is less likely since negligence is based on the "average" quality of inspections in the area. The more knowledgeable and conscientious inspection firms will tell the limitations of the inspection upon order over the phone. Typically a written contract is used which should carefully delineate what is and what is not

expected to be covered by the inspection. The ASHI standards are typically referred to in the contract as a guide. However, consistency from home to home and from inspector to inspector is currently a problem. It is not unusual to find at least several items in an inspection report different from one inspector's evaluation to another's, even within the same firm.

New homes need inspection as much as existing homes although the new home inspections are generally referred to as "quality of workmanship" inspections rather than code or condition inspections because they are new and allegedly should not have repair or maintenance requirements. One of the most common public misconceptions is that new homes have no problems. In fact, the number of problems in new homes is similar to homes up to 10 years old. In one inspection firm's evaluation of homes previously inspected, the worst home in the zero to 10 year old bracket was a new home the buyers were told they must close on the next day.

CONTINUED ON PAGE 36—HOMES

#### CONSUMER OPINION

## TRADING HEALTH AND EDUCATION FOR JUNK FOOD AND HAIR CARE

The answer to America's economic woes can be found in cookies, pornography and hair spray. Many of us want the government or someone else to foot the bill for education, health care and all the other boring stuff, claiming that we simply don't have the money to pay for them ourselves. And yet, each year U.S. consumers spend \$5.6 billion for cookies, \$8 billion for pornography and \$505 million for hair spray. How can a people that has the moral will to buy 100 million M&Ms a day seriously wonder where the dough is going to come from to pay

for all the services we say we need but cannot possibly afford? Isn't it obvious?

The problem in America is not that we don't have money. The problem is that we have gotten used to having so much money that we simply cannot imagine doing without what we have come to regard as necessities—like tortilla chips, marshmallows and potato chips, on which we spent \$6 billion in 1991. Ross Perot is fond of saying that "the devil is in the details." But the real villain is in our obsessions, our insecurities and our vanities. We seem to be able to find billions of dollars every day to primp, exercise and

otherwise to pacify ourselves and our families. Small wonder that there is little, if any, money left for the real essentials and that we are fading into oblivion as a world economic power.

Since only 13% of American women consider themselves pretty and only 28% of U.S. men think they are handsome, it is no surprise that "America the Beautiful" has become our real national anthem. While from "sea to shining sea" we cut money from schools, in 1991 U.S. consumers found \$62 billion

CONTINUED ON PAGE 36—JUNK FOOD

## BOOK REVIEW

# THE AMERICAN DREAM

Foudy, M. (1992). *Reinventing America: A Common Sense Domestic Agenda for the 90's*. The Institute for American Democracy Press.

This is a book with a mission. Raising a call to action, Foudy admonishes readers of this 195 page paperback to "stop allowing yourself to be the victim of forces which appear to be beyond your control...stand...be counted as American citizens willing to defend our way of life and fight for our children's future....make the American dream a reality for yourself, your family, your community, your country, and the world" (p. xiv). Why rally to the cause? Because, Foudy contends, America is afflicted with a disease that could prove terminal to the American dream unless prompt and responsible action is taken.

What is this disease? Why has America contracted it? What is to be its remedy? Why is this remedy important to the author and to all other Americans? In the four parts of this book, Foudy addresses these questions.

The disease is an economic and political system functioning "out of structural balance." In Part 1 of his book, Foudy asserts the disease began when America, emerging dominant, powerful and triumphant from World War II, shifted emphasis from production to consumption. Gradually, Americans began to take dominance in the world economy for granted, relaxed work efforts, demanded entitlements from government, and financed consumption with ever-increasing amounts of debt. Money became less a medium of exchange and more an indicator of personal worth. Character, cooperation, and conservation for the next generation were supplanted by selfish pursuit of position and possessions.

In this pursuit, Americans ignored the "natural balance between the raw materi-

als produced, their value (hence the value of money), and the total output of society" (p. 20). Drawing from and building on ideas expressed by Adam Smith in *Wealth of Nations* and contemporary writers of like mind, Foudy argues: (1) value results from adding labor to raw materials obtained from nature, (2) the economy is in balance when a ratio of approximately 1:7 is maintained between the money earned in the raw materials sector and the total income earned in the economy, (3) use of debt to finance current consumption prevents the economy from reaching its natural balance (the equilibrium price resulting from unhindered interplay of supply and demand in the market) and (4) symptoms of an out-of-balance economy include trade deficits, increasing rates of unemployment and underemployment, lower levels of living, the Savings and Loan fiasco, the junk bond debacle, a focus on money as power, in short, what Foudy labels "The Current Situation."

Disease symptoms are also evident in our political system. In Part 2, "Government & Politics," Foudy contends America has gradually drifted away from a government "by the people and for the people" to a government by the powerful on behalf of special interest groups who funded the political campaigns. Intimidated and alienated by such a government, many average Americans have become political dropouts, disdaining the political process, ignoring the issues, neglecting to vote, and resenting the government.

What is the remedy? Recognize the political system is an ecosystem. Understand that short-sighted actions designed to solve a single issue can generate unintended negative consequences. Awaken the average American to realize they are responsible for their actions, participants in a political ecosystem who can act with knowledge, integrity, and influence, and members of an interdependent and interactive community.

"Holistic Politics" is the theme of Part 3. Foudy gives specific recommendations for solving problems facing America regarding: money, foreign trade, taxation, drug abuse, social services, health, education, welfare, government and politics, environment and homes, foreign policy and defense.

Balance in America's economic and political systems can and will gradually be restored, Foudy believes, when individual Americans begin to restore balance to their own personal lives. This prescription for "Reinventing America" is outlined in Part 4. In the style of a self-help author, Foudy encourages his readers to: take time to reflect on the meaning and purpose of life, take control of and responsibility for their own lives, inventory and examine their beliefs, think critically about issues and ideas, raise questions, act in the present, get out of debt, save 10% of income, vote for economic and personal freedom, and buy quality, buy American.

A person looking for an in-depth, historical treatment of American economic and political issues would not find it in this book. Foudy paints historical scenes with a broad brush. Those with a background in American economic and political history can fill in the details. Others may be at a disadvantage. Often, Foudy cites other authors by only a name and title in the text. The list of recommended reading given at the back of the book does not cite all authors mentioned in the text.

Foudy's purpose is not primarily to educate but to incite the complacent reader to take an active part in life, economics, and the political process. The book is best understood as Foudy's own observations, ruminations, frustrations, recommendations, and ideals emerging from his quest to discover the cause and remedy of present problems in American economics and politics. As such, it covers only territory he has explored. Interestingly, having begun this quest as a liberal, he emerges with many observations and recommendations which align with conservative economic and political views.

Discussion of the impact of technology on resource use and productive capacity and of the challenges America faces in an increasingly global economy are conspicuously absent. And, although Foudy states he wants Americans to understand their "political and economic potential and... take command of the political and economic instruments available" (p. xviii), the reader is given no practical instruc-

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HOMES—CONTINUED FROM PAGE 34

There are other things a consumer should be aware of concerning inspectors. State laws on code violations (which typically are not applied to existing home inspections since code is applied to new construction) vary from state to state with some requiring the reporting of code violations to the local authorities by some non-code prepurchase home inspectors while most states do not. Attempts should be made to find an inspection company that gives estimates of cost to repair on most of the items reported, and that estimate the remaining useful lives of the roof, water heater, and furnace. Except for perhaps the upper midwestern states, most areas also have problems with wood-destroying pests (e.g., termites, wood boring beetles, carpenter ants, etc.). The buyer should at least evaluate how common such pests are in the area and how much damage they can cause by calling the state agriculture department.

In general, consumers should remember to review and feel confident about any documents they are asked to sign. By following these guidelines, a rare but difficult process can be carefully completed. Consumers should keep the information they've collected, and even keep a journal of the process, because if they're like most households, they'll be selling their new home and buying another within the next 10-15 years.

Boatright, J. R. (1992). Conflict of interest: An agency analysis. In *Ethics and Agency Theory*. Bowie, N. E. and Freeman, R. E., eds. New York: Oxford University Press, 187-203.

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Thomsett, M. C. (1990). *How to Buy a House, Condo or Co-op*. Mt. Vernon, New York: Consumers Union.

**STAN HARBUCK**  
*Home Inspection Services of Utah*

JUNK FOOD—CONTINUED FROM PAGE 34

to spend on toilet articles, barbershops, beauty parlors, fitness fixations, and other cosmetic indulgences—almost as much as the \$70 billion we spent as private citizens for education.

Physical exercise is good, but fiscal restraint is just as good—or, some would argue, even better. How quickly we have forgotten the truth of the song "The Best Things in Life Are Free." It doesn't cost a penny to do pushups and yoga or to jump rope, but Americans can't seem to exercise without satisfying a fetish for props. We shell out \$2 billion a year for home exercise equipment and pay \$14 million a day for health club memberships, most of which go unused in spite of our best intentions. We seem to be more intent upon becoming a nation of incredible hulks than we do about being able to pay our own health care costs.

We finance our foibles because as Americans we are a wonderful and generous people. We are filled with hope. That is, no doubt, why we wager \$18.8 billion each year on lottery tickets. We love our children. That is perhaps why we spend \$15 billion a year on toys, instead of reading to them for free. We spare no expense to reach out to each other. That's why every day four people have the money to call Graceland asking to speak with Elvis Presley and 41,000 toll calls are made to dial-a-porn numbers. Objectively speaking, haven't we gone mildly mad?

Perhaps the prospect of an America without our gadgets and fads is simply too puritanical to bear. But like it or not, our future hangs in the balance. The excesses of American consumers make Pentagon cost overruns look like pocket change and thousand-dollar toilet seats seem like a bargain. For a few less tortilla chips, we, the American people, can reorder our spending priorities and reshape our national destiny for the immeasurable good. There is no tax break, spending cut or government program that could possibly generate the money to educate our children, defend our borders or pay for health care as quickly or as effectively as our facing up to what we can do without, so that we can afford what we really need.

As a people we always have had an enormous resilience, an ability to come back to reality after having lost ourselves in pursuit of one extreme or another. Fortunately, even in our sea of blind consumerism there are signs of hope. Preliminary studies suggest that consumers may now believe that it is possible to lead a normal life without driving a BMW.

We are so ready, willing and able to find money for passing fancies and pernicious foibles that we should be ashamed of ourselves for ever crying poverty in front of one another, let alone before the rest of the world. The answer to all of our problems begins and ends in our cookie jars. We have been so busy making sure we have enough chocolate chips that we forgot we really need the money we have for "meat and potatoes."

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DREAMS—CONTINUED FROM PAGE 35

tion in identification and effective use of these instruments. An appendix explaining, for example, how to contact elected representatives and track their voting records on issues could be helpful for the former "political dropouts" Foudy prods to action.

The book could have a place as a supplemental reading in an upper-division course focusing on current economic and political issues and ideology. While many may take issue with various aspects of Foudy's analysis and recommendations, few can argue with his basic premise that positive changes in our American economic and political system are needed and that taking personal responsibility to make the changes that one can make is a good place to begin.

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*University of Alabama*

## BOOK REVIEW

# AUTO ACCIDENTS SANS LAWYERS

Anosike, Benji O. (1993). *How To Settle Your Own Auto Accident Claim Without a Lawyer*. Do-It-Yourself Legal Publishers.

In some cases it may not be necessary to hire an attorney to help settle a claim. Yet many consumers engage the services of an attorney, because they do not *know* how to go about resolving the situation on their own. For these cases, it is advantageous to the consumer that there are "how to" books on the market that will help the consumer resolve the situation without having to solicit a lawyer. *How To Settle Your Own Auto Accident Claim Without a Lawyer* is one of these books. The book begins by citing research that has found most claimants proceed in settling their auto accident claim without a lawyer. However, representation by an lawyer and size of settlement are strongly correlated. Several situations which best lend themselves to settlement without a lawyer are given. For example, cases which are less likely to require a lawyer are ordinary, routine, involve mild injury, or minor economic losses, etc.. It is for these cases that this book attempts to provide knowledge and information to settle the claim, at a much lower cost to the consumer. In fact, if the book succeeds in helping to aid the consumer to get the maximum claim settlement, the consumer saves both time in receiving the settlement, and approximately 30% of the claim which would have gone to the lawyer. Indeed, the consumer stands to gain if he or she is able to use the book to its fullest potential.

The book provides a comprehensive, step-by-step outline that guides the consumer through the auto claim process; from accident to estimating worth of the claim, and finally to collection of the claim. There is even a section on "how to" use the "how to" book. To the author's credit, he acknowledges that the entire book may not be necessary for each reader. A brief synopsis of each chapter is given with helpful hints and advice to aid readers in determining how they can obtain maximum benefit from the information presented.

The book divides information presented into 12 chapters. The first chapter discusses how to decide whether to use a lawyer when settling an auto accident claim. Perhaps, this chapter is best read in the bookstore, because the reader may determine a lawyer is in fact necessary! The second chapter discusses the initial steps the consumer should take when involved in an accident, including visits to the doctor and contact with the claims adjuster. Chapters 3, 4, and 5 cover details about the information gathering process. The types of information to be collected include documentation relevant to injury, witnesses, photographs, police reports, etc.. Chapter 4 specifically focuses on the types of documentation needed to justify the dollar value of the claim. Chapter 5 provides a simple checklist for compiling all possible information relating to money damages. Chapter 6 is a detailed section on medical terminology, including most types of injuries. Chapter 7 defines fault and negligence, two necessary concepts in liability claims. Chapter 8 covers types of auto insurance and related compensations, including a detailed chart of state insurance laws. Chapter 9 begins the discussion on evaluating the worth of the claim. In Chapter 10, evaluation of more serious cases is discussed using a specific method, the Modified Sindell Method. The author's ASPON (Anosike 8-step strategic program of negotiations) formula is a systematic approach to negotiating the claim, from start to finish and is covered in Chapter 11. The final chapter covers the topic the entire book aims to avoid—how to pick the right lawyer when all else fails!

The book offers informative reference tables, charts and diagrams throughout. The appendices also provide valuable information to the reader, including a comprehensive glossary, list of abbreviations, and list of medical terms. The inclusion of all relevant information regarding both state insurance laws and addresses of state insurance commissioners is a tremendous effort, and could be of great use to all readers across the U.S..

The comprehensiveness of the entire book is one of its greatest strengths. Further evidence of this fact is the incorporation of relevant sample forms and sample letters. The forms offer a systematic and convenient way to keep records, send appropriate correspondence to various parties, and provide well-organized documentation to prove the validity and value of the claim. If a consumer is going through the claim settling process, the forms alone are a great asset in successfully documenting and representing the case.

The comprehensiveness of the book, is also a weakness. This book provides such a wide variety of facts that it becomes burdensome at times. The amount of information may be intimidating for some readers. In addition, while the figures and drawings provide useful information, the information included is in small print, making it very difficult to read. For example, the diagrams of the human skeletal system are identified by such small print that it is almost impossible to glean any useful information. Finally, the reading level for the book is above average. While much of the terminology and industry specific terms are defined, a reader with lower reading level skills may be overwhelmed by the vocabulary used.

If a consumer has been involved in an auto accident and feels confident in representing him/herself, this book could be a great asset in the claims negotiation process. The amount of information is comprehensive, and is presented in an orderly and systematic fashion. The most relevant audience, of course, is this type of self-assured consumer. If, however, a consumer is reluctant to comprehend a

CONTINUED ON PAGE 38—LAWYERS

## BOOK REVIEW

# DOMESTICATED DYNAMIC DUO

Bryant, W. Keith, Zick, Cathleen D., & Kim, Hyoshin. (1992). *Household Work: What's It Worth and Why?* Cornell Cooperative Extension Information Bulletin 322.

Bryant, W. Keith, Zick, Cathleen D., & Kim, Hyoshin. (1992). *The Dollar Value of Household Work*. Cornell University Media.

The authors of these books are to be commended for accomplishing a task that has been long overdue—updating and giving useful estimates of the dollar value of household work in the United States. They wrote not just one book on the subject but two, a Cooperative Extension information bulletin targeting Extension specialists and educators and a more technical paperback book targeting, in addition to Extension specialists and educators, economists and lawyers, or perhaps more likely, lawyers' expert witnesses.

Both publications are well organized and follow a similar topical outline. They begin with data on the household work performed by men and women in two-spouse families and the amount of time spent performing it. The conceptual issues and problems of estimating the hourly dollar value of household work are discussed and three estimating schemes are presented: the market wage rate, the asked wage rate, and the market alternative cost. Time-use data and three different dollar values per hour are used to estimate the annual dollar value of household work. There is a formula to estimate the present value of expected future household work through age 65, and a comparison of the current data with that of earlier studies.

The more technical book (*The Dollar Value of Household Work*) includes addi-

tional sampling information, algebraic equations for time spent in household work, additional tables estimating the median dollar values of time based on the wage offered and wage asked rates, and additional scenarios in tables presenting median present values of household work. Explanations of the statistical techniques used and the statistical character of the estimates are included in an appendix. Although both publications make significant contributions to estimating the monetary value of household work, the extra data included in the more technical publication are definitely worth the additional cost of approximately 40 times that of the Cooperative Extension bulletin.

It is important to note that neither publication is light reading, nor should it be, as the topic does not lend itself to that style. The Extension bulletin makes the information somewhat more user friendly by precisely explaining economic terms that may be unfamiliar to readers. Both publications give an excellent discussion of the measures (offered wage rate, asked wage rate, and market alternative cost) used in determining the dollar value of household work.

A valuable contribution of these publications is that throughout, the authors tell the readers how the information can be useful. Both publications are valuable resources for educators who teach family economics/family resource management classes. Students in these classes are also likely to find the publications beneficial, although the price of the more technical book may be prohibitive.

In the section of the Extension bulletin titled "Putting the Tables to Work," the authors give examples of how the data can be useful for Extension specialists and educators in helping families to plan. For example, the bulletin contains information that can be used to estimate the cost of replacing a spouse's household work, to assist in determining life insurance needs, and to help couples contemplating having children to know the amount and value of time associated with raising children of various ages.

The authors state that the more technical book will be useful to lawyers for court cases in which household work dollar values are needed for wrongful death, dis-

ability and other cases. They also suggest that economists interested in improving their measures of the real cash and in-kind income of American families will find the book useful.

The authors are to be commended for mentioning the limitations throughout the publications. For example, they warn that although it is easy to figure the dollar cost of replacing a spouse's household work with that of a paid employee, hired household labor is not a perfect substitute, and may not even be a good substitute for the labor of household members.

The most important limitation of both publications is the use of 1981 time-use data to estimate the dollar value of household work. The authors' expertise could be of even greater value if more recent time-use data were available upon which to calculate the household work dollar values. Seeking funding to collect current time-use data from a variety of family compositions is a continuing challenge for family economists.

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**LAWYERS—CONTINUED FROM PAGE 37**

large amount of information related to claims negotiation, this may not be the avenue to take. In this case, the consumer may be better off hiring an attorney. The ultimate decision of whether to settle an auto claim with or without a lawyer rests with the consumer. For the consumer who has both the motivation to read and digest information, and the patience required to arrive at an agreeable settlement, this book would serve as a tremendous help.

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**GRUMBLES—CONTINUED FROM PAGE 4**

by various environmental organizations requesting contributions. There is always an environmental disaster that needs to be urgently resolved using my money. The requests are often accompanied with "ballots" listing potential priorities for the organization. I guess this is supposed to make me feel "involved" but I wonder if they ever pay attention to my vote.

A disturbing tactic used by these groups is creating confusion between special contribution requests and membership renewals. I have begun keeping a log of all my contributions so I will know which are "special" and which are renewals as well to see how much I have contributed to each organization. However, what really bothers me is the interminable appeals by mail and by phone. Not only is it inconvenient to answer the phone and tend the mail, I wonder just how much of my contribution is going towards the purpose of the solicitation and how much is going to fund raising. I am not alone in these feelings. Many of my friends are reticent to give to fund raisers because of the high-cost, high-pressure tactics used. They have reduced their giving to what really might otherwise be worthwhile causes. There must be more efficient ways to fund worthy causes.

Anyway, I recommend using the Ringle article in class as a basis for discussing the many consumer-related issues surrounding fund raising. And remember, don't just point a finger at the Republicans at least on this issue.

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In reviewing my Consumer Issues class evaluation, I noticed students commented they would like to see less of me for the five class periods a week and more videos and guest speakers. I am taking this insult to my teaching and appearance in stride by arranging for more speakers and selecting more videos. I found that, other than taping things off of "60 Minutes" and similar programs, there are few college level consumer education videos which keep the class awake<sup>1</sup>. This past spring, Jon Anton of TARP came to speak to my class and he

used some funny and pertinent excerpts from Hollywood movies to make points about customer relations. Not being averse to plagiarizing ideas, I decided my class could be kept awake and stimulated to discuss consumer fraud issues if I put together a video composed of film clips from movies showing consumer conartists at work, (e.g., the bible selling in "Paper Moon" and aluminum siding selling in "The Tin Men"). Since I am not really a movie buff, I find it difficult to identify movies that portray consumer scams. I am taking liberty as *ACI* editor and controller of space in this journal to ask readers to send me, by email or snail mail, the names of movies that illustrate consumer scams in a succinct way. In return, I will share the finished product with contributors.

<sup>1</sup> Two excellent consumer videos which hold the student's attention are "America at Risk" describing the history of the consumer movement and "Who Shall be Healed" a debate on how to reform our health care system. Both are PBS productions.

**EDITOR**

**CORRECTION**

In the previous issue of *ACI*, the article by Suzanne Lindamood, "Title Insurance and the Consumer Interest," although peer reviewed, did not receive that designation.

**JUSTIFICATION—CONT. FROM PAGE 4**

policy and market conditions seem to be gaining increasing attention and concern among Consumer and Family Economists, and they have much to contribute to both the issue agenda and the shaping of the context within which individuals and families function as consumers and resource management units. The voluntary not-for-profit sector is one that merits more attention than it has been given.

While Widdows and Bryant correctly point to early home economics concerns for the economic condition of farm families and the activities of rural women, it seems well to be sensitive to the fact that the earliest analyses of family economic conditions and expenditure patterns focused on urban laboring-class and poor families, motivated by concern for their condition and for developing a basis for public policy and programs relative to those segments of society. That early concern maintains to this day, and is certainly an area of social policy toward which the field must continue to address attention and to which it must contribute professional expertise in the research, policy development, education, and program implementation arenas.

This commentary is not meant in any way to deflect from the fact that Widdows and Bryant have done a significant service by articulating the value of Consumer and Family Economics and urging all who are stakeholders in the field to join ranks against forces that would diminish it, particularly at a time when it is needed more than ever. However, if Consumer and Family Economics is perceived in terms of taxonomy or semantics, the relevance of the field to society must be brought more firmly to the consciousness of administrators, legislators, policymakers, and the general public. For their contribution to our achieving that objective, we in the field owe Widdows and Bryant a debt of gratitude.

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