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## Introduction

While surprisingly little is known about the role and effects of market information at the retail level of the food sector, there is reason to believe that consumers face a difficult task in securing adequate and accurate information upon which to judge relative price levels of competing food changes, emphasis on quality and service differences, and the complex price merchandising strategies of food retailers all result in an increasingly difficult food price comparison task for consumers. This problem is often referred to as the food consumers' price information problem.

That food prices actually differ among stores within a market is a necessary condition for the existence of a comparative price information problem. If there were no price differences among stores, then price would not be a decision variable in store selection. And the conclusion of most food retailing studies is that prices are not at the same level in local food markets (7, 10, 16).

But price differences are not a sufficient condition for the existence of a food consumer information problem. If different stores specialize in serving different consumer groups each of whom selects a different market-basket, then price dispersion is not a sufficient condition for the presence of imperfect competition, consumer injury, or an information problem. What remains to be determined is whether price dispersion is correctly perceived by consumers, and if so, whether such differences reflect consumer preferences. The hypothesis that observed price dispersion implies perfect competition at work (or no information problem) can be rejected in at least three ways. These are: (i) demonstrating that consumers have inaccurate price perceptions; (ii) demonstrating that different preference groups do not specialize across stores; or (iii) showing that some stores have the highest or lowest price for a large set of marketbaskets purchased by different groups.

Food retailing has undergone significant structural changes in the past century. The typical small family store which carries a few hundred items has been transformed into a supermarket which carries thousands of items. Complex product relationships have become important as supermarket merchandising has progressed. While it was not difficult for consumers to know the prices of the few products they previously purchased, it is difficult for them to know the prices of the thousands of items in the modern supermarket.

Advertising deserves attention here because of its role in influencing consumers' food store choice. While early advertising messages were simple, today's advertisements are complex. Both chain and independent foodstores' advertisements are

large displays with dozens of prices, with each ad hinting that a particular store has the lowest prices (12). And most studies of weekly retail food store newspaper advertising conclude that the information provided in the ads does not enable consumers to compare similar items between stores (2, 3, 11, 23).

Given fairly strong evidence for the existence of a food price information problem, it seems appropriate to consider alternatives for correcting this problem. One of these alternatives is retail food price reporting. The purpose of the research reported here is to examine the influence of comparative food price reporting<sup>2</sup> (referred to as RFPRS) on pricing behavior in local food markets. This research was jointly financed by the Department of Agricultural Economics, Purdue University, and the U.S. Department of Agriculture's, Agricultural Marketing Service (USDA-AMS).

## Theoretical Considerations

Why is information a concern in economics, and specifically here, why are the quality and quantity of price information available to final product consumers of interest. The flow of information in the food marketplace is necessary for optimal performance of the food system. Information must flow from the consuming sector into the retailing sector, as well as from the retailing sector into the consuming sector. This latter information flow is the focus of this study.

Most economic models assume all market participants have adequate information for rational decision-making. While limited consumer information can lead to market failures such as noncompetitive pricing and a nonoptimal mix of goods (14), only recently have the theoretical consequences of inadequate information been considered. Discussion of these problems in the theoretical literature is based mainly on the work done by Akerlof (1), Diamond (6), Mincer (8), Rothschild (17), Saïop (18), Scitovsky (19), Stigler (20), and Stiglitz (21). The basic theme of the economics of information literature is that imperfect information fundamentally alters the conventional notion of a market in which buyers and sellers come together to trade. The traditional full information equilibrium is characterized by a single price, cleared markets, and all participants as price takers. Contrary to this, however, recent developments in the economics of information literature question many conventional assertions in economic theory, thus altering the basic view of the competitive economy (22).

There are two key problems of interest here that are associated with imperfect information: con-

sumer misallocation of resources and monopoly power which is generated as a result of limited information. With regard to the former problem, when information concerning some attribute of a good is not known or understood by a consumer, the result is that the consumer's true preference may not be reflected in his demand decision. With regard to the latter problem, Scitovsky (19) argues that consumer ignorance creates oligopoly power, in one way, by limiting price and quality competition among established firms. Hence the price elasticity of demand will be lower in markets where consumers have incomplete information. This factor is critical in the present study; when consumers have incomplete information concerning the prices charged by each store, a store will not lose all of its customers if it increases prices slightly (14, 19).

Given that competition does not force all prices to the same level in all stores in a city, consumers have the option of buying an item at the first price encountered or searching around in attempt to find a store that charges a lower price. But clearly there is a cost involved with searching for a lower price. According to information theory, in general a consumer should search for lower prices as long as the marginal cost of additional search is less than the marginal revenue from search (20). Price information has a potential of decreasing price dispersion (in the absence of quality differences) by making search extremely economical.

It can be argued that price information and in particular retail food price information, has public good characteristics. While there may be substantial costs of initially providing the information, the marginal cost of disseminating the information to additional consumers is small. Also, use of the information by one person does not decrease the value of the information to another person. A less than optimal level of food price information may result absent any public support or mandate.

Despite these hypothesized benefits, the impact of this type of information has received only limited attention. The major research was undertaken in Canada in 1974 (Devine and Marion, 1978). The results of that study indicated a statistically significant decline in price levels and price dispersions in the city where prices were reported (relative to a control city) during the period that prices were being published. Prices in the test city were also found to increase more than in the control city in the post information period. While the results of their study are not clearcut, it is a groundbreaking piece of research in the area of comparative retail food price reporting.

#### Experimental Methodology

In selecting a research design, the objectives of the study need to be considered. To determine the impacts of price reporting on market behavior, a comparative food price report was designed and published weekly in the major

newspaper of four midwestern cities. The specific design used for the collection of this price data is given in Figure 1. There are two phases of this design: a between-store phase and a within-store phase. The between-store phase was a 2 (RFPRS vs. no RFPRS) x 2 (high vs. low concentration) x 2 (between-market replication) x 8 (specific store), with an n=1 in these 64 cells of the design at one point in time. The within store phase was a 2 (reported vs. unreported marketbaskets) x 6 (product classes: meats, fish, poultry vs. cereal, bakery vs. dairy, eggs vs. fresh produce vs. canned and packaged vs. non-foods). The design was repeated for the five weeks of the pretest and eight weeks of the post-test, but was not repeated in its entirety for the projected 18 weeks of the test period (due to uncontrollable circumstances). It was repeated in its entirety six times and incompletely for six additional times.

Four moderate sized midwestern cities (200,000-380,000 population) served as the experimental cities. These cities were Des Moines, Iowa; Erie, Pennsylvania; South Bend, Indiana; and Springfield, Missouri. The cities were not randomly selected due to the necessity of acquiring cooperation of the newspaper in each of the experimental cities. Four matched control cities served as proxy variables for the general level of prices in non-RFPRS markets, and thus enabled an assessment of the impacts of the RFPRS in a world of non-stable prices. These control cities were Quad Cities, Iowa; Altoona, Pennsylvania; Terre Haute, Indiana; and St. Joseph, Missouri. Attempts were made to hold fairly constant various socio-economic characteristics across all eight cities, while representing two levels of retailer sales concentration. Eight stores were surveyed in each city, with efforts made for all eight stores to be similarly structured with respect to ownership types. Prices were collected in three periods (pre-test, test, and post-test periods) in both experimental and control groups of cities, but the price reports were published only during the test period in the experimental cities.

The marketbasket used in this study was a 100-item fixed marketbasket, based on a judgment than a random sample. The items represent frequently purchased food and non-food items of major importance in the typical consumer's budget (based on their relative importance in the CPI) and represent a broad variety of items commonly purchased at a supermarket.

The price report contained store and brand-specific information at three levels of aggregation: (1) 26 individual item prices, (2) indexed, weighted costs of six departmental marketbaskets, and (3) an indexed, weighted cost of the overall 100-item marketbasket. These indices were Laspeyres type indices (or fixed quantity weights). The information contained in the price reports was current data. Prices were collected on Wednesday and appeared in Thursday's paper.

The procedures just described yielded a complete factorial experimental design--a pretest - post test control group design (four pairs of experimental-control cities, with replications at two concentration levels) -- allowing an adequate test of hypotheses which specified an interactive effect among the independent variables. This design, while being "quasi-experimental" in nature and therefore, not ensuring internal validity, does afford some protection against the major threats to internal validity while also allowing for some test of the generalizability of the results.

## Results

Two types of statistical models were used in analyzing the data: analysis of variance (ANOVA) models and regression models. The ANOVA model employed as a full-factorial, four-factor, fixed effects model with repeated measures on one factor and equal cell sizes. Four different dependent variables (26- and 74-item weighted marketbasket price levels and price dispersions for store,  $s$ , in city,  $c$ , for time period,  $p$ ) were investigated. Both the price level and price dispersion figures were averaged (repeated measures) in the ANOVA model over weeks to obtain one data point for each of the three levels of the time factor for each store. This procedure treats each week of the pretest period equally (and likewise for the other periods) and therefore conceals the normal time trend present in the weekly data. But adding a time factor with the weekly observations as the data points to the ANOVA model was impractical for analysis with the statistical computer packages available. Hence, a regression model was employed to deal with the time series component of the data.

The regression models in the analyses are given by:

$$\text{RATIO} \text{ or } \text{RATIO}_{D_m} = a_0 + b_1 \text{PRE}_t + b_2 \text{TEST}_t + b_3 \text{POST}_t.$$

The dependent variables, RATIO and  $\text{RATIO}_{D_m}$  are the ratio of test to control city price level and item level dispersion, respectively, for the 26 (reported), 74 (unreported), or 100 (full) marketbaskets. The week number,  $t$ , takes on values 1, 2, ..., 25.  $\text{PRE}_t$  is a dummy that equals  $t$ , for  $t \leq 6$ , and equals 0 elsewhere.  $\text{TEST}_t$  is a dummy variable that equals the maximum of  $t$  (0,  $t-6$ ). And  $\text{POST}_t$  equals the maximum of  $(0, t-n)$  where  $n$  varies by city. This formulation allows the relationship to shift at the outset of the price reports' publication and again at their termination.

The regression models differ specifically from the ANOVA models in several ways. The dependent variables in the regression models are ratios -- test to control city price levels of dispersions -- and hence are city level measures. Also the time factor is in weeks, not averages over a number of weeks. In contrast, the dependent variables in the ANOVA model are not test to control city ratios, but they are store level measures of price level or dispersion. Also the time factor is

averaged over weeks to obtain three data points.

Four general hypotheses were tested by these models. The first two concerned the effect of increased information on different marketbasket price levels and dispersions. The last two have to do with factors that may explain differential response by stores or by cities to the price information. Based on the empirical analyses performed, several conclusions may be drawn.

First, the results lend strong support to the hypothesis that the price report lowers the relative level of food prices. Significant declines in relative price levels in the majority of test cities were observed in all three marketbaskets. There was found to be limited generalizability of the results to other situations, suggesting that it would be difficult to predict how a specific city would respond to the information. At the store level (ANOVA models), there appeared to be even more variation in response to the RFRS than at the city level (regression model).

Second, the results of price dispersion analyses are inconclusive, perhaps due to the fact that retailers had so much leverage in deciding how to respond to the information. That there is such a large number of items in a store on which a retailer could respond, could explain why all retailers did not respond uniformly on the same set of items.

The level of concentration in a city was hypothesized to influence its response to a RFRS. Due to experimental constraints, the spread between the low and high concentration levels was less than desired. Therefore, while the impact of concentration was tested, the lack of significance in the tests may be due to the small differences in concentration between the cities classified as high and low.

Third, city response was hypothesized to be greater in cities characterized by stable store ranks prior to the RFRS than in cities with less stable ranks. No clear pattern of store rank switching was observed, but consistent with the hypothesis was the finding of less response in cities initially characterized by tight price ranges (high store minus low store price).

The final hypothesis was that, due to numerous factors, different store organizational structures could account for differential response to the price report. One of these factors--pricing flexibility-- was examined. There was not ample evidence to substantiate the hypothesis that large national chains are less flexible than regional or local independent stores in their pricing behavior.

## IMPLICATIONS

Price reductions like the ones measured here affect the welfare of all consumers whether or not they utilize the report directly. It is this indirect effect which was studied here, the welfare consequences of the information regardless of direct consumer use of the report. But an increase in food price information may directly affect consumer welfare by increasing consumer savings

resulting from consumer use of the information to identify the lower priced stores. This information, by reducing the costs of search to the consumer, may result in an increased importance of price in the food store selection decision. It is necessary to consider both of these effects when advising a policy maker concerning the implementation of a price information system.

That comparative price reporting is a controversial form of consumer information was confirmed by this research. Severe criticism by the retail food trade, especially by the retailers in the test cities, resulted in an early termination of the price reports in three of the four test cities. It should be stressed that early termination stemmed from pressure put on local newspapers who were voluntarily publishing the price reports, not from legal restrictions against price reporting. However, the legality of food price information collection (with or without purchase) in retail groceries for the purpose of disseminating a price report has not yet been established (see Mosher vs. Cook, 1980, for a related court case). This legality question will likely arise in any future attempt to implement price reporting.

There are several questions that need to be looked at before any recommendation for large scale implementation of food price reporting is made. First, would price reporting have similar positive effects in smaller or larger cities? Second, would the same response have been elicited if a rotating marketbasket had been used (i.e., a different set or subset of item priced in consecutive weeks)? And third, would the relative price declines found here be observed over a longer period of time (compared to the 6 to 12 week period of publication in this study)? Despite the limitations of this study, it is felt that the overall Purdue Food Price Reporting Project was successful in extending the foundation laid in the earlier Canadian food price reporting study.

#### FOOTNOTES

- <sup>1</sup>Acknowledgment is given to Steven Salop for the articulation of these ideas.
- <sup>2</sup>Comparative foodstore price information or a retail price reporting system (RFPRS) provides current information on the price of individual food items, and/or marketbasket costs (expressed as \$/unit and/or index numbers) at several fully-identified supermarkets on a regular basis to a large proportion of the households in a SISA.
- <sup>3</sup>Concentration here refers to the portion of the retail food market in a city controlled by the top four retail food firms.
- <sup>4</sup>Two different but not unrelated measures of price dispersion were used, one measuring price differences built up from the item level and the other measuring differences in a specific marketbasket index among stores.

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			STORES			PRODUCT CLASSES	PRETEST	TEST	POST TEST
NC RFPRS	LOW CONCENTRATION	REP. 1	1	:	STORE 1	1	1...5	6...17	13...25
			8			6			
		REP. 2	1	:		6			
			8	6					
	HIGH CONCENTRATION	REP. 1	1	:		6			
			8	6					
		REP. 2	1	:		6			
			8	6					
RFPRS	LOW CONCENTRATION	REP. 1	1	:					
			8						
		REP. 2	1	:					
	HIGH CONCENTRATION	REP. 1	1	:					
			8						
		REP. 1	1	:					
			8						

Figure 1  
Representation of Experimental Design for Collection of Price Data

DISCUSSION PAPER ON "THE AUTOMOBILE SHARED MARKET: RECENT DEVELOPMENTS"

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The basic message in the paper we have just heard is a serious indictment of the automobile insurance industry. We have been informed that the industry, which purports to create an equitable rate structure based upon proven rating criteria and carefully designed rating systems, in fact tightens and loosens its standards for insuring individuals in the shared market or relegating them to the shared market, depending upon the level of potential investment returns. Thus, during periods when investment returns are high, companies seek to increase their cash flow to have more money to invest, and are willing to take on more high-risk drivers to do so; conversely, when investment returns are low, standards are raised and drivers with equally good (or bad) records must seek insurance in the shared market. From the standpoint of individual company profits, this procedure apparently makes sense. But from the standpoint of a sound insurance system, and of equity between individual insureds, there are several things wrong with it.

First, the practice makes a mockery of rating standards. If drivers with identical records are in one time period sought after as regular insureds, and at another time shunted to the shared market, then rating standards become, not consistent standards, but company conveniences. As such, they result in inequities between insureds. The practice further results in varying degrees of subsidy from the low-risk insureds to the high-risk insureds who pay standard rates. From the standpoint of equity and market efficiency, it must be asked why the companies do not lower premium rates during periods when investment returns are high, rather than eroding underwriting standards. The answer is clear; company profits take precedence over a market characterized by equity and efficiency. This practice makes a farce of auto insurance companies' frequent whimpering about underwriting losses. Given the investment return they can earn on reserves, they can experience underwriting losses and still make a decent profit on ownership equity. And when they deliberately seek to underwrite more poor risks to increase cash flow for investment purposes during times of high interest rates, of course they will suffer (or increase) underwriting losses!

A second major question relates to the criteria used to rate drivers, and the companies' ability to assess risks with some degree of scientific precision. As a member of the Governor's Special Commission on Automobile Insurance in Missouri in 1978-79, I was frankly surprised to learn that rate-making, which I had thought to be a fairly carefully developed science, was in fact very much

an art. The criteria used to establish rating territories and driver classification are far from perfect, and methods of determining them perhaps even less so. Sometimes variables that are used to rate drivers do not have any basis of loss experience to recommend them, but are used as a marketing tool. Such is the case with the "good student discount" with some companies, for example. Variables used in rate-making should have their validity established by analysis of variance or some other appropriate statistical technique, a practice that is surprisingly not standard in the industry. And rating categories need to be stabilized to provide a consistent, reliable basis for assessment. When companies change their underwriting standards as rates of investment return change, attaining a reliable statistical picture over time is impossible.

With respect to the shared market, the problem is apparently not that too many standard risks are placed in the shared market, but the reverse. If there is to be error, one might argue that it is in the general consumer interest to have companies try to service the needs of some drivers at standard rates who should be placed in the shared market, rather than turning away meritorious drivers. But any error of this type involves inequities and subsidies from the low-risk to the high-risk driver. Undeservedly low rates attained by some consumers come at the expense of the rest of us. Despite the regular complaints of consumers about being rated in too high a risk category, the evidence seems to be that, on balance, underwriting practices are a bit lenient with respect to driver classification. This conclusion is reinforced by a recent report by a more recent (1980-81) Governor's Commission in Missouri, this one on Insurance Rates for Young Drivers, which reports that, given the loss ratios experienced by companies and underwriting methods currently used by the industry, there is no evidence that young drivers are unfairly discriminated against.

Consumers need to understand that there is need to maintain equity in insurance rates to eliminate excessive subsidies between insureds, and that the most effective definitions of criteria for classifying risks are essential to this task. This calls into question the statutory elimination of any important variables, which have a statistically established relationship to loss experience, as criteria for risk classification. It may be popular and democratic to outlaw the use of age, marital status, gender, or other factors as rating criteria; but whether it is sound consumer policy in terms of equity and efficiency in insurance markets is another matter.

On this point, it is not only driver characteristics that must be considered in rate-making, but

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rating territory as well. The method long used by the industry is to rate the automobile according to its principal place of garaging. This despite the fact that two automobiles garaged on adjoining properties might each day, upon leaving the garage, traverse areas of very different degrees of traffic density, road conditions, and incidence of accidents, and the fact that most accidents do not occur in garages. Experiments are now going on in Missouri and elsewhere to explore development of rating systems that take into account the kinds of areas usually traversed by an automobile -- to and from place of employment, for example -- and the location of accidents. Such experimentation could result in rating systems that improve equity in rates, and could, possibly, cause reclassification of some drivers into or out of the shared insurance market. It may be that differences in driving conditions are as much responsible for loss experience as characteristics of drivers -- or at least a more relevant factor than we have considered them to be in existing rate-making systems.

Regarding alternative systems of handling the shared market, a few observations:

1. A small number of companies sharing the shared market, with assigned insureds, may be a less efficient model than a pooled risk market with many companies sharing; but the former model may have more actual efficiencies because of specialization, experience, and economies of scale.
2. However the shared market is served in a given state, it is important to consumers that it be served well by an insurer who has a clear and direct responsibility to the insured. The insurance consumer must not be lost in a bureaucratic maze when he or she has a claim to be settled.
3. Care needs to be taken to assure that the shared market insureds, who already face high rates, do not subsidize standard rate drivers by paying an excessive share of general company expenses. The matter of equitable allocation of such expenses among classes of insured is under scrutiny by insurance companies and state regulatory agencies, and efforts are being made to improve such equity. It is clear that as auto insurance rates are increased during the inflationary times, a flat percentage increase in all rates could cause those paying high premium rates in the shared market to pay an inequitably high proportion of general company expenses.

It is self-evident that consumer satisfaction and equity are not a function of price alone, but of service as well. There seems to be reason for concern about the adequacy of coverage attainable in the shared risk market, and about the financial stability of some companies engaged in insuring high-risk drivers. My assessment is that this is a matter that calls for careful, on-going regulatory attention.

The reported research findings that consumers generally seem to be satisfied with their auto

insurance coverage and company service but dissatisfied with the cost factor, is corroborated in a recent study funded by Sentry Insurance and conducted by McBain Research, Inc. and Professors Cummins and Olson of the Wharton School.<sup>2</sup> This report concluded that "the insureds taken as a whole expressed fairly high levels of satisfaction with their insurance and their treatment by insurance companies," but that the level of satisfaction was higher among standard insureds than among those insured in the shared market. Such perspectives of consumers may merely reflect the always-prevalent human tendency to feel that the price of everything is too high. On the other hand, they serve as simple reminders that there must be continuing attention and concern over company profit margins, on the one hand, and efficiency and expense ratios, on the other, in an industry that serves such a vital and increasingly costly need.

Finally, it seems appropriate to comment on some steps we might take as a society to move toward providing improved and more economical auto insurance for consumers, beyond seeking more effective systems for establishing rating territories and classifying drivers.

- We might reduce losses by: maintenance of moderate speed limits and strict enforcement of those limits; higher standards for acquiring a driver's license (considering a license to drive a privilege to be earned, rather than a right that is lost only under the most extreme circumstances); higher standards for renewal of a license ("grandfather clauses" are particularly unfortunate where auto insurance is concerned); improvements in auto and road safety; tighter law enforcement and much more rigorous penalties where DWI and other serious offenses are concerned; expansion of education programs and public service ads that promote auto safety and safe driving habits; elimination of the continual barrage of wild driving seen in television shows and movies, which promote the idea that speed is fun, macho, and so on; an intensified crack-down on theft and vandalism; realistic awards to injured parties (we must dispel the notion that when the insurance company pays the bill, it isn't costing anybody anything).
- We need much improved consumer information regarding auto insurance and its cost. The Department of Consumer Affairs and the Division of Insurance in Missouri publish a buyer's guide for automobile insurance which contains premium rates for several standardized cases in locations throughout the state for all companies doing business in Missouri. This kind of information can be very helpful to the individual consumer in a market in which premium rates may vary by a factor of several hundred percent, and improve the efficiency of a market system which assumes

<sup>2</sup>A Sentry Study: A National Opinion Research Survey of Attitudes Toward the Nonstandard Car Insurance Industry. Conducted by McBain Research, Inc. and J. David Cummins and Douglas G. Olson of the Wharton School of Business, University of Pennsylvania, October, 1980.



perfectly informed consumers as an essential element for its effective performance.

(At this point I feel compelled to share with you an eye-opening perspective I gained from dialogues with company executives on the Missouri Governor's Commission on Automobile Insurance. I found myself thoroughly confused and bewildered in a discussion of the effectiveness of competition in the auto insurance market until one of the company officials put their orientation into clear perspective: the fact that prices for identical coverage from different companies varied enormously constituted, in their view, bona fide evidence that there was no collusion in rate-making and that therefore effective competition prevailed! Try to fit that into a microeconomics course! When lack of evidence of outright collusion is held to constitute evidence of effective competition, dialogue becomes a bit difficult for a consumer economist. In any event, high price differentials suggest terribly uninformed consumers, and a market in which it is not the invisible hand of Adam Smith, but the very visible hand of the company underwriter, that determines our premium rates.)

Finally, let me suggest that we might well improve the price, service, equity, and other components of auto insurance by the adoption of first party ("no fault") insurance. Such insurance would afford greater efficiency in the allocation of premium dollars, and greater equity in their distribution, than the present system. Rates would be linked more cleanly and directly to loss experience, rather than being filtered through the costly and all too frequently dubious process of trying to establish fault. The insurance mechanism should be used to perform its function -- absorbing economic losses -- rather than being structured to serve either the special interests of trial lawyers or some other social purpose. The misbegotten notion that the fault system is essential to encourage safe driving by punishing careless drivers with higher premium rates might better be abandoned as costly mythology, and the matter of reduction in personal and economic loss resulting from auto accidents left to strategies suggested above.

Clearly automobile insurance is an important financial institution in a society such as ours (at least until the oil runs out). Clearly, also, it is costly and becoming moreso, and there is room for improvement, at least with respect to price and equity in prices. It therefore behooves individual consumers, consumer groups, the industry, and regulatory and legislative bodies to give serious attention to the effectiveness and efficiency of the automobile insurance market and to explore potential alternatives for enabling it to better serve the needs of the society.

## PROFESSIONAL DEVELOPMENT ACTIVITIES OF THE AMERICAN HOME ECONOMICS ASSOCIATION

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### The Association

The American Home Economics Association, founded in 1909, is a professional organization with a current membership of about 33,000, and a national headquarters in Washington, D.C. with a staff of 36 persons. Affiliated state associations are represented in the structure of the national organization. The diversity of the membership is reflected in the association structure, which permits membership in one or more Subject Matter Sections (Family Economics-Home Management; Food and Nutrition; etc.) and one or more Professional Sections (Colleges and Universities; Elementary, Secondary, and Adult Education; Research; Business, etc.).

### Professional Development Activities

Professional development efforts of the Association are many and varied, ranging from activities and publications that enhance subject matter expertise, to development of leadership capabilities useful within the association and in other domains, to increasing insights and effectiveness in the public policy arena, to assessment and improvement of academic and service programs in which members are engaged. These efforts are conducted both by the association as a total entity, and by the several Subject Matter and Professional Sections (including a student section), each of which has a structure, officers, and responsibilities of its own. Beyond that, a variety of professional development efforts are conducted by the state associations. Activities of the association are related to: (1) the program of work, association goals, and priority issues that are established by the Assembly representative of the membership; (2) the needs of the diverse groups of members in their individual professional responsibilities and pursuits; and (3) the governance needs of the organization and its multiple entities. Both the membership and the professional headquarters staff contribute to the range of professional development activities. A fairly comprehensive, but not exhaustive, list of kinds of activities conducted in the past or currently includes:

- \* Annual convention. Programs include some with broad general interest to all Home Economists; specialized subject matter sessions; research reporting sessions, with focus primarily on content, but with some emphasis on methodology, as well (these provide excellent opportunity for graduate students and recent graduates to gain experience in presenting papers to professional audiences); programs on development of personal competence and leadership abilities; an exposition of textbooks and other teaching materials,

and commodities (appliances, fabrics, processed foods, energy-saving devices, etc.) that are of interest to Home Economists in various specialties; a listing service for jobs and applicants; and leadership training for section officers.

- \* Publications. The Journal of Home Economics is the official organ of the association. It contains conceptual papers on subject matter and relevant issues; articles on curriculum, appropriate training for selected careers, and similar matters; reports on successful programs; items of association business; and announcements and reviews of educational materials.

The Home Economics Research Journal is a scholarly publication; it reports a broad range of reports to the diverse dimensions within Home Economics.

Action is a newsletter that includes news from Subject Matter and Professional Sections and state associations, and gives information on summer study opportunities, on employment opportunities, fellowships, and legislative developments of interest to members.

Washington Dateline is a newsletter that monitors federal legislation and regulations and addresses public policy issues.

COFO Memo, a publication of the Coalition of Family Organizations, is a source of information and analyses of legislation that relates directly to the family as a unit in society.

- \* Special Publications and Audiovisual Aids. Special AHEA Handbooks on such topics as aging, metric usage, child care, etc.; the Focus series, with publications on careers, occupational training, and compilations of articles on special topics, such as Consumer and Family Economics; Public Policy Manual; Home Economics Learning Packages (HELPS), including a series on consumer education topics; Home Economics Research Abstracts for specialized areas within the field, for selected years, and a listing of titles of theses and dissertations completed in Home Economics; Home Economics Research Project Inventory; Directory of International Home Economics Programs in Colleges and Universities; and such special publications as National Goals and Guidelines for Research in Home Economics, a historical review of Home Economics Research, 1900-1959; a Directory of Public Funding Sources for Home Economics-Related Programs (and a similar reference for private sources), several publications on association management, and several publications on the history and philosophy of the field, including proceedings of major conferences that focused on the nature, role, and future directions of the field.

<sup>1</sup>Professor and Chairman, Department of Family Economics and Management

Copies of papers and research abstracts, and audio tapes of selected programs at annual conventions are also available for sale.

- \* Special Conferences, Workshops, Programs, Projects. Home Economics Defined, a project that included a commissioned philosophical paper regarding the fundamental nature of the field, with invitations for others to be developed, a series of national and regional conferences, and on-going dialogue with the membership at national convention and through publications (this has been a thought-provoking, stimulating experience for the association and its members); Public Policy Seminars in the nation's capital, with contacts with elected representatives and agency personnel, provide valuable experiences (some years ago a small group of Family Economists were involved in a "Dialogue With Washington at Work" that included seminar sessions with high-ranking agency officials, an experience that I found very beneficial); national and regional training sessions for state organization officers, executive directors, and newsletter editors; seminars at Board of Directors' meeting, on the outlook for funding for Home Economics-related programs, societal developments and philosophical issues that have relevance for the field and the association, etc.; Workshops (actually conferences) on selected topics, conducted by the various Subject Matter and Professional Sections, with proceedings frequently published (the Family Economics-Home Management Workshops have a history of being highly successful).
- \* Accreditation and Certification. The association conducts an accreditation program for undergraduate degree programs in Home Economics. At the present time, a special committee is also exploring prospects for certification of individuals in selected specializations within Home Economics.
- \* Financial Support and Honors. Fellowships, internships, "Teacher of the Year" award, research awards.
- \* Other Staff and Association Services. Input into state association and academic institution programs on professionalism; advisory contributions to institutions as they review their Home Economics programs; assistance with Doctoral research on Home Economics programs; maintaining liaison with relevant other organizations; recommending or naming delegates and consultants to conferences, task forces, etc.; maintaining rosters of members with special experience in international work, in the U.S. government, and so on; and conducting a public policy program based on priorities and directions determined by the membership; and membership surveys.

of scale must be monitored carefully; publications and activities that interest only a small percentage of the membership create serious budgetary stress. Numerous diverse activities require a commensurate headquarters staff for coordination, a factor that can quickly burst budgetary seams.

2. Association activities should be limited to those that can be carried on with a high degree of effectiveness. Ineffectiveness that results from spreading too thin creates disenchantment and negativism among members.
3. Secondary teachers seem increasingly reluctant to maintain membership in professional associations, and when they do, they affiliate primarily with those that reflect their broad interests, such as Home Economics, Business Education, and so on. ACCI should continue to focus on the more specialized professional in the field of consumer affairs and education, and not divert efforts into trying to compete for membership from among secondary teachers.
4. In the interests of both the field and the growth of the organization, ACCI should put strong emphasis on the needs and interests of new and developing professionals, with attention to the development of professional orientations and commitment among students, career exploration and information, development of leadership abilities, and related matters.
5. Professional associations should avoid competing with their individual members and the institutions or agencies in which they are employed, in terms of services and activities. Association activities should meet unique needs not met by individuals or other entities (a journal, for example, meets a special need of professionals, both as producers and consumers of ideas).
6. All considerations taken into account, the history of ACCI suggests that the program of services offered by the organization has evolved over time in ways that commit resources and primary efforts to activities which provide greatest potential return for members and for the field -- creating a forum for interaction among professionals and for the ferment of ideas, and providing increased visibility for the field and enhanced professionalism within it.

#### Implications for ACCI

1. Association activities and services are a function of size and diversity of membership. ACCI is much smaller and less diverse in its makeup than AHEA. AHEA has had to reduce the number of services provided and the frequency of publications because of declining membership. Economies

THE CONSUMER MOVEMENT  
A MIDDLE CLASS MOVEMENT

Richard L. D. Morse, Kansas State University

1

Abstract

The consumer movement has been identified with a wide spectrum of issues and causes, the most pervasive being programs to implement consumers' sovereignty and the basic rights of the consumer. Middle class values are supportive of and consistent with these efforts and can be expected to endure the current conservative trend.

Last November the people of the United States, and especially those persons who probably would describe themselves as being members of the middle class, affirmed their disenchantment with what they termed liberal government, and overwhelmingly voted conservative.

Many people saw this as the end of the consumer movement and there have been dire predictions of its demise. From a historical perspective this is not necessarily so; conservatism and consumerism can be compatible. Further, strong forces that have steadily contributed to the growth and presence of the consumer movement continue to be present today and will persist despite the politically conservative climate. Among these are the ethical values of the middle class itself, the unintended effects of consumerism's opponents, and the inevitable presence of consumer decision-making which will prevail so long as any part of the economy operates on assumptions of consumer sovereignty and freedom and ability to choose.

There is, however, a caveat here. The consumer movement has historically been identified with a wide spectrum of issues and causes beyond those identified with the consumers' role in an efficient free market. Consumer advocates have addressed issues related to equity in the distribution of economic resources and power and the rightful role of consumers in the formulation of social policy. I would venture to predict that consumer participation in issues of economic equity such as concern for low income consumers, will subside during the conservative mood of the coming years. Furthermore, it is debatable whether equity issues are appropriately consumer issues since relocation of resources implies placing one consumer group in competition with another consumer group.

In addition, few consumers as consumerists have extended their concern to the bigger issues of world population, growth levels, and issues raised in such reports as the recent Global 2000 Report to the President. A logical deduction of the Malthusian doctrine is that the well being of consumers can be preserved by curbing the demands of growing numbers of fellow consumers competing for

the limited resources of this universe. Although a growing world population and a declining world resource base may be the most fundamental consumer issue, I do not expect the consumer movement of a conservative era to be a strong or visible participant in activity concerning this issue. Indeed, it seems to be totally oblivious to this reality.

An Historical Perspective

It is fortuitous that we are meeting in Minneapolis to discuss: "The Consumer movement as Related to Other Social Movements". Twenty years ago when ACCI met in Minneapolis its theme was "Consumer Representation". That conference brought together a broad spectrum of groups "to discuss the problem of consumer representation". Conference participants came from state government, consumer cooperatives, state and federal regulatory and enforcement agencies, the press, city, state and federal consumer organizations, labor and historically prominent women's groups. This 1960 conference was ACCI's attempt to identify a consumer movement. It was the first national effort to bring together diverse groups pursuing consumer activities. (Morse, 1960).

Some idea of the affluence and power of ACCI is revealed by two statistics: This 1960 program was arranged with a budget of \$100. In attendance were 78 persons, 32 of whom were on the program. This was a small consumer organization, untainted by special interest funding and dedicated to an important mission. Its impact was far greater than its size. At the 1961 ACCI meeting in St. Louis, just one year later, President Kennedy honored us with a 4-page telegram of historic importance declaring "Consumer Protection and Education are of basic importance to the economic well being of the country." And perhaps even more significant was Senator Philip A. Hart's selection of the 1961 ACCI Conference to announce his intention to hold hearings on "deceitful and misleading practices of the marketplace." These hearings were the first stage of what came to be the highly controversial "Truth in Packaging" bill. (Morse, 1961).

ACCI's impact did not derive from its numbers or from its economic power. What then was its source of strength? I suggest its success lay in its filling a void felt by middle class intellectuals whose sensitivities about consumer problems were consistent with middle class values and whose intent was to make the free market economy function more in keeping with classical economic theory. My thesis is that the four rights of the consumer proclaimed by President Kennedy are consistent with laissez faire economics and free enterprise, both fundamental tenets in the conservative

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paradigm. Further consumerism has had strong conservative advocates.

#### The Comparability of Consumerism and Conservatism

"In giving credit to those who originated the consumer movement", said Dr. Colston Warne (1977) in the first of his eight lectures on THE GENESIS OF THE CONSUMER MOVEMENT given at Kansas State University in 1977, "let me start with an important contributor - Herbert Hoover, whose substantial efforts have not been fully appreciated....It was Hoover who furnished the seminal idea of product standards....It was Hoover's accent on simplification, upon standardization, upon lessening the number of types of bricks and screw threads that had much to do with... the improvement of American purchasing practices....It was Hoover's accent on product testing that...suggested to industry and to government the need for product standards and the ascertainment of quality....Indeed, it was Hoover who in 1922 set up the American Standards Association headed by Paul Agnew, who in turn, hired Frederick J. Schlink and Arthur Kallet as assistant secretaries of the ASA....Schlink and Kallet were to be the leaders of a new and powerful consumer movement." The movement to which Dr. Warne refers is the birth of Consumer's Research, Inc. in 1929 and Consumers Union of U.S., Inc. in 1936.

Dr. Warne's recognition of Herbert Hoover who seldom, if ever, is included among the lists of liberals, came as much of a shock to me as I suspect to you. Equally surprising may be the reminder that one of the early leaders of the University of Chicago's missionaries of economic freedom was forthright in his advocacy of consumerism. Professor Henry C. Simons (1934) in his Public Policy Pamphlet published by The University of Chicago Press, set forth "A Positive Program for Laissez-Faire". If you have not read this 40-page pamphlet, I urge you to do so. Meantime, forgive me for lifting selected passages that identify him with consumerism. He says that "...political liberty can survive only within an effectively competitive economic system. Thus, the great enemy of democracy is monopoly, in all its forms: gigantic corporations, trade associations and other agencies for price control, trade unions - or, in general, organization and concentration for power within functional classes" (Simons, 1934:4).

Simons wrote perceptively of the role of private banking and described the monetary system "as bad as could well be devised". He predicted that "...capitalism and democracy are soon to be swept away forever by a resurgence of mercantilism (by the efforts of persons who know not whither they lead). Then to commercial banking will belong the uncertain glory of having precipitated the transition to a new era". (Simons, 1934: 15-16).

The five main elements of Simons' program were to (1) eliminate private monopoly, (2) reform the monetary system (3) change the tax systems' effect upon distribution of wealth and income, (4) withdraw subsidies from tariffs, (5) limit "the squandering of our resources in advertising and selling

activities" (Simons, 1934: 18).

In relation to monopoly, he says, "The Federal Trade Commission must become perhaps the most powerful of our governmental agencies; and the highest standards must be maintained, both in the appointment of its members, and in the recruiting of its large technical staff. In short, restraint of trade must be treated as a major crime, and prosecuted unremittingly by a vigilant administrative body" (Simons, 1934: 19).

Another of his suggestions was a "transfer to the federal government of the exclusive power to charter ordinary, private corporations, and subsequent annulment of all charters granted by the states" (a proposal currently ascribed to Ralph Nader). If this piques your curiosity, I leave for your reading his other suggestions for curbing corporate power.

I am tempted to quote more fully from Simons, this advocate of laissez-faire, who admonishes labor unions to promote consumer cooperatives and envisages the "remarkable opportunities for extending the range of socialized consumption (medical services, recreation, education, music, drama, etc.) and, especially, for extending the range of social welfare activities" (Simons, 1934: 29). But I wish to pay particular attention to his fifth proposal introduced with a commentary on the marketing system: "It is a commonplace that our vaunted efficiency in production is dissipated extravagantly in the wastes of merchandising." He continues: "Profits may be obtained, either by producing what consumers want, or by making consumers want what one is actually producing. The possibility of profitably utilizing resources to manipulate demand is, perhaps, the greatest source of diseconomy under the existing system. If present tendencies continue, we may soon reach a situation where most of our resources are utilized in persuading people to buy one thing rather than another and only a minor fraction actually employed in creating things to be bought.

"Enterprises like Consumers Research, Inc., may represent the beginnings of an almost revolutionary development." (Note that he was writing five years after the founding of CR and two years before Consumers Union.) He continues, "We may hope that such undertakings may flourish, and that their growth may be promoted through private endowment. (It is hard to imagine a more worthy philanthropy). Perhaps we shall see the establishment of endowed, nonprofit-making institutions, of unimpeachable disinterestedness, which will offer to manufacturers (freely or with moderate charges) the use of the institutions' certification or recommendation in the labeling of approved products. Ultimately, we may see the labeling of classification of the more staple goods on the basis of Bureau of Standards specifications, so that consumers may know (and insist on knowing) which brands of goods meet requirements for government purchase. Perhaps we may still hope for substantial development of consumer co-operatives, organized for collective research and consumer education."

This extensive quotation from Simons should be a

reminder that criticism of advertising and merchandising extravagances can be espoused as part of a positive program for laissez-faire. And that comes from the same University of Chicago from which emanates "Freedom to Choose" which is so critical of government regulation and ignores what Simons refers to as the "enormous waste of resources in advertising and distribution and the awful bewilderment of consumers." And, if I may be permitted a personal reference, I, as a graduate student, found Professor Simons most helpful in giving me an orientation to consumerism. I had returned to graduate school from active work in consumer cooperatives and was searching for a broader consumer front. Simons' rationale for standards, grades and labels provided a logical link between consumer decision-making and the economic system.

Because of my conceptualization of the free enterprise as learned from Simons, I have difficulty with such statements as: "The free enterprise educator views the consumer movement as the generator of mountains of regulatory paperwork, etc." as reported by Professor Kent in last summer's issue of the ACCI Forum. I would like to believe that Professor Simons would be horrified by what is being advocated in the name of free enterprise, and that the plea for relief from regulation suggests basic misconceptions: that freedom to deceive, freedom to adulterate products, freedom to withhold essential information, freedom to conspire in price-fixing and to control production, and freedom to confuse the consumer are not freedoms that are essential or even consistent with a laissez-faire, free competitive market economy. Those who have such distorted concepts of the free enterprise system would have difficulty understanding the consumer movement. But the free-thinking conservative, such as Henry Simons, can be expected to be supportive, or at least understanding, of those aspects of consumerism that advance consumer sovereignty. Special interest and dogmatic conservatives can be expected to find consumerism threatening, as well they might.

A contemporary conservative, former Treasury Secretary William E. Simon, furnishes further evidence of a conservative who readily recognized the need for a regulation to improve the efficiency of the market. He had invited some consumer leaders to attend a meeting to discuss proposed legislation for reform of the financial institutions which the administration had prepared. During the morning coffee break I was able to get his attention briefly and showed him a one-page statement urging Truth in Savings. He read it rapidly and responded immediately with "You present it; I'll support it." And within a week the administration bill, with a special section for Truth in Savings, was introduced by Senators John Tower and John Sparkman. These conservatives within a span of a week identified with an idea that some consumerists eight years later are still pondering over (Simon, 1973 and U.S. Department of Treasury, 1973).

## Consumerism and the Middle Class Ethic

The consumer movement can best be characterized as reflecting the ethical virtues of thrift, savings, productivity, responsibility, waste avoidance, faith in the scientific method and the application of intelligence to problem-solving, rationality, and faith in consumer sovereignty, freedom of choice and freedom to choose, equal justice and concern for the deceived.

Not all of these ethical virtues are unique to the middle class; and we would like to believe they characterize all good citizens regardless of economic status. Furthermore, the middle class is not uniformly possessed of such virtues. Middle-class leaders have tolerated white collar crime, one-sided commercial contracts, and the withholding of product information requisite for sound consumer market decisions. They have permitted, or at least not opposed, the offering for sale of products not pre-tested for safety and effectiveness, anti-competitive practices such as market sharing and price fixing; they have tolerated false and misleading advertising and selling and other injustices in the market.

Thus, the middle class per se cannot be considered to be more virtuous than other classes. Yet it is the above enumerated ethical virtues, particularly the concern for efficiency and prudent use of resources, that found strength in the consumer movement and in turn have supported the consumer movement, especially Consumers Union.

Without question, the organization which has built and sustained the identity of the consumer movement for 45 years is Consumers Union. CU has done this through its publication, Consumer Reports, and by nurturing other consumer organizations.

ACCI is but one of the progeny born and financially sustained, but never monitored, by CU. CFA (Consumer Federation of America) has received financial support and leadership from CU since its founding in 1969. Furthermore, the influence of CU has been worldwide, not only in serving as the model for the British version, Consumers' Association, but also in organizing IOCU (International Organization of Consumers Union). The central figure in orchestrating this movement has been Dr. Colston E. Warne. He was President of Consumers Union from 1936 to 1980. Consumers Union's membership is predominantly middle class. Only 9% of CU's 1978 membership had incomes of \$50,000 or over, and 5% had less than \$10,000. Members' median income was \$24,100. Moreover, CU members are well-educated; 97% have completed high school and 35% have some graduate or professional, technical, managerial or administrative positions. It is not surprising CU has its greatest appeal for the better educated middle class. Low income families are concerned with economic survival. The wealthy can afford to make mistakes in their purchasing. The middle class have both the opportunity to make choices and are compelled to make wise choices to extend their not unlimited incomes. Thus a strong case can be made that the middle class characterizes the

mainstream of the consumer movement. The consumer movement has no centers of economic power; the annual budget of Consumers Union is less than four percent of that budgeted by tobacco companies to influence the choices of smokers. Its real power lies in its supporting role of the middle class: its concern for efficiency, its concern for the rights of consumers; its recognition of the needs of consumers to act responsibly. Its power lies in its integrity and independence of special economic interest groups.

Since no responsible observer would predict the fall of the middle class in the years ahead, or a shift in the fundamental values of the middle class, I expect that part of the consumer movement which responds to middle class needs and ethical values will survive (and possibly thrive) during the coming conservative years.

#### The Fortuitous Effects of Consumerism's Opponents

Among the social movements -- the labor movement, the women's movement, civil rights -- the consumer has not been spectacularly visible or conspicuous by its actions. Sporadic picketing protesting price inflation has not been sufficiently consistent to form a pattern, and the leadership has not endured. Instead, the notoriety of the consumer movement has come from outside the consumer leadership. Even the title of "consumerism" did not originate from the consumer leadership, but was coined by the advertising profession, intending therewith to denigrate the consumer movement by name association with communism, socialism and other -isms.

So feared was the consumer movement in the early 1960's that when Sylvia Porter ran a series of articles explaining consumer concerns and describing the status of the consumer movement, a significant number of papers refused to run her syndicated column. Miss Porter herself felt she had to resign from President Kennedy's Consumer Advisory Council when it became clear that the CAC would be expected to take advisory positions on such controversial matters as Truth in Packaging and Truth in Lending.

In 1964 President Johnson asked Esther Peterson to be his special assistant for consumer affairs, a newly created position, and directed her to take the consumer presence to the people. She held a series of four regional meetings in St. Louis, Salt Lake City, Atlanta and Detroit. As Chairman of the St. Louis meeting, I know how frightened and concerned business groups were, particularly the National Association of Manufacturers and the U.S. Chamber of Commerce whose representatives carefully followed each development. In fact, the only copy of taped and printed proceedings were from the NAM and the American Meat Institute. The business groups were both delighted and chagrined that the feared consumer movement was more a whisper than a crushing demonstration of outrage. This did not stop them from using the consumer threat to build a stronger front to combat those threatening and growing consumer forces.

The efforts of Esther Peterson to increase public awareness of consumer issues was sufficiently irritating to special interest groups to cause President Johnson to accept her resignation.

Ralph Nader emerged on the scene in 1965 with publication of "Unsafe at Any Speed" which raised public consciousness of auto safety. He was made a public hero by General Motors which hired a detective agency to follow him and wound up confessing to their actions before Senator Rubicoff and paying \$426,000 in settlement of a damage suit. The award funded a new consumer movement with a legislation-regulatory-court action orientation. Here is an excellent example of how the opponents of the consumer movement elevated a consumer leader and consumer issues into national prominence.

Changing the responsiveness of the press to consumerism may be interpreted as a successful conversion of an early opponent or an education of the media unmindful of its public responsibility.

The press, slow to recognize rising consumer consciousness, was unable or reluctant to give coverage to early consumer movement events. Not only was the advent of Consumers Union not considered newsworthy, but the New York Times and Herald Tribune refused to permit paid advertisements for Consumers Union.

The Consumer Advisory Council took positions, issued press releases, and held press conferences, but the press seemed unable to cope with this area: it was neither front page news nor did it conform to the type of writing of the sports, financial, business or food departments.

Another indication of the inability of the press to give publicity to consumer issues was demonstrated in 1966 when CBS-TV was unable to obtain a national sponsor for its documentary on Truth in Lending. Many of the stations aired the program without financial support of advertisers; others refused to schedule it as a public service. And when Truth in Lending passed, even the Wall Street Journal failed to consider that newsworthy.

Ironically, what appeared to be significant consumer setbacks brought national press advantages. The press had a heyday with Nader vs. General Motors. The resignation of Esther Peterson ultimately resulted in the appointment of Betty Furness. Although best known for her advertising performances, Furness proved to be no patsy for the advertisers, and her honest, direct approach to consumer issues won respect with consumers and the media. She got the consumer news out of the women's and home life sections of the news into the mainstream of current events.

By 1969 when President Nixon announced Willie Mae Rogers of Good Housekeeping magazine as his choice to represent the consumers' interests in the White House half-time while continuing at Good Housekeeping, the press had come to recognize that more was to be expected of a consumer adviser to the President and roundly ridiculed the appointment. The appointment was withdrawn and Virginia Knauer was appointed instead. Today

the press recognizes consumers' attempts to improve the efficiency of the free market and reports them as news.

#### Maintenance of Consumer Sovereignty

The current consumer movement can be viewed as a maelstrom of demands for social change.

Since consuming is inescapably related to living, the consumer movement can embrace all consumable goods and services -- their choice, selection, use and care -- whether purchased, self-provided or acquired through social and government services. The focus may be restricted to decision-making at the individual household level within a given environment, or the focus may be on those external forces that bear on household decisions.

It is my view that the current period will see a gradual restricting and refocussing of the consumer movement on issues that have traditionally been held by advocates of the free market system, consumer sovereignty and the fundamental right of consumers to direct the allocation of productive resources with their dollar votes.

It is my thesis that there will always be a consumer movement consisting of persons who through consumer education and related social policy address the consumers' rights as set forth by President Kennedy (with an additional fifth one, the right to expeditious redress of consumer injustices.) Conditions which perpetuate a need for a consumer movement include: (1) relative affluence that supports a middle class of persons who need to make economic choices in consumer markets, (2) a mixed economy which balances competing virtues of decentralized market capitalism against centralized government ownership and control, (3) consumer desire for product information before making choices, (4) concern for those who experience inequality in market bargaining power and suffer from fraud, deception, and exploitation in the marketplace.

One need only review the first (1936) issue of Consumer Reports to appreciate that many of the consumer problems recognized 45 years ago persist. Consumer issues take time and persistence: The February, 1981 issue of Great Britain's Which reports that after 15 years of campaigning for open date marking of food, it may become a reality in 1983. Truth in Lending required 9 years for its enactment, and another 8 years before effective enforcement. The FTC required 16 years and 149 hearings to get the word "liver" out of "Carter's Little Liver Pills".

The ingredients of the consumer movement will persist. During the present administration, some facets of the movement may go into remission, but they will not be eliminated. The seeds of the consumer movement lie in the inevitable "Backward Art of Spending Money" as described in Mitchell's famous essay of 1912 and will grow so long as some elements of consumer sovereignty remain.

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UNAVAILABLE ADVERTISED SPECIALS:  
AN EVALUATION AND RECOMMENDATION FOR  
CHANGE OF AN FTC REGULATION

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Abstract

The Federal Trade Commission has attempted to control and prevent unavailability of advertised food items through a 1971 regulation entitled, Retail Food Advertising and Marketing Practices. During the last decade, research conducted to evaluate consumer awareness and retail compliance with this regulation indicates that majority of supermarkets have at some time been in noncompliance with the intent of the ruling. Examination of the data suggests a need to revise the existing FTC regulation to meet its original purpose. It is also recommended that explicit guidelines be included which will require retail grocers to provide appropriate alternatives for the consumer when an advertised product is not available.

Introduction

The purchase of food is a major expense in a family's budget, second only to housing [2, 4]. Outlays for food usually account for 15 to 20 percent of the household's expenditures, and in some low-income families, may demand as much as 40 percent of the family's disposable income. Beyond the readily apparent financial costs, food purchasing also uses time, personal energy, and transportation resources. Some consumer purchases, for example, housing and major appliances, occur infrequently; but, food shopping is undertaken once or more a week by almost 75 percent of households in the United States [5]. Consequently, many consumers not only seek methods to reduce the direct costs of food purchase but also try to minimize other resource costs as well.

The federal government has played an important role in this quest to maximize food purchasing. In 1967 Congress heard testimonies of consumers calling attention to differential pricing practices of food stores operated in low-income areas in comparison to stores located in more

affluent neighborhoods [13]. Reports on various store policies included discussion of charges that advertised grocery items were often unavailable.

Federal Trade Commission

Shortly after these hearings which created an awareness of several consumer problems with retail grocery operations, the Federal Trade Commission (FTC) initiated an extensive study [3] of pricing practices used by retail food chain retailers in major United States cities. The report of FTC's findings [4] revealed an overall average unavailability level of 11 percent; only eight of 137 stores surveyed had all advertised items available when investigators visited the stores. Substantial differences between low and high income areas, as well as geographical locations, were evident.

Based primarily on the FTC investigations, the Retail Food Store Advertising and Marketing Practices regulation [3] was promulgated in 1971. Directed toward retail stores of food and grocery products, it defines the advertising of a product without intent to provide that item at the specified time and price as an unfair and deceptive act [10]. Not only must the retailer order and stock a reasonable supply of an advertised item, but must also have the product "conspicuously and readily available for sale at or below the advertised price" [10, p.216]. In the event an item is in stock but cannot be readily displayed, clear and adequate notice of how the good may be obtained should be provided.

Effects of the FTC Ruling

As an outcome of this regulation, it might be expected that the unavailability of advertised items is no longer prevalent; that the regulation has alleviated shortages of advertised specials. However, research undertaken in the decade since the regulation became effective has not shown this to be true [1, 5, 8, 9, 11, 14, 16]. In 1974, three years after the ruling, Mason and Wilkinson [8] studied 90 stores within one retail food chain and found an average unavailability for advertised grocery items of ten percent. Anderson [1] reported a 1975 survey of retail food chain stores by a public interest research group which found an overall average of eight

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percent of advertised specials unavailable.

Prevalency of unavailable advertised items has also been approached from the consumer standpoint. Researchers (Table 1) studying consumer experiences in relation to grocery shopping reported relatively high frequencies of unavailable advertised items. Findings indicate that a majority of consumers have experienced incidences of unavailability in the marketplace [5, 9, 11, 16]. Wilkinson and Mason [16] reported 56 percent of their 187 consumer-participants had such experiences. A 1977 national study conducted by the FTC [5] revealed that 87 percent of consumers recalled some

incidences where advertised items were unavailable. A telephone survey of 200 consumers conducted by the authors [11] in late 1979 found that more than 70 percent of respondents reported unavailability of advertised specials.

In response to charges of continuous unavailability in stores, the FTC has investigated various retail food chains to evaluate validity of consumer complaints. Almost every major food chain has signed consent orders with the FTC which required future compliance with the Retail Food Store Advertising and Marketing Practices rule.

Table 1. Studies Related to the Unavailability of Advertised Specials

Primary Author	Warland	Meyers	Wilkinson	FTC 1979	Paynter
Location	National	West	Mid-West	National	Central
Methodology	Telephone	Mail	Interview	Mail	Telephone
Year of Study	1972	1975	197-	1977	1979
Sample size	1215	280	187, 104	2563, 1980	200
	Percent	Percent	Percent	Percent	Percent
Consumers Utilize food advertisements	--	--	85 --	88 --	88
Consumers experience unavailability of advertised specials	--	75	56 --	87 --	72
Actions taken in response to missing grocery specials:					
Seek assistance from store personnel	32	56	-- 72	-- 18	28
Utilize raincheck	--	25	-- 41	-- 37	37
Utilize substitute	--	--	-- 19	-- 33	5
Go to another store	--	--	--	-- 12	6
Purchase a non-sale substitute	--	--	-- 16	-- 27	12
Take no action	25	--	-- 17	-- 37	24

#### Utilization of Food Advertisements by Consumers

The popularity of food advertisements with consumers make such advertising an effective method for grocery stores to attract customers [6]. In fact, a majority of shoppers reported (Table 1) that they consult food advertisements prior to shopping and that plans to purchase

items were often influenced by weekly specials. It has been found that the use of advertised food items can result in savings of as much as 18 percent of food expenses [17]. Wilkinson and Mason [15] reported that the total amount spent on advertised grocery items in a typical shopping trip may exceed ten percent of the total food bill.

## Consumer Store Preferences

Findings from the 1979 FTC study [5] and from a survey by the authors [11] indicate shoppers usually have a variety of grocery stores or supermarkets from which to choose but, often patronize one store for the bulk of grocery purchases. In USDA studies [7] a majority of respondents seldom or never shopped in more than one store for groceries. In FTC's 1979 national study [5] a majority of consumers rated the amount of savings offered in advertisements and the availability of advertised specials as very important when selecting a store in which to shop. Ability to obtain a comparable substitute for unavailable items and the store's provision of a raincheck policy were also considered important by most consumers surveyed. Even though consumers felt that the availability of advertised goods was important in selecting a store, there were other characteristics, such as quality of produce and meats, which usually took priority in their store selection. They were unlikely to switch stores when faced with unavailability of advertised items if other favorable attributes were present.

## Consumer Response to Unavailability of Grocery Specials

Since many consumers are at some time confronted with the unavailability of advertised goods, the potential for economic loss exists. Consumer related surveys (Table 1) assumed a rational food shopper, when faced with unavailability of an item, would take action to correct or alter the situation thus avoiding economic loss. An irrational consumer would take no such action. Conclusions from the authors' survey were in agreement with those of Meyers and Shutz and those from the 1979 FTC survey; rational behavior on the part of the consumer was thought to include (1) seeking assistance or information from store personnel, (2) requesting a comparable, sale-priced substitute, and/or (3) requesting a raincheck [5, 9, 11]. In 1978 Wilkinson and Mason [16] described rational consumer behavior in a more limited way: after the shopper asks if more of the item is available and is told there is none, the shopper will leave the store and go elsewhere to shop.

A majority of respondents [5, 9, 11, 16] described behavior which was rational in response to unavailability of advertised specials by indicating they would ask someone in the store about the item and/or seek an alternative. However, up to a third of the respondents in the studies said they would take no additional action when unable to locate an advertised item, they would either do without it or buy a substitute product which was not sale-priced.

The two most frequently chosen alternatives to unavailability were requesting rainchecks and/or comparable substitutions for the unavailable

advertised items. In 1977, FTC investigators found that rainchecks, which offer the opportunity to purchase the advertised item at a later date, are available in most food stores [5]. Although rainchecks are utilized by a number of consumers (See Table 1), the use of rainchecks involves certain costs for the consumer. It was concluded in the FTC study (1979) that not only is there a delay in purchase of the item [5], but the raincheck must be requested and the consumer must often wait while the raincheck form is completed by a store employee.

Substitution by the store personnel of a product comparable in price and quality to the advertised item is another method of resolving the unavailability problem. This solution is more desirable in that it usually provides the consumer with equal savings without requiring him or her to return to the store at a later time. It is usually the consumer's lot to request such a substitute although some store personnel do make substitutions readily available when their stock of an advertised product is depleted or otherwise unavailable.

## Policy Shortcomings

In summary, several weaknesses in the 1971 FTC Regulation on advertised specials seem apparent. Unavailability is still prevalent in grocery stores; consumers incur economic losses when advertised goods are unavailable. While many consumers do take some action in response to unavailability of goods, their behavior is not consistent nor are their actions certain. The regulation does not mandate that retailers provide alternatives for an advertised unavailable item. Nor are grocers obligated by federal guidelines to offer rainchecks or substitutions. In short, the burden to seek out and demand compensatory solutions falls primarily on the consumer.

In the past, shoppers have usually assumed responsibility for many consumer problems which occur in the marketplace. For example, a person who was unable to locate an advertised special may have thought it was his or her fault for waiting until near the end of the sale to shop. Educational programs for consumers have focused on shoppers' skills, informed decision-makers, and complaint mechanisms; little emphasis has been given to the need for government regulation nor has much been accomplished in dispelling consumer's attitudes of ineptitude. When a shopper has knowledge of several alternatives, he or she must weigh the costs of time and effort to be expended in each course of action. An individual's rational choice may well be to do nothing or to purchase a non-sale substitute. With today's natural energy shortage, going to another store to purchase only one or two items might be impractical; switching stores may also be nearly impossible or undesirable, especially

if the consumer is satisfied with other characteristics of their preferred store.

### Policy Alternatives

Two possible solutions the federal government might utilize in attempting to correct the present unavailability of grocery specials are to (1) provide funding for consumer assertiveness education programs or (2) mandate that businesses take responsibility for furnishing readily accessible alternatives.

The financial input required for consumers to participate in a wide-spread assertiveness training program would be massive even in comparison with the economic costs now endured because of the unavailability of advertised goods. Initially, difficulties in reaching adult audiences would have to be overcome; later obstacles would be individual distaste for personal confrontation and/or demand making. Success in this major undertaking seems dubious.

The second suggestion of putting responsibility upon the retail grocery stores could require these companies to automatically provide alternatives when advertised items are sold out or unavailable for some other reason. Rather than providing rainchecks or substitutes to only those consumers who ask, retailers could be required to post or display these items in areas convenient to shoppers. Store personnel might also ask consumers if they located all the items they wanted; the store could take the initiative for helping dissatisfied customers.

The cost of meeting these new regulatory requirements could be considerably less than consumer assertiveness training. If, after enacting this legislation, losses are encountered by business as a result of compensating for unavailable items, retailers could make greater efforts to fulfill advertising claims by stocking adequate amounts of sale items. It seems likely that consumers would also support such increased regulations. The potential benefits to consumers is expected to surpass the cost of regulatory revision and business compliance [12].

An accurate assessment of the proposed regulation, particularly its economic costs, will be determined best by evaluation after the regulation has been in effect for a period of approximately ten years. However, the authors predict that retail grocers who are fully complying with the current regulation will have little, if any, increase in economic costs since they already take consistent care to provide advertised specials. In those businesses which have been lax in providing advertised specials there might be fewer advertised sales. The cost of tightening internal control of purchasing and advertising may be prohibitive for those stores which have not been in compliance. But for those complying with the regulation it should provide a

competitive edge and an increased share of the market as expected in our free enterprise system.

If there is no change in the regulation the result might well be an increase in consumer frustration. This same frustration has led in part to the upswing in the growth of neighborhood food cooperatives to help meet consumer needs.

Overall, retail provision of alternatives to advertised specials can be construed as a positive step on the behalf of business to assist the consumer in negotiating the marketplace.

### Recommendation for Change

The Retail Food Store Advertising and Marketing Practices Regulation, passed in 1971 by the FTC, serves the consumer interest by attempting to control unfair and deceptive practices of retail food stores. It requires retail grocers to provide food specials as advertised. Because we, as professionals, encourage consumers to utilize such food advertisements in selecting stores and in planning purchases, concern with retail compliance and consumer responses toward resolving unavailability experiences continue to be pertinent. The outcome of various research efforts provides evidence of a general prevalence of unavailability in regard to advertised grocery specials, and, thereby indicates an exigency for change of the existing regulation.

A solution to the discrepancy between actual and desired availability of grocery specials recommended by the authors is to require retail food merchants to assume the major responsibility for the prevention of unavailability situations. Not only should it be the grocer's duty to assure satisfaction in regard to advertisement claims, he or she should also be required to make restitution to those consumers who have been faced with unavailability of a desired sale item. This can be accomplished by requiring retailers to provide at least two alternatives to consumers within the store.

The optimal alternative would be substitution of a comparable product. Comparable substitutes should be equivalent to the original advertised item in both quality and price if possible. However such a goal is not always feasible. Various approaches to supplying substitutes can be employed, two of which are identical discount per unit or identical price per unit.

In some situations, no substitute may exist or difference between products may make substitution unacceptable. Some consumers may prefer a specific brand or style of product. For these consumers who do not wish to utilize the provided substitute, rainchecks should also be available.

As with the original regulation regarding unavailability of grocery specials, immediate compliance is as unlikely as is total compliance

at any time. It is further suggested that regulatory revisions include provision for reimbursement by retail stores toward any loss of time and personal resources a consumer may expend in contacting and informing consumer protection agencies of mistreatment or regulatory violations.

#### Conclusion

A need for revision of the Retail Food Store Advertising and Marketing Practices rule seems evident. A majority of consumers experience unavailability of advertised specials; these experiences represent a sizable economic loss to consumers as a whole. In order to alleviate these occurrences, more explicit guidelines requiring provision of unavailability alternatives by retail grocers are recommended.

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BLACK-WHITE DIFFERENCES IN CONSUMPTION  
EXPENDITURE PATTERNS

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Abstract

The objectives of this study were: (1) to determine the impact of race on consumption expenditure patterns for major consumption expenditures, controlling for income, age of head of consumer unit, and (2) to estimate expenditure-income elasticities for each racial group in order to determine the income-expenditure responses of black and white households. The consumption categories analyzed were: food, alcoholic beverages, tobacco, shelter, fuel and utilities, household operations, house furnishings and equipment, clothing, personal care, health care, recreation, education, and transportation. Data for this analysis were from the 1973 Bureau of Labor Statistics Consumer Expenditure Interview Survey. Blacks and whites were found to differ in consumption expenditure ratios on all 13 categories, however, the greatest differences were in food, clothing, recreation, health care, and transportation ratios. In the multiple regression analysis, each of the five independent variables influenced one or more expenditure ratios for consumption categories. Black-white differences in income elasticity estimates for major consumption categories were found.

The Bureau of Labor Statistics Consumer Price Index (CPI) is widely used as a measure of changes in the cost of living. Prices are collected on a wide variety of food and nonfood products to develop the CPI. These prices are multiplied by weights designed to reflect the purchasing patterns of various socioeconomic and demographic groups within the U.S. population because they are based on average purchasing patterns. As a result, changes in the CPI may not reflect the cost of items purchased by groups such as minority races, the elderly, and the poor.

It is widely recognized that racial groups differ from the population at large in their purchasing and consumption (Herman, 1966). Whereas reports concerning differences in black and white expenditure patterns in the U.S. date from as early as 1928 (Negro as a Consumer, 1930; Selling to Harlem, 1928), a series of studies during the fifties and sixties revealed that expenditure pattern differed among racial groups (Alexis, 1971; Bullock, 1961; Edwards, 1932; Friend and Kravis, 1957). Researchers reported that with comparable incomes, blacks spent more than whites on clothing, personal care, household furnishings, alcoholic beverages, and tobacco; and less than whites on medical care, food, transportation, education, and fuel and light. Gen-

erally, there were no differences in expenditures in the consumption categories of recreation and home furnishings and equipment (Akers, 1968; Alexis, 1959; Andreasen and Hodges, 1977; Bayer and Cunningham, 1970; Bennett, 1967; Larson, 1971; Mock, 1964; Salathe, Gallo, and Boehm, 1979; Sawyer, 1962).

It is generally agreed that sociodemographic variables such as income, education, age, family size, and place and region of residence are important factors in determining consumption expenditure patterns. However, the great flaw in virtually all research into black consumption behavior has been absence of controls for sociodemographic variables associated with race (Akers, 1968; Andreasen, 1975; Andreasen and Hodges, 1977; Bayer and Cunningham, 1970; Feldman and Star, 1968; Gibson, 1978; Kielty, 1970; Rogers, and Green, 1978; Sawyer, 1962; Stafford, Cox, and Higginbotham, 1968).

One of the main objectives of an analysis of family expenditures is to derive estimates of income elasticities of demand for various consumption categories (Harris, 1964; Liviatan, 1964; Prais and Houthakker, 1971). However, research concerning income elasticities for racial groups has been very limited. Early rough estimates reported blacks as tending to spend additional dollars in those categories in which they had traditionally spent less than whites; food, education, household operations, housing, automobiles and medical care. Also, except for personal care, the categories in which blacks had traditionally spent more than whites were found to be inelastic (Bayer, and Cunningham, 1970; Feldman, and Star, 1968; Salathe, Gallo, and Boehm, 1979; Stafford, Cox, and Higginbotham, 1968).

In view of the past findings concerning differences in expenditures among racial groups, the limited capability of the CPI to respond to such differences, the necessity of controlling for sociodemographic variables in such studies, and the objective of estimating income elasticities in analyses of family expenditures, a need existed for current and comprehensive research into black-white consumption expenditure patterns.

The objective of this study were: (1) to determine the impact of race on consumption patterns for major consumption expenditures, controlling for selected sociodemographic variables, and (2) to estimate income elasticities for each racial group in order to determine if black and white household expenditure-income responses are different. The following consumption categories were analyzed: food, alcoholic beverages, tobacco, shelter, fuel and utilities, household operations, house furnishings and equipment, clothing,

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personal care, health care, recreation, education, and transportation. A description of these categories can be found in the U.S. Department of Labor's Interview Survey Detailed Public Use Tape for the 1972-73 Consumer Expenditure Survey (U.S. Department of Labor, 1978b).

#### METHOD

Data for this analysis were from the 1972-73 Bureau of Labor Statistics (BLS) Consumer Expenditure Interview Survey (CEIS). Periodically, since 1938, the BLS has conducted surveys of consumer expenditures, savings, and income. These have been the only comprehensive sources of detailed information on expenditures, income, and changes in assets and liabilities related to the socio-economic and demographic characteristics of families in the United States. The Consumer Expenditure Survey of 1972-73, the eighth major survey of its type, and the first one since 1960-61, extended this tradition.

The 1972-73 Consumer Expenditure Survey consisted of two separate surveys, each with its own questionnaire and independent sample: (1) a quarterly panel survey in which each consumer unit in the sample was visited by an interviewer every three months over 15 months, and (2) a diary or recordkeeping survey completed at home by the respondent for two consecutive one week periods. The 1972-73 CEIS data were collected in two separate 12 month periods. Data collected in the second survey period were used in this study to investigate black-white differences in consumption expenditure patterns. In 1973, 10,106 consumer units were included in the survey (U.S. Department of Labor, 1978a).

Multiple regression models were used to examine the relationship between selected household characteristics and the total expenditures of blacks and whites for each consumption category. The income elasticity estimates at mean values for the 13 individual consumption categories, based on the linear regression form, were estimated.

The sample for this study consisted of urban consumer units in the 1973 Bureau of Labor Statistics (BLS) Consumer Expenditure Interview (CEIS). Only units with incomes from \$2,000 to \$34,999 per year were used in this study due to the grouping of respondents with incomes below \$2,000 or above \$34,999 into single categories. There were 6,269 white and 736 black units in this analysis. A frequencies distribution indicates variation in black-white consumer unit characteristics (Table 1).

Table 1. Frequency Distribution of Selected Characteristics of Consumer Unit

Characteristics	Number		Percent	
	White	Black	White	Black
<u>Total income</u>				
\$2,000 - \$4,999	1,036	215	17.3	29.2
\$5,000 - \$9,999	1,554	262	24.8	35.6
\$10,000 - \$14,999	1,414	147	22.6	20.0
\$15,000 - \$19,999	1,137	82	18.1	11.1
\$20,000 - \$24,999	628	20	10.0	2.7
\$25,000 - \$34,999	450	10	7.2	1.4
Total	6,269	736	100.0	100.0
<u>Number of people in consumer unit</u>				
No response	63	8	1.0	1.1
1	1,508	157	25.0	21.3
2	1,703	153	27.1	20.8
3	1,018	133	16.2	18.1
4	994	103	15.9	14.0
5	512	68	8.2	8.7
6	280	51	4.5	6.9
7 or more	191	67	3.0	9.1
Total	6,269	736	100.0	100.0
<u>Age of head of consumer unit</u>				
24 years or younger	524	76	8.4	10.3
25-64 years	4,604	581	73.4	78.9
65-74 years	707	51	11.3	6.9
75 years or older	434	28	6.9	3.3
Total	6,269	736	100.0	100.0
<u>Education of Head of consumer unit</u>				
Some high school	1,922	374	30.7	50.3
High school graduate	1,998	213	31.9	28.9
Some college	892	70	14.2	9.5
College graduate	1,177	33	18.8	4.5
No response	280	46	4.5	6.3
Total	6,269	736	100.0	100.0
<u>Geographic region of residence</u>				
Northeast	1,396	143	22.3	19.4
North Central	1,038	26	17.4	3.5
South	2,254	489	36.0	66.4
West	1,531	78	24.4	10.6
Total	6,269	736	100.0	100.0

Blacks in the sample had a lower mean income than whites, a younger mean age of the head of the consumer unit, and a higher average number of members per consumer unit. Blacks dominated the lower levels of education achievement while whites were more heavily distributed in the upper levels. The largest percentage of the sample for both racial groups resided in the south and the smallest number were in the west.

## FINDINGS

In this analysis each of the 13 consumption categories represented the totaled amount of expenditures for all goods and services in each given category. In order to obtain ratios for each category by race, the totaled categories were each divided by the total amount of consumption expenditures reported in the data for the appropriate racial group. The results are reported in Table 2. It should be noted that the studied categories accounted for 89.0% of black and 88.5% of white total consumption expenditures.

Table 2. Consumption Percentages by Category and Race

Consumption category	Black	White
Food	26.3	22.4
Alcoholic beverages	.8	1.0
Tobacco	1.9	1.7
Shelter	19.0	19.1
Fuel and utilities	5.8	5.5
Household operations	4.0	3.9
Clothing	10.3	7.4
Personal care	1.1	1.3
Health care	4.9	6.6
Recreation	4.2	7.4
Education	1.1	1.5
Transportation	5.0	6.2
Total*	89.0	88.5

\*Total figures represent amount of consumption expenditures accounted for in this study alone, not 100% of all expenditures.

White expenditures for major consumption categories were as follows, in descending order: food, shelter, clothing and recreation, health care, transportation, fuel and utilities, house furnishings and equipment, household operation, tobacco, education, personal care, and alcoholic beverages.

Blacks spent proportionately more than whites, in descending order, on food, clothing, fuel and utilities, tobacco, and household operations. Black expenditures were proportionately less than whites, in ascending order, for shelter, alcoholic beverages and personal care, education, house furnishings and equipment, transportation, health care, and recreation. Expenditure differences between the two groups were greatest for the categories of food, clothing, and recre-

ation and least for shelter and household operations.

## INFLUENCES ON CONSUMPTION EXPENDITURE PATTERNS

In the multiple regression analysis (Table 3) each of the 13 expenditure category ratios was used as the dependent variable. Income, family size, age of the head of the consumer unit, education of the consumer unit, and region of residence were entered into the regression model as independent variables.

Income was found to be negative and statistically significant in determining expenditure ratios on food, tobacco, shelter, and fuel and utilities for both racial groups; and on household operations and health care for whites alone. The effect was positive and statistically significant on alcoholic beverages, personal care, education, transportation, recreation, and household furnishings and equipment for black and white expenditure ratios; on health care for black expenditure ratios only; and on clothing for white expenditure ratios alone.

The number of people in the consumer unit, or family size, was found to have a negative and statistically significant influence on expenditure ratios for alcoholic beverages, shelter, and recreation for both groups; and household operations, personal care, and transportation for whites. The variable has a positive and statistically significant effect on food and fuel and utilities for black and white expenditure ratios; on clothing for black expenditure ratios alone; and on education and health care for white expenditure ratios only.

Age of the head of the consumer unit was found to be negatively statistically significant in determining expenditure ratios on shelter, clothing, alcoholic beverages, household furnishings and equipment, transportation, and recreation for both racial groups; and on tobacco for whites alone. The effect was positive and statistically significant on food, fuel and utilities, household operations, health care, personal care, and education for black and white consumption expenditure ratios.

For education of the head of the consumer unit, the difference between the expenditure ratios for the group with less than a high school education and the group of high school graduates was negative and significant for household operations, clothing, recreation, and education for both races; and personal care and health care for whites. The difference was positive and statistically significant on expenditure ratios for food and tobacco for both races; and alcoholic beverages for blacks only.

When compared to the high school group, the expenditure ratios for the group with some years of college were found to be negative and significantly different for food, alcoholic beverages, tobacco, and personal care for whites. The difference was positive and statistically significant for expenditure ratios on education, household operations, shelter, clothing, and health care for whites; and on recreation for blacks.



TABLE 3

## Estimated Beta Coefficients for Selected Demographic Variables and Expenditure Ratios by Race

Variable	Food		Alcoholic Beverages		Tobacco		Shelter	
	Black	White	Black	White	Black	White	Black	White
Income	-.29552**	-.12370**	.08998*	.06893**	-.10873**	-.07157**	-.15269**	-.24174**
Family size	.27969**	.30728**	-.20719**	-.16218**	.00490	.01611	-.22941**	-.19529**
Age of head of consumer unit	.19837**	.26777**	-.11297**	-.12096**	-.05008	-.12309**	-.24704**	-.19246**
Education of head of consumer unit	.08541*	.08992**	.08683*	-.02470	.08439*	.06991**	.00774	-.00706
Some high school	omitted	omitted	omitted	omitted	omitted	omitted	omitted	omitted
High school graduate	-.04618	-.06269**	-.03673	-.02744**	-.00797	-.05800**	-.02129	.02782*
Some college	-.03413	-.07157**	-.04181	-.03070*	-.08107*	-.13303**	.04230	.11429**
College graduate	.07316	.03996**	-.06113	-.03437*	.07779	.13458**	.02600	-.02340
Region of residence	.06941	-.02617	-.03861	-.04746**	-.04608	.05888**	-.11105**	-.08526**
Northeast	.06251	.03378*	-.01943	-.10464**	.12427*	.10636**	-.20424**	-.14790**
North Central	omitted	omitted	omitted	omitted	omitted	omitted	omitted	omitted
South								
West								
R <sup>2</sup> =	.22931**	.17697**	.04690*	.03675**	.04580*	.06026**	.19687**	.15310**

\*Significant at .05 level.

\*\*Significant at .01 level.