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# GUIDE FOR SUBMISSION OF MANUSCRIPTS

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1. The material in the manuscript, so far as the author knows, will not infringe upon any statutory copyright.
2. The paper will not be submitted elsewhere while under **ACI** review. (This review will normally take from 6 to 12 weeks for refereed papers.)

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1. Submit 4 copies on 8-1/2 x 11 inch paper with 1-1/4 inch margins. Double space throughout, including footnotes and quoted matter.
2. For refereed articles, the manuscript should include a separate title page, the author's title and affiliation, along with the title of the paper and any acknowledgements. This page will be removed before review to ensure anonymity.
3. Manuscripts submitted for publication should include a headnote not exceeding 75 words. This headnote is for the purpose of review only. If the paper is published in **ACI** the headnote will be shortened to approximately one sentence.
4. The style manual for **ACI** will be *APA* (American Psychological Association). Variations will be accepted, however, the copy editing is simplified if the recommended style is used.
5. Each table, graph, figure, or chart should be placed on a separate page and included at the end of the manuscript. Omit all vertical lines. Use letters for footnotes to tables, and asterisks for statistical significance.
6. The typical article is about 1500-2500 words. Longer manuscripts

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## OTHER INFORMATION

1. Manuscripts submitted to **ACI** for the refereed section are blind peer reviewed by the Editorial Review Board and guest reviewers selected by the Editor.
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## EDITORIAL POLICY STATEMENT

### Advancing the Consumer

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

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

Suggested content may include but is not necessarily limited to:

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

It has finally become a reality! The American Council on Consumer Interests now has an applied journal for practitioners.

The idea for ACI originated with a survey of ACCI members conducted by Monroe Friedman and the ACCI Future Directions Committee. Based on the survey findings, the ACCI board proposed an ad hoc committee to assess the feasibility of such a publication and to design the journal if a sufficient need were identified.

In September of 1986, the committee met for two days at the O'Hare Hilton (an appropriate place to meet if you don't want to be distracted from the tasks at hand). The only real failure of this meeting was not coming up with a name for the journal. "Advancing the Consumer Interest" was later suggested by a noncommittee member, Monty Friedman.

The ACCI board accepted the committee proposal with minor changes in April 1987 and proceeded to create a committee consisting of the Past-president, President, and President-elect, to search for an editor. I put my name into contention and it was accepted. My education as an editor was about to begin.

My first task was to select associate editors and an editorial review board, who not only represented the broad constituencies of ACCI, but also would make the editor look good and make his job somewhat easier. The editorial review board decides on the suitability of the individual manuscripts for publication and advises the editor on the types of manuscripts appropriate for ACI. This advice is both explicit through direct suggestions to the editor and implicit through comments made as part of manuscript reviews. Although many journals use two reviewers for a manuscript, ACI has each paper reviewed by three persons in addition to the editor. These extra reviews not only provide the author(s) with additional input, but they also

provide the editor with information as to what the ACCI constituencies, as represented by the review board, think appropriate for publication in the journal in terms of quality, sophistication, and subject matter.

My second activity was to encourage as many manuscript submissions as possible for the referred section of ACI. I contacted prospective authors by letter, phone, and buttonholing at conferences.

Between March 1, and September 30, 1988, thirty manuscripts were submitted for the referred section of ACI. Five were accepted contingent on changes suggested by the reviewers, Associated Editor Robert Kroll, and myself. These suggestions ranged from minor to major revisions. Three manuscripts are currently being considered for the second issue, and two are being revised for resubmission and reconsideration.

One disappointment I have in the first issue is that the content is not as broad as I would have liked. No manuscripts were submitted by consumer activists, consumer educators outside of universities, and consumer affairs professionals in business and government. I strongly encourage these persons to contribute.

The format of future issues of ACI is not set in stone. Each issue will contain referred articles, book reviews, and guest opinions. Hopefully reviews of recent consumer legislation will remain a feature. I would also like to feature exemplary consumer education programs and consumer assistance programs as a means of sharing creativity in our profession. Future plans also include abstracting selected masters theses and doctoral dissertations. "Letters to the Editor" and responses to past articles will begin with the second issue. Implementing the ideas mentioned here will require people to write the pieces. That means you! Additional ideas, comments, and criticism are welcome.

As with any major endeavor, many people contributed substantially to make it a success. The first to come to mind is Monroe Friedman. Monty originated the idea for this journal and then offered many valuable suggestions. Another noteworthy person is Robert Kroll who not only spent hours counselling and consoling me on editorial problems, but also advised me on the acceptability of manuscripts. In addition, Bob put forth extensive effort in rewriting several of the articles. My colleagues, Robert Mayer, Daigh Tufts, and Cathleen Zick and my spouse, Jan Ellen, not only gave me ideas and advice but also put up with my continual griping on the hardships of being an editor. Lois Shipway provided advice and not-always-welcomed insights on the problems of journal publication. A special thanks to Colleen Caputo, my department chair, who has contributed a variety of in-kind departmental services to the journal. The staff of the Department of Family and Consumer Studies, Dolores Kleinholz and Kay Kelley, have provided invaluable secretarial services to this project.

I hope that you enjoy this first issue of ACI and look forward to thanking you for taking an active part in contributing to future issues.

John R. Burton, Editor

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# THE INTEGRATION OF CONSUMER RESEARCH AND CONSUMER EDUCATION

*A classroom project was used to illustrate how consumer research can be incorporated as subject matter in consumer education.*

Although the public's awareness of the importance of consumer research for protection and policy applications has been growing (Schiffman & Kanuk 1987), consumer education has not often emphasized the active role such research plays in enhancing consumer welfare. For example, Bannister and Monsma's (1982) extensive list of concepts and subconcepts for application in consumer education does not include consumer research. Yet, research on consumer problems inevitably becomes part of the consumer education process (Maynes 1981).

The purpose of this paper is to provide an example of how consumer research can be incorporated as subject matter in consumer education. For that objective, a research-based class project is reviewed.

**Classroom Illustration.** A class project studying consumer and management behaviors at salad bars was selected for a consumer behavior class at the University of Wisconsin-Madison.

The decision to choose this topic as a research project was the result

of a national newspaper article that outlined hazardous and unhealthy conditions at salad bars in the United States (Dahl 1986). The article's sensationalistic claims (e.g., detailed descriptions of unsanitary consumer behaviors at the bars and outbreaks of serious food poisoning) were based on casual journalistic interviews and one university study; this study used a nonrandom sample to determine that out of 379 customers observed, 60% spread germs by touching or spilling food.

Because salad bars are now in one out of every three restaurants and are used by an estimated 32 million people a week (Dahl 1986), they seemed an excellent choice for a food-safety research project. Preliminary contacts with local and state health agencies established that salad bars had not been reported to be associated with food poisoning cases in this state. However, the authorities pointed out that food poisoning or the microbiological contamination of food is often unreported. Since they were aware that restaurants were violating some salad-bar related codes and yet lacked the resources to adequately address the problem (restaurants are inspected annually), they welcomed an appropriate study for their own use.

**Project Objectives.** The overall objectives for the research project were to:

1. Expose class members to a realistic research experience to in-

vestigate a consumer problem.

2. Broaden students' understanding of the resource-intensive nature and process of consumer research and provide an introduction to basic research and statistical concepts (e.g., research questions, representative samples, and variable selection).

3. Give students the opportunity to examine how both consumer and business behaviors contribute to consumer problems and regulation.

4. Provide policy makers, health agencies, and industry associations with documented information about the nature and degree of the violations observed.

5. Allow students to consider and evaluate the costs and benefits of the alternatives available to help solve a specific problem.

## METHOD

**Field Observation.** Field observation is a technique with which most educators are familiar. It is an especially appropriate methodology for an accurate description of consumer behavior when consumers cannot describe an activity with accuracy and/or will not perform the activity normally if they know their behavior is being monitored (Engel & Blackwell 1982).

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Rader Hayes  
Assistant Professor  
Family and Consumer Sciences

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**Sample Selection.** Given the project's goals of providing students with a realistic yet feasible exposure to field research and input to local protection agencies, only restaurants within Madison were included in the project. Utilizing the city's *Yellow Pages* telephone directory as a sampling frame, 407 restaurants were located. After all of the restaurants were contacted to determine which provided salad bars, a population of 62 restaurants with salad bars was located. Using a table of random numbers, 44 restaurants were selected to represent the final sample.

**Data Collection.** This research was part of an assignment for a consumer behavior course at the University of Wisconsin-Madison. Forty-four students participated in collecting the data using the observation methodology. To facilitate systematic record keeping and data analysis, structured observational techniques using observation schedules were favored over unstructured, random field notes. Further, because the method requires systematic coding procedures in order to collect reliable and valid data, several steps were taken to assure a systematic approach.

One semester before the final project, another class tested the coding procedures, schedules and instructions on a smaller, nonrandom sample of restaurants. Problem areas were corrected. Two weeks before the final project a "Salad Bar Project" packet was distributed to and discussed with class members. The packet contained detailed instructions to the students for observation guidelines about how to react or treat certain situations, how to record, examples of correctly completed coding sheets, and the times and restaurant locations of each student's assignment. Additionally, to ensure that

***"Almost half of the students (47%) reported that the observation experience was beneficial because it made them aware of their own, previously unrecognized, careless bar behavior."***

students understood and retained instructions, a quiz about coding procedures was given before the assignment.

Since results depended on the consistency with which all students gathered data, disincentives were provided to those who might be tempted to skip their assignment. Students received a written warning

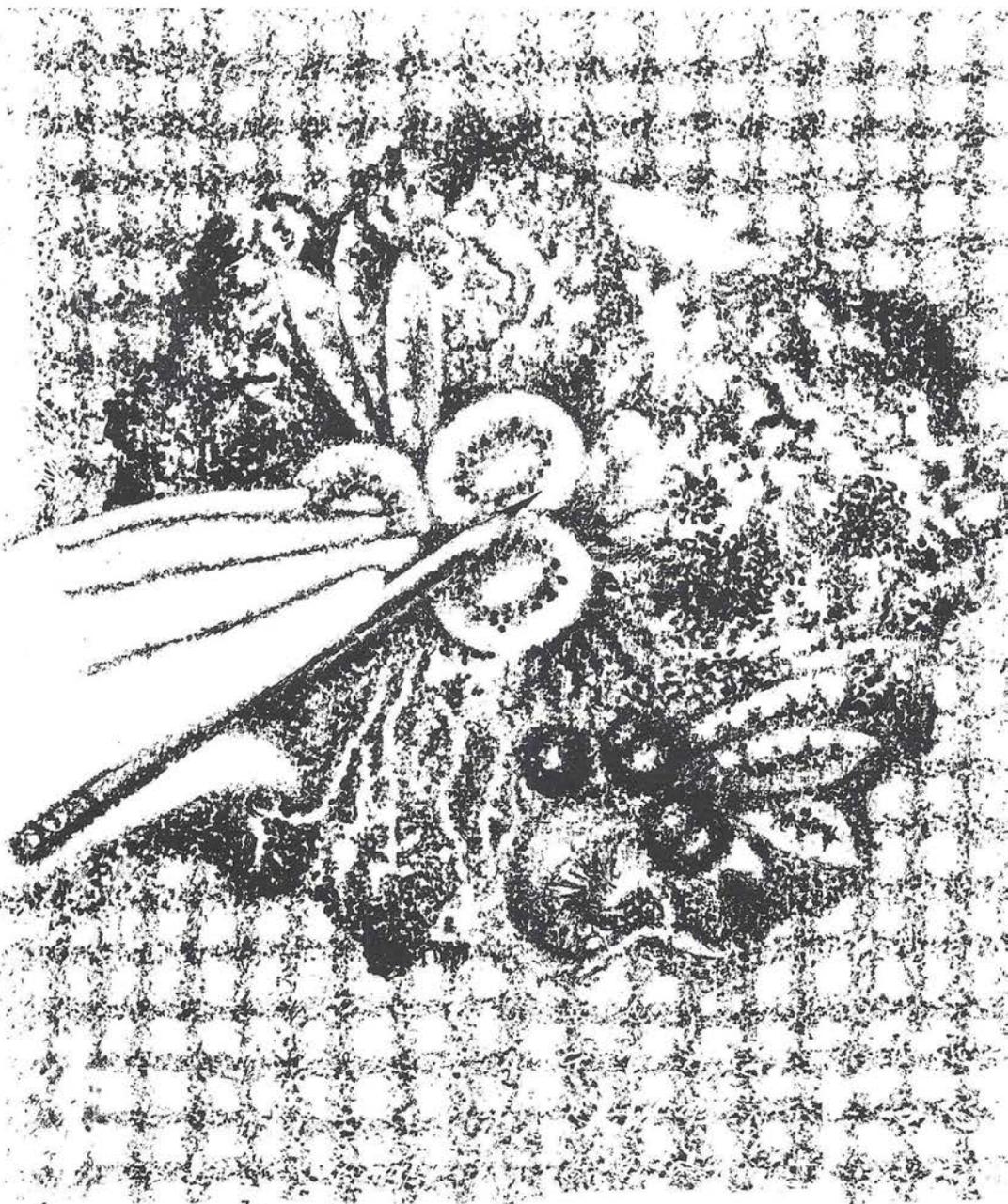


TABLE 1  
Restaurant Conditions

CONDITIONS	(N = 44 Restaurants)	
	Yes (n)	No (n)
Sneeze shields <sup>a</sup>	100.0% (44)	0.00% (0)
All unwrapped food items are under the shield <sup>a</sup>	75.0% (33)	25.0% (11)
All containers have appropriate serving tongs <sup>a</sup>	88.6% (39)	11.4% (5)
Servings tongs arranged so they always fall into lettuce <sup>a</sup>	97.7% (43)	2.3% (1)
Food containers easily reached <sup>a</sup>	65.9% (29)	34.1% (15)
Salad bar area neat and clean <sup>b</sup>	88.6% (78)	11.4% (10)
Food spilled on the floor below the bar <sup>b</sup>	20.0% (18)	80.0% (70)
Employees monitoring (Yes = "Frequently" and "Sometimes" No = "Infrequently" and "Never" <sup>b</sup> )	54.5% (48)	45.5% (40)
Proper food rotation (removing old food, adding new and then placing old on top of the new) <sup>c</sup>	40.0% (16)	60.0% (24)
Signs posted instructing consumers to get a clean plate for each return trip <sup>a</sup>	18.2% (8)	81.8% (36)
If no signs, are consumers told to get a clean plate? <sup>d</sup>	3.0% (1)	97.0% (32)
Plates were available for those making return trips <sup>e</sup>	97.8%** (43)	2.3% (1)

<sup>a</sup>Calculated as a percentage of the total number of restaurants observed (N = 44)

<sup>b</sup>To account for shift variations, calculated as a percentage of the total number of lunch-dinner observations (N = 88)

<sup>c</sup>Calculated as a percentage of the total food rotations observed (n = 40)

<sup>d</sup>Calculated as a percentage of the total number of restaurants without signs or with a "one trip only" policy (n = 33)

<sup>e</sup>20.4% had plates available at the bar or brought to the table. 52.2% required consumers to ask personnel for clean plates.

that university disciplinary guidelines provided probation, suspension or expulsion for students who falsified data in assigned projects. The warning was reinforced with the information that some of their data could and would be cross-checked for reliability.

Field observations were conducted October 13 through 16, 1988, at the 44 restaurants. Each restaurant's salad bar area was observed for one lunch (12:00 p.m.-2:00 p.m.)

and one dinner (5:30 p.m.-7:30 p.m.) period. There were 88 observation sessions (lunch and dinner) at 44 restaurants for a total of 176 observations hours. The variables selected for observation were based on the claims of the newspaper article (Dahl 1986) and Wisconsin Administrative Health Codes related to regulations for salad bars.

**Results and Discussion.** The field observation data documented that restau-

rants were clearly violating the state administrative codes regulating salad bars (Table 1). The dominant violations centered on the nonenforcement of the requirement that clean plates be used for each return trip to the bar and that lettuce bowl tong handles were usually (at 97.7% of the restaurants) designed so that they fell back on top of the lettuce after each use (i.e., the equivalent of each consumer's fingers touching the lettuce). The health code requiring a clean plate for each return trip is designed to prevent the spread of germs from food that falls off of a used plate into the salad bar's food or from salad bar serving utensils touching a dirty plate.

The lettuce tong condition could be solved by making law enforcement agencies and restaurants aware of the problem and by redesigning the bowl-tong arrangement. However, the enforcement of clean plates for each return trip may prove problematic. As Table 1 illustrates, only eight (18.2%) of the restaurants actually posted signs telling consumers they must obtain a clean plate for each return visit and only one restaurant told consumers about the requirement. Moreover, the signs were usually small, not easily noticed, and never informed consumers that getting a clean plate was a regulation rather than a consumer convenience. The large number of restaurants that provided clean plates for return trips to the bar (97.8%) is misleading. Since most consumers don't know the regulation exists, they don't take or ask personnel for the plates.

The data also demonstrated that consumers were contributing to food safety problems at salad bars. Of the 2,380 consumers observed, about 11% put their fingers directly on the food (Table 2). Observing those consumers who did make a re-

turn trip to the bar illustrated the importance of enforcing the “clean plate” regulation. Twenty-five percent of the consumers touched their dirty plates with salad bar utensils and 7.3% put food back after it had been on their dirty plates. Therefore, it is certain that germs were being circulated by consumers’ fingers either directly or indirectly (by the lettuce serving tong violation) touching food and by making return trips with dirty plates.

Two other administrative code violations deserve attention. One fourth of the restaurants observed were not placing unwrapped food items such as rolls, sunflower seeds, and croutons under the protective sneeze shield. Restaurant management needed to be made aware of this problem because these items are many of the “finger foods” that consumers grab with their hands rather than using the utensils provided (Table 1). Proper food rotation (removing old food, adding new and then replacing old on top of the new) was also not followed. Sixty percent of the observed rotation was simply placing new food on top of old (Table 1). This behavior would reduce the quality of the food consumers receive at salad bars.

**Class Discussion.** After the data were gathered and analyzed, the class considered the traditional tradeoffs between consumer protection on the one hand and consumer freedom of choice on the other. To avoid many of the problems from consumers touching foods or not getting or asking for clean plates, restaurants could hire additional personnel specifically assigned to monitor the area. However, that solution would result in higher meal prices. Alternatively, to enforce the clean plate for subsequent trips rule, clearly visible signs could be posted to in-

TABLE 2  
Consumers’ Salad Bar Behaviors<sup>a</sup>

BEHAVIORS	Percentages	
	Yes (n)	No (n)
Putting head under or over the sneeze shield <sup>b</sup>	3.5% (84)	96.5% (2,296)
Putting fingers directly on the food <sup>b</sup>	10.6% (253)	89.4% (2,127)
Dropping food on the floor and putting it back	.3% (7)	99.7% (2,373)
Going back for seconds <sup>b</sup>	21.3% (508)	78.7% (1,872)
Did not get a clean plate <sup>c</sup>	62.8% (315)	37.2% (193)
Touched dirty plates with salad bar utensils <sup>c</sup>	25.0% (131)	75.0% (377)
Put food back after it had been on a dirty plate <sup>c</sup>	7.3% (37)	92.7% (471)

<sup>a</sup>Based on 88 observation periods (lunch and dinner) at 44 restaurants for a total of 176 observations.

<sup>b</sup>Calculated as a percentage of the total number of salad bar consumers observed (N=2,380).

<sup>c</sup>Calculated as a percentage of the total number of consumers making return trips to the bar (n = 508).

form consumers that compliance is a regulation that prevents the spread of germs, not a nicety. Other restaurants have circumvented the “clean plate” code violation by completely removing the bars, by prepackaging salads, or by implementing a “one trip only” policy. The last three alternatives reduce consumer choice.

In addition to coding assignments, class members were required to write short papers summarizing their research experience. Surprisingly, even though a small proportion of consumers’ overall salad bar behaviors were of the sensational variety, about 45% of the students were alarmed at what they observed and stated that they would no longer purchase salad bar meals. All of the students agreed that keeping consumers’ fingers off of the food would be easier if signs were posted to make consumers aware of inappropriate behaviors. Since children are often more guilty than adults of

grabbing with their hands, one student suggested a six inch shelf be placed around the bar to keep food containers out of their reach. Requiring consumers to take and wear inexpensive, disposable plastic gloves as they go through the line represented one of the more dramatic solutions offered. Another student suggested a requirement to close the top of sneeze shields to prevent tall consumers from putting their heads over the shields.

Almost half of the students (47%) reported that the observation experience was beneficial because it made them aware of their own, previously unrecognized, careless salad bar behaviors. Most students (93%) maintained that both consumers and restaurant behaviors were the cause of poor health standards at salad bars. They concluded that if restaurants and consumers were informed about their behaviors and code violations, steps could be taken

to minimize the problems and reduce the risk of a "salad bar reform" movement that could remove or dramatically alter salad bars in restaurants (Dahl 1986).

**Summary.** The project was successful in meeting its dominant classroom objectives. It gave students the opportunity to understand (and observe) how research can be a critical tool in protecting consumer interests. Students were provided with an experience using research to investigate and consider solutions for solving a consumer problem. They examined how both consumer and business behaviors contribute to consumer problems.

Before the end of the semester the students also witnessed the results of their work being used to provide information to industry and enforcement agencies. Consumers were also informed about their inappropriate restaurant behavior after the study received statewide attention in the print and broadcast news media. Additional research was found that supported the validity of the students' findings. Carstens and Sommer (1985) obtained approximately the same results in terms of consumer behavior observed at salad bars in northern California.

## CONCLUDING REMARKS

**Classroom Opportunities for Consumer Research.** The purpose of the present study was to illustrate how consumer research can be incorporated as subject matter in consumer education. Further applications of observation methods could investigate food-safety issues that are similar to salad bar behaviors. Carstens and Sommer (1985) note that public-health problems may arise in any type of operation where the consumer becomes part of the service process. Research has documented

such problems at bulk food bins in supermarkets and buffet-style restaurant service (Johnson, Sommer & Martino 1985; Rotter, Sommer & Leckie 1987; Sommer 1987).

Although field observation was used to examine a consumer problem in the class project presented, consumer educators can apply various research methods to investigate traditional and current consumer issues. Survey research can also be useful. In addition to the student responses collected for this study, a survey of the attitudinal and reported behavioral reactions of restaurant associations, restaurant managers and health department personnel would provide an interesting expansion.

Other unobtrusive research methods, such as archival record analysis, could be used for examining public records. For the present study, city health department records could be used to examine whether there were fluctuations in the type and frequency of salad-bar-related violations before and after communication of the research findings. In terms of other studies, Nachmias and Nachmias (1981) outline the richness of data from archival records including: actuarial records (concerning the demographic characteristics of a population), political and judicial records (court decisions, legislator's activities, public votes, budget decisions), and governmental and quasi-governmental documents (crime statistics, regulatory violations, weather reports).

Applied, basic, descriptive research with results that can be used to find solutions to consumer problems and to aid policy makers in decision making is beneficial for class projects. Wilkie and Gardner (1974) suggest that "fact-finding" consumer research (including data for substantiation of regulatory com-

pliance) offers contributions to public policy formation and implementation. Underfunded and short-staffed state and local consumer protection agencies are a source of ideas that meet specific community needs. To this end, consumer protection agencies are usually capable of generating computerized summaries of specific complaint areas (number of complaints filed, what type of complaints, who the complaints are filed against) to pursue local problems. Nonprofit organizations represent another outlet for research needs, ideas and possibly data.

Fact-finding, student-collected data can also include comparisons of private and public services (e.g., banking services or public recreational resources) or the more traditional comparisons of price-quality relationships in local markets. As Maynes (1976) illustrates, this direction is especially fruitful when data are obtained about products of uniform quality (e.g., gasoline, life insurance) or products about which reasonably good information on quality is easy to obtain (e.g., bicycles and cameras). Price-quality variations in market areas would be most interesting in classroom settings when product categories studied are those from which students make frequent purchases (fast food, recorded music, movies, alcohol, tanning services).

**Publicity.** Mass media news coverage of a research project yields several benefits. Information about a relevant consumer problem is disseminated to the public, which may serve an educational function. The educational institution and division also receive positive publicity in performing a community service.

It is important to remember that a press release does not guarantee media placement. When press cov-

erage is a goal, research topics should be formulated with an understanding of how the mass media defines "news." According to Bivins (1988), journalists judge news value based on some or all of the following characteristics: 1) consequence (does the information have any importance to the audience?); 2) interest (is the information unusual or entertaining?); 3) timeliness (is the material current?); 4) proximity (does it have local relevance?). If a research topic fails to meet some or all of these qualifications, it may not be covered. Furthermore, if a news organization perceives that the topic presents a conflict of interest with advertisers or that it may raise questions of liability, the research may also fail to gain media placement. Unfortunately, as Hayes and AlYasiri (1985) point out, much of consumer research at the local level falls into the last category.

**Guidelines.** For classroom purposes, a simple, realistic approach is the most useful. Projects can be designed to meet the needs and resource constraints of students and teachers. The level of sophistication of the research should be a function of the class. This study was limited to frequencies and percentages. However, some upper-division college courses could address: the effects of intrusion on observational research, intercoder reliability, independent and dependent variables (e.g., whether the presence of posted signs influenced consumer behavior), and appropriate tests of significance.

Consumer educators are familiar with textbooks that provide "end of chapter" research projects and exercises. Consumer behavior case study and reading texts provide project ideas for one-hour classroom research exercises to more complex undertakings (Tom 1984). Com-

bined with current media clippings, Bannister and Monsma's (1982) classification system also offers an excellent source for generating research ideas.

**Summary.** The previous discussion has offered suggestions for utilizing consumer research in classroom settings. Such a process not only holds the possibility of aiding local consumer concerns, it gives students direct exposure to the research process, allows them to become involved in community service and demonstrates how consumer research can be applied to promote and protect consumer welfare. **ACI**

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*A case is made for the value of consumer affairs professionals in helping firms maintain the trust of consumers and consequently maximize profits.*

# PROFIT AND THE CONSUMER INTEREST

The goal of a business is usually assumed to be profit maximization. In a perfectly competitive marketplace with informed consumers and no externalities, the selfish actions of businesses will benefit consumers. In an imperfect system, there is not universal optimism about the beneficial effects of Adam Smith's "invisible hand."

One mechanism adopted by some corporations to promote profits and/or consumer satisfaction is the corporate consumer affairs office. In a review of the role of the consumer affairs office, Fornell (1988) addresses the question of whether the corporate interest conflicts with or intersects with the consumer interest. Fornell (1988) reviewed some evidence, including the reports produced by TARP, the Technical Assistance Research Programs Institute (1979, 1985, 1986a, 1986b). There is some evidence that companies with good procedures for handling consumer complaints do relatively well in their industries.

Consumer complaint-handling is only one part of the potential role of a consumer affairs department (Ferstrom 1988). In the face of continuing pressures to cut costs, corporations will probably demand strong evidence to justify the cost of running a consumer affairs department. There has always been much anecdotal evidence that attention to honest dealings with consumers and their needs and demands would be beneficial to a corporation's bottom line in the long run. Beech-Nut's troubles resulting from adulterated fruit juice illustrate what can happen when a corporation does not place a high priority on the interests of its customers — the possible fines and jail terms are a very small part of the penalty that Beech-Nut will pay (Welles

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Sherman Hanna, Chair  
Family Resource Management  
The Ohio State University

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1988). The total cost to the company could amount to as much as \$25 million. (Stonewalling at Beech-Nut 1988).

There is also some systematic research on the consequence of wrongdoing and mistakes for corporate profits. The research is based on the best available evidence of long-term expected profits—the value that the stock market places on a corporation's shares. If the stock market is efficient, the prices of a stock will reflect all available information about future income of a corporation, discounted at appropriate interest

***“There is some evidence that companies with good procedures for handling consumer complaints do relatively well in their industries.”***

rates. The concept of stock market efficiency is controversial but has some supporting empirical evidence (Pearce 1987).

If the stock market is approximately efficient, then a comparison of the total rate of return on a stock compared to the return on a portfolio of stocks with similar systematic risk might reveal the impact of unexpected events on the expected future income from that stock (Joskow 1981). Peltzman's (1981) intricate study of the impact of Federal Trade Commission cease and desist actions for misleading advertising used both analysis of the stock prices of the impacted corporations and detailed market share data. According to Peltzman's analysis, firms whose advertising attracts Federal Trade Commission action have a large decrease in stock value, perhaps suggesting that honesty is in fact the best policy. Although Peltzman's analysis is open to criticism (Joskow 1981), the results are large enough to suggest that there is an expectation of future lower profits resulting from advertising transgressions.

Economists at the Federal Trade Commission conducted a larger analysis as an extension of Peltzman's advertising study (Brown 1988; Mathios & Plummer 1988). The FTC study confirmed Peltzman's conclusion that FTC actions against misleading advertising had a powerful effect on expected corporate profits, as measured by common stock

prices. The FTC study had an additional implication that voluntary industry self-regulation, such as that of the National Advertising Division of the Council on Better Business Bureaus, had little effect on expected profits, although the selection of cases and other issues make interpretation somewhat ambiguous (Mathios & Plummer 1988).

Jarrell and Peltzman (1986) performed a similar analysis for firms involved in product recalls for drugs and automobiles. Their results show very large impacts for product recalls: There are very negative consequences for the value of the stocks of corporations involved in such recalls. The results seem robust and not just a statistical quirk (Butters 1986). Unless the probability of detection is low, Jarrell and Peltzman's results suggest that whatever mistakes or planned cost-cutting that might have led to the product recalls were not worthwhile from the point of view of the shareholders.

It seems reasonable to infer from both the anecdotal evidence and the systematic research that negative publicity for corporations, especially when it involves legal penalties or product recalls, may lead to lower future profits. Sometimes the volume of sales may continue, but only if the price is lowered (Peltzman 1981). Further research is needed to ascertain the impact of negative publicity without government legal actions. While corporations should be concerned that they do not violate laws and regulations, and should consult attorneys for advice on such matters, perhaps they should be even more concerned about violating the trust of consumers. Consumer affairs professionals can help corporations in such efforts (Fornell 1988).ACI

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# PMMP: A NEW TOOL FOR TEACHERS AND COUNSELORS

*The Personal Money Management Profile (PMMP) is designed to help individuals and families become more aware of psychosocial factors that may influence their personal financial decision making and satisfaction.*

Many factors that are not strictly economic influence personal and family financial decision making (Feldman 1976; Rubenstein 1980, 1981). While the success of financial decisions can be partially measured in terms of

dollars and cents, psychosocial variables such as values, beliefs, attitudes, self-concepts, and group and family dynamics can all affect an individual's decisions and evaluations of satisfaction.

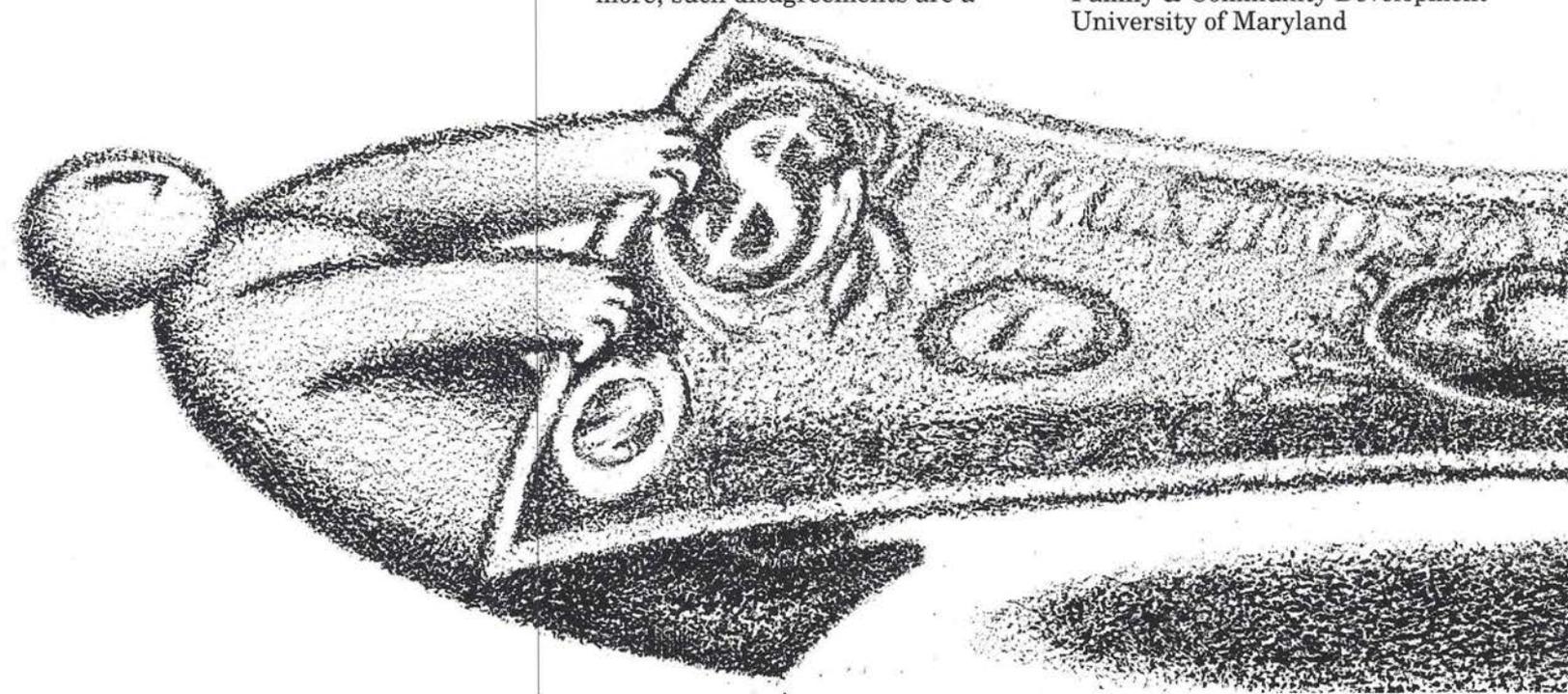
Decision-making harmony within a family, for instance, is often a desirable if not a necessary condition for achieving satisfaction for its members. "Agreement over finances affects not only resource maximization and security in the family, but also reduces individual stress" (Williams & Berry 1984, p. 33). Yet among the most intense areas of disagreement for married couples are financial expenditures and household responsibilities (Blood & Wolfe 1960). Furthermore, such disagreements are a

leading cause of divorce (Blood & Blood 1973; Williams & Berry 1984).

This paper reports on the development of the Personal Money Management Profile (PMMP) as a means of measuring the psychosocial factors cited in previous research as being related to personal and family financial decision making and satisfaction. The author believes that teachers and counselors will find such a tool useful in helping individuals and families to become more aware of their own personal financial charac-

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Charlotte V. Churaman,  
Assistant Professor  
Family & Community Development  
University of Maryland



teristics as well as those of others. An individual's scores for different components of the PMMP, such as those concerning risk aversion, can be used to suggest the appropriateness of various financial services and products. An individual's scores can also be compared to those of others as a useful means of developing understanding and accommodation among current and prospective family members with conflicting perspectives.

This paper examines the PMMP responses of a college population enrolled in Personal and Family Finance classes as a case study in the use of the instrument. Responses to items measuring the same characteristics are evaluated for internal consistency, and recommendations for future improvements are made. The paper also examines the differences in the PMMP scores of males and females, since some traditional differences were expected and considered to be potential sources of intrafamily dissatisfaction (Churaman 1986; Rosen & Grambois 1983). Finally the author discusses how these PMMP responses have been used for instructional purposes in the above-mentioned classes.

## METHOD

Personal characteristics relevant to financial planning have been identified. They include: need for safety and ability to save (Mandell 1984); desired level of involvement (Perch & Flashman 1984); ability to talk about money (Rubenstein

1980, 1981) and degree of family consensus with regard to money (Hill, Foot, Aldous, Carlson & MacDonald 1970; Williams & Berry 1984); self control, propensity to spend and adequacy of resources (Rowland, Dodder & Nikols 1985); and level of satisfaction, (Davis & Helmick 1985; Hira 1986; Jeries & Allen 1986; Schnittgrund & Baker 1985). Several items thought to measure each of these concepts were included in the PMMP. They were later examined to see whether the item scores could form internally consistent subscales.

Other items were added for further understanding of an individual's unique situation. They were: extent of accountability to someone else, past opportunities and events, perception of risk in the stock market, future prospects, sense of personal control, and perceived need for help. Since

***"It [PMMP] can be used to help individuals and families become more aware of psychological factors influencing their financial decision making and satisfaction."***

priority setting is recognized as an integral part of financial planning, respondents were also asked to consider the current importance of each of several commonly held financial objectives.

All of the above-mentioned items

were then randomly assigned to form the PMMP checksheet. Responses were indicated by checking each item on a scale ranging from 1 = strongly disagree to 5 = strongly agree.

Basic demographic data were requested in the introduction in order to further identify the study sample. There was no direct measure of income since college students are often financed by part-time jobs, parents and student loans, and their current spending and economic status often reflect this transitional stage. Instead, respondents were asked about perception of their economic status, debt level, change of level of living over the past year, and perceived economic status relative to that of their friends. These items are similar to the "reference points" used by Davis and Helmick (1985) and also by Rubenstein (1980).

The case study reported here reflects responses to the PMMP instrument, administered as a written activity at the first session of Personal and Family Finance classes during the 1987-88 school year at the University of Maryland. Code numbers were assigned so that respondents did not have to reveal their names. Mean scores of males and females were compared through use of the *t*-test statistic in order to identify significant differences (.05 or higher). The internal consistency of the subscales was examined by use of Cronbach alpha coefficients (Nunnally 1967).

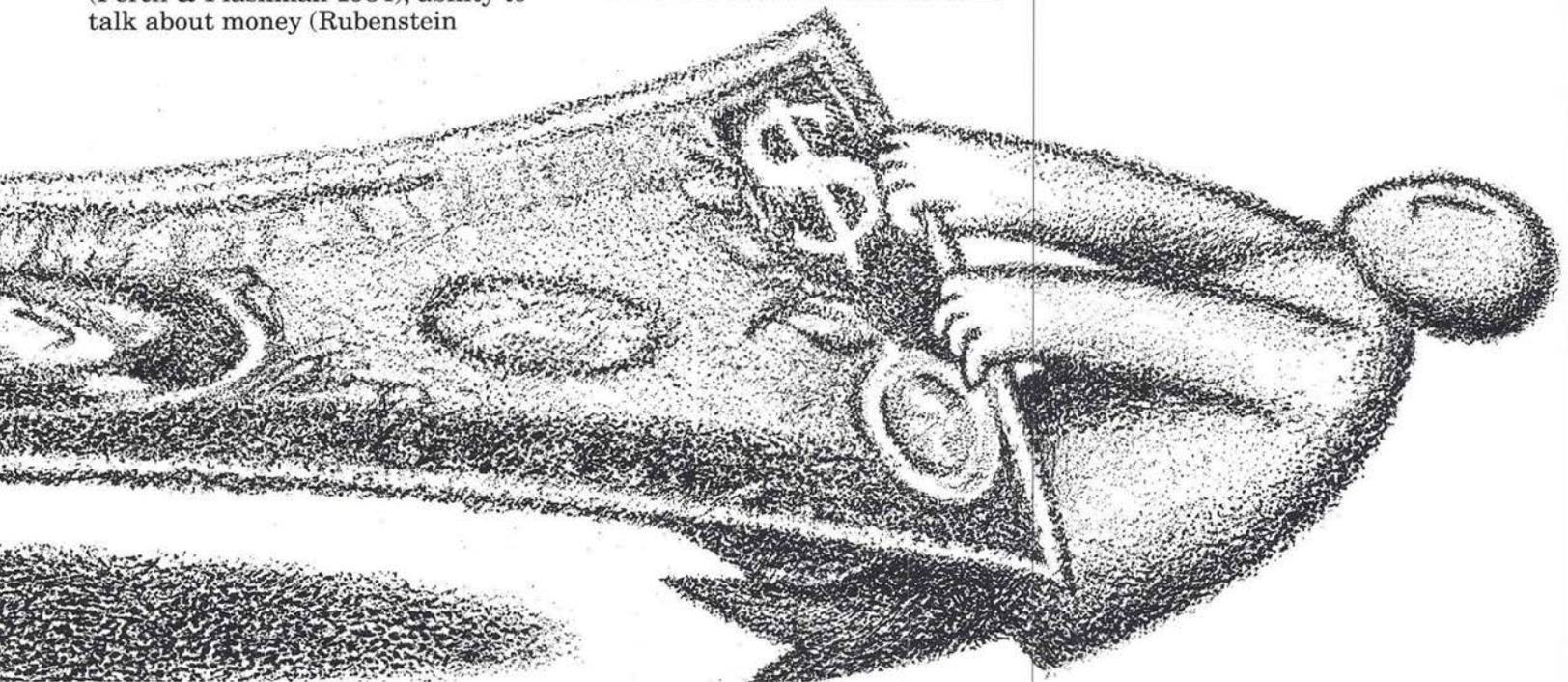


TABLE 1  
Personal Money Management Profile of Male and Female Students

SUBSCALES AND ITEMS	Male (N = 69)		Female (N = 92)	
	x	s.d.	x	s.d.
<b>LACK OF SELF-CONTROL</b>				
I depend on someone else to keep my spending in check	1.44	.88	1.56	.95
I avoid the temptation to spend by carrying only money I intend to spend	3.28	1.21	3.01	1.33
Self-control is a problem	2.44	1.13	2.45	1.44
<b>ABILITY TO SAVE</b>				
It is easy for me to save money on a regular basis	2.96	1.25	2.60	1.14
When I manage to put some money away things rarely come up to use it	2.48	1.08	2.30	1.12
I trust my ability to save for the future voluntarily	3.85	1.12	3.50	1.17
<b>CONSENSUS OR AGREEMENT IN FAMILY</b>				
Members of my household argue a lot about money (-)	2.51	1.20	2.27	1.23 <sup>b</sup>
My parents seem (or seemed) to approve of the way I handle my money	3.49	1.14	3.41	1.13
<b>PROPENSITY TO SPEND</b>				
I have a reputation as a big spender	2.71	1.05	2.45	1.24
I tend to buy things on impulse	3.04	1.14	3.11	1.32
<b>DESIRED INVOLVEMENT IN MONEY MANAGEMENT</b>				
I hate keeping financial records and looking after details	2.73	1.27	2.38	1.27 <sup>b</sup>
I intend to really try to understand and follow any investments I make.	4.22	.93	4.05	1.05
****I seek out financial news and read finance journals	2.58	1.31	1.78	.95
<b>ADEQUACY OF FINANCIAL RESOURCES</b>				
*I could realistically plan to invest \$100 a month right now.	2.51	1.99	1.98	1.28
*My income covers expenses.	3.49	1.14	3.20	1.31
*I have adequate credit for my needs.	4.09	.97	3.74	1.25
I have enough financial resources to meet unexpected needs.	3.12	1.20	3.11	1.29
<b>LACK OF OPENNESS IN TALKING ABOUT MONEY</b>				
I consider the details of my income and spending to be a closely guarded secret.	2.70	1.02	2.48	1.05
I consider it bad manners for someone to ask me how much something costs.	2.45	1.07	2.62	1.30
It is difficult for me to discuss my financial situation with people who could help me.	2.32	1.02	2.20	1.24
<b>SATISFACTION</b>				
I am satisfied with my economic situation.	2.82	1.34	2.72	1.14
****I am satisfied with the way I handle my money.	3.72	1.01	3.07	1.30

## FINDINGS

**Description of Population.** A total of 161 upper-level college students completed the PMMP, 69 (43%) males and 92 (57%) females. One hundred and nineteen (74%) were in the 21-30 age group. Ninety (57%) were employed half time or more. Over 60% indicated that they had kept their level of living about the same as the year before, 15% had had to cut back and

another 6% had cut back through choice. This left slightly over 19% who had raised their standard of living. Sixty-two percent felt that they had about as much money as their friends; those who felt their friends had more and who felt they themselves had more were evenly divided (19%). Forty-seven percent reported not very much or very little debt, but 24% reported being uncomfortable with the amount of debt they had. Sixty (37%) were

majoring in business, finance and consumer studies, while the rest represented a wide range of other majors.

**Gender Differences.** Table 1 shows mean scores and standard deviations for males and females on all items in the PMMP except the priority items, which appear in Table 2 for separate discussion. Females were more likely than males to feel that getting rich was not a realistic investment goal, to be unwilling to "go for broke," to consider investing in stock as too big a gamble and to feel that they need help with their finances.

On the other hand, males were more likely than females to feel that they had adequate resources. Male scores on the ability to save items were higher than those of the females, but were just short of being statistically significant. Males were more likely than females to seek out financial news and read financial journals, more likely to prefer to select their own investments, and less likely to be accountable to anyone concerning their use of money. In addition, males assigned higher ratings to both their knowledge and ability to manage their money, and expressed greater satisfaction with the way they handle their money. On 27 of these 41 items, however, there were no significant male-female differences.

Male and female ratings of the priority items (see Table 2) were very similar. Being in control and "knowing where I stand" were considered most important; working for an improved standard of living and saving regularly were next in importance.

**Examination and Modification of Subscales.** Most of the PMMP items had been designed as part of subscales with the assumption that the scores for several items tapping the same concept could be added. The eight subscales that had alpha reliabilities ranging from .42 to .73 are shown in Table 1. Nunnally (1967) has noted that while scales of less than 20 or 30 items will have low scores, they give some indication of internal consistency. Three items dealing with need for safety did not form an internally consistent

subscale. They therefore appear at the end of the list of "other items" in Table 1 rather than as a distinct category.

The issue of how to help students assess need for safety, or aversion to risk, remains an important one, however. Hira (1986) measured risk management on a behavioral level by inquiring about the various forms of insurance held. However, it is not clear whether an individual's need for safety, or risk aversion, can be generalized across all areas, including everyday handling of money, insurance and selection of investments. Nor is it clear what risks are particularly salient to college students. Nevertheless, the author proposed three new risk-related items for future research and application of the PMMP (presented in the Appendix).

**Conclusions and Implications.** The author believes that the PMMP can be an effective additional tool for teachers and counselors in complementing the more monetary measures such as financial statements and budgets. It can be used to help individuals and families become more aware of psychosocial factors influencing their financial decision making and satisfaction. So, for instance, such PMMP characteristics as desire for involvement or perceived preparation in money management can be related to appropriate levels of services offered by financial institutions. The benefits and costs of such services as traditional versus discount brokers or full-load versus no-load mutual funds can thus be evaluated in terms of an individual's or family's preferences and perceived competencies.

PMMP characteristics may also be helpful in clarifying preferences for intrafamily decision-making roles. For example, one family member may perceive himself or herself as being less prepared, confident, and independent than another member. He or she may thus wish to at least temporarily defer financial decision-making authority to such a member.

Traditionally, women have tended to defer to men in many matters of personal finance. Therefore, the PMMP scores of males and females have been compared here as potential sources of intrafamily

TABLE 1 (continued)  
Personal Money Management Profile of Male and Female Students

SUBSCALES AND ITEMS	Male (N = 69)		Female (N = 92)	
	x	s.d.	x	s.d.
<b>RATING OF PREPARATION<sup>a</sup></b>				
**Level of knowledge	3.37	.83	2.93	1.08
**Ability to manage money	3.71	.85	3.23	1.08
Effort you put into managing money	3.32	1.03	3.18	1.01
Awareness of where to go for information concerning specific questions.	2.72	1.03	2.43	1.25
<b>OTHER ITEMS</b>				
*I am "in control" of my spending and saving.	3.75	.10	3.33	1.21
**I don't account to anyone concerning my use of money.	3.65	1.27	3.01	1.30
I anticipate that my financial situation will be better next year.	4.10	1.02	3.86	1.05
I have had a fair opportunity to get ahead in life.	3.96	.95	3.66	1.10
Unexpected occurrences prevent reaching my goals	3.12	.93	2.97	1.00
*I've run into financial trouble; I need help.	1.93	.91	2.30	1.26
**I'd rather select my own investments than rely on a financial planner.	3.21	1.02	2.87	1.15
**Investing in the stock market is too big a gamble.	2.39	.95	2.96	1.28
I'm not as well prepared as the average college student to manage personal finances.	2.06	1.11	2.20	1.17
I seem to have more spending money than most of my friends.	2.93	1.11	2.91	1.19
My closest friends and I generally agree where money is concerned.	3.53	1.00	3.62	1.02
Carrying a credit card would cause me to spend money I would not otherwise spend.	2.86	1.44	2.97	1.49
***Getting rich is not a realistic investment goal.	2.04	1.16	2.66	1.10
****I'm not willing to "go for broke."	3.31	1.09	4.14	1.08
When I lose some money it really bothers me.	4.07	.98	4.03	1.08

<sup>a</sup>Items are scored: 1 = strongly disagree to 5 = strongly agree, except for the items in the Rating of Preparation subscale, which are scored 1 = poor to 5 = very good.

<sup>b</sup>Scores for these items are reversed.

\* = significant at <0.05 level, two-tailed test

\*\* = significant at <0.01 level, two-tailed test

\*\*\* = significant at <0.001 level, two-tailed test

\*\*\*\* = significant at <0.0001 level, two-tailed test

conflict in an era of changing household responsibilities. Although great diversity among responses was exhibited by both sexes, some traditional role tendencies were still evident. Males tended to report greater satisfaction with resources, better preparation for handling personal finances, and more confidence and desired independence in decision making. Recognition of such continuing differences may help both traditionalists and nontraditionalists of each sex to anticipate, understand and deal with these potential sources of role conflict.

As a teacher, the author dis-

cusses such issues as those above in class after the PMMP checksheets have been collected. A summary of the results is reported to the class in order to give them feedback on responses of fellow college students in general as well as the responses of each sex. After using the check-sheet as a tool for bringing personal money management characteristics to awareness, students are asked to make note of factors that seem to represent the important aspects of their personal economic situations and styles of handling money. These notes have then been used in developing summary statements to be turned in with plans for carrying

TABLE 2  
Financial Priorities of Males and Females<sup>a</sup>

PRIORITIES	Males (n = 68)			Females (n = 92)		
	x	s.d.	rank	x	s.d.	rank
Having personal control of my money	4.60	.69	2	4.51	.69	1
Knowing where I stand financially	4.71	.58	1	4.60	.68	2
Regular saving	3.86	.91	4	4.00	.91	4
Working toward an improved standard of living	4.59	.87	3	4.48	.82	3
Minimizing risk	3.65	1.05	5	3.76	.97	5
Juggling funds so that I have cash available when big payments due	3.62	1.09	6	3.73	1.12	6
Pinching pennies	3.12	1.29	8	3.38	1.28	7
Tax effect of savings or investments of no importance to me	3.14	1.18	7	2.84	1.19	8

<sup>a</sup>Items are scored: 1 = strongly disagree to 5 = strongly agree on the importance of.

out appropriate personal finance projects. The projects are generally some combination of two types. One concerns identifying financial plans, services and roles consistent with the individual's PMMP characteristics. The other type is concerned with changing PMMP characteristics, such as perceived level of preparedness, with which the individual is dissatisfied.

In conclusion, the PMMP has been used to help individuals think through psychosocial factors that may be affecting their satisfaction with personal and family finances. The dollars and cents measures of an individual's finances may result in quite different levels of satisfaction depending on the evaluation of such PMMP factors as safety, involvement, control, and family unity. Income-expenditure and net worth statements provide a basis for discussion of the quantitative aspects of financial performance and position, respectively. The PMMP likewise provides a basis for discussion of the qualitative aspects of how those numbers are evaluated.

## APPENDIX

A slightly revised version of the PMMP will include the following items dealing with risk management:

- I'd be willing to take the risk of having no health insurance if I had to pay for it myself.

- I would not feel comfortable without having my valuable personal property insured.

- I would choose to stick to investments with little or no risk.

The author will be glad to share a copy of the PMMP upon request. It is available in the original format where items have been arranged in random order. An alternate format clusters the items as has been done in Tables 1 and 2 so that subscale scores can be calculated and so that the ranking of priorities can be seen clearly. (CI)

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# CONSUMER CONTENT OF NEWSPAPERS

*The author advocates the structured use of newspapers in consumer education classrooms in order to update and apply textbook materials and to encourage students to appropriately classify and evaluate consumer content.*

Newspapers are readily available and widely read sources of scientific, technological, economic, political and social information. According to a National Opinion Research Center survey done in 1978, almost everyone does some newspaper reading (Bureau of the Census 1980). Pershing (1986) found that 80% of a sample of high school and college students reported some daily exposure to a newspaper. Furthermore, the frequency of readership was significantly related to positive consumer actions.

Newspapers are not only widely read and convey much information but have been identified as serving consumer educational and socialization functions for children and adolescents. Moore and Moschis (1983), for instance, concluded that cognitive consumer skills of adolescents develop as a result of interaction with socialization agents, including newspapers.

Consumer educators have long recognized the importance of newspapers in the educational process.

They, as well as some newspapers themselves, have found several advantages to using newspapers in consumer education classes. Those often cited are that newspapers are relatively inexpensive and available, much of their content can be related to other classroom materials, and perhaps most importantly, the information is current (Fetterman 1975; Make it relevant: A guide for using newspapers in the classroom 1982; Wheeler 1979).

However, much of the classroom use of newspapers reported in the consumer literature seems to be piecemeal, ad hoc, and/or not well-integrated with conceptual consumer education materials. Among the uses reported are: the analysis of news stories (Wheeler 1979), and the adoption of newspapers as a relatively unstructured substitute for textbooks (How newspapers are put to use in the classroom 1977). The purpose of this paper is to suggest a more systematic means of integrating consumer newspaper content into the consumer education classroom. In order to do so, a comprehensive framework for analyzing that content seems to be desirable.

## **Analysis of Consumer Content in Newspapers.**

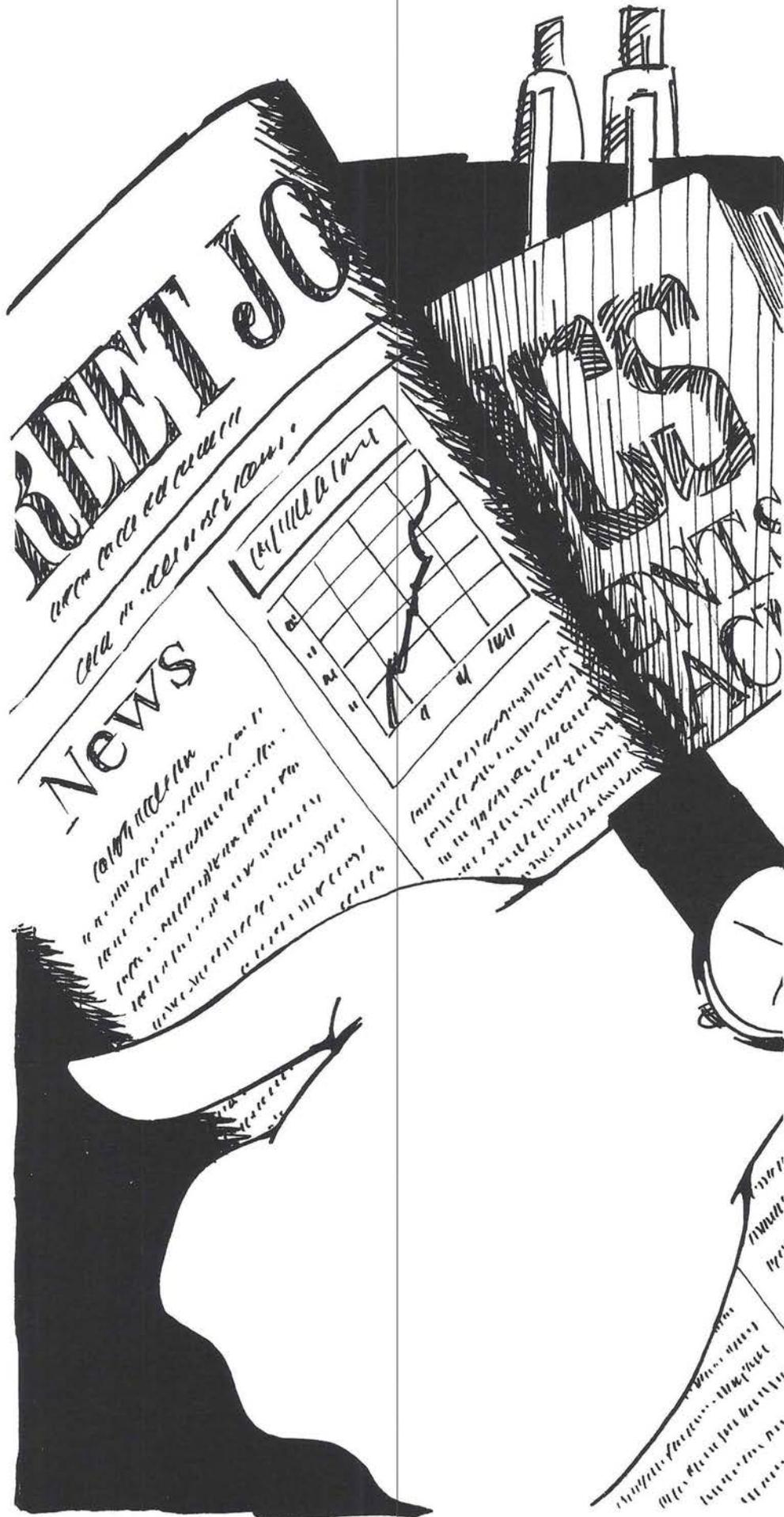
Content analysis techniques have been used to systematically review mass circulation magazines to identify and categorize consumer articles (Haefner & Permut 1975). The rationale for using the content analysis approach was to determine the relative coverage given various

consumer issues since the mass media may influence public opinion by selecting and disseminating materials felt to be important to the audience of the publication. Alternately, the coverage may simply reflect issues that have received widespread public support and interest.

Rapaport (1969) suggested that whatever content categories are chosen for a specific purpose, they must be arrived at through some predetermined criteria that are relevant to the "state of the system." For consumer education, the current "state of the system" is represented by Classification of Concepts in Consumer Education (Bannister & Monsma 1982). The Bannister and Monsma model identifies, classifies, and defines concepts with consumer education content, and therefore is appropriate to use as the framework for classification of consumer information content in newspapers. Decision making, resource management, and citizen participation are the three main classifications of consumer content in the Bannister and Monsma model. Decision making is subdivided into external factors and personal factors; resource management is subdivided into financial planning, purchasing, and conserv-

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**Barbara Pershing,**  
Associate Professor  
Home Economics  
University of Northern Illinois



ing; and citizen participation is subdivided into consumer protection and consumer advocacy. [Editor's note: See Lloyd article in this issue of ACI for further discussion of Bannister and Monsma model.]

An assignment for students in a college-level consumer education class was to read consumer articles from state and national daily newspapers and to submit short written and oral summaries of the articles selected. The instructor found that without some structure, the students' selections were often inappropriate for the class or the students had difficulty relating the articles' content to the class content. A variety of topics was desired, but it became apparent that not all consumer topics were included in the articles selected by the students.

In order to determine the number and type of articles containing consumer information content that appeared in the statewide daily newspaper most frequently selected by the students, the author and a graduate student did a content analysis of 28 of its issues. The selection included four issues for each day of the week and approximately two issues per month for one calendar year. Both raters reviewed each selected issue, summarized each article on note cards, and independently classified the articles using the Classification of Concepts model. Some articles contained concepts that fit into more than one category; however, after discussion, each article was classified according to the primary focus of the article.

The 28 issues had 220 articles containing consumer information. Fifty-six percent (123 articles) were classified as decision making; 37% (82 articles) were classified as resource management; and seven

percent (15 articles) related to citizen participation. All but two of the 123 articles classified as decision making were related to external factors with the majority covering economic problems of unemployment, inflation, competition, supply and demand, and price. Resource management content articles were divided between financial planning (35 articles), purchasing (45 articles), and conserving (2 articles). Fourteen of the 15 citizen participation content articles contained information on consumer protection with one article relating to consumer advocacy.

The author then instructed students in her class to similarly evaluate current newspapers using the Classification of Concepts model for the selection of consumer content. The students were assigned newspapers available to them in the college library, including *The Wall Street Journal*. Articles were classified by the students and a short summary was written. The summaries and headlines of the articles were used by the instructor to verify the students' classification of content. Student-selected articles believed to have consumer content paralleled the category distribution found in the author's survey: 45% of the articles classified as decision making, 44% as resource management, and 11% as citizen participation. The main categories of articles found in both surveys pertained to external factors affecting consumer decisions related to economic and political systems, purchasing goods and services, and financial planning. Personal factors affecting decision making, conserving resources, and citizen participation, including consumer protection and consumer advocacy, were either not found or were infrequently found in the newspaper surveys.

***“The main categories of articles found...pertained to external factors affecting consumer decisions related to economic and political systems, purchasing goods and services, and financial planning.”***

While the survey done by the students does not represent a statistically reliable content analysis of consumer concepts in the newspapers surveyed, its value as a classroom exercise was apparent. The students were made aware of the scope and limitations of consumer information available in the newspaper media as they read, classified, summarized and analyzed the consumer content articles.

Subsequent classroom projects evolved to include: (1) comparisons among the statewide daily newspaper, *The Wall Street Journal*, and local newspapers; (2) selection of articles that contain information relevant to a specific category of the Classification of Concepts model; (3) discussion of limitations and bias found in newspaper articles and editorials; and (4) analysis of controversial consumer issues.

**Suggestions for Consumer Educators.** The newspaper extends the classroom into the community, state, and nation through awareness of happenings beyond the school environment. Useful topics include recently enacted local, state, and federal laws and regulations affecting consumers; current data on inflation, consumer prices, interest rates, and employment; and safety of products on the market including recalls of products in the food, drug, cosmetic, and

automotive industries.

Consumer educators should selectively use the available consumer information found in newspapers according to its relevance to the course content and its contribution to the achievement of the objectives for the course. Course content as well as current newspaper articles can be organized around some portion of the Classification of Concepts Model. Students can also be asked to find their own articles and to relate them to the appropriate concept category. Through such classification, students may glean interrelationships among specific issues that may otherwise not occur to them.

Reading and classifying newspaper articles must be accompanied by evaluation of the completeness and accuracy of the information. Newspapers often either ignore or minimize certain consumer news or are biased in reporting it. Objectivity may be lacking, especially in editorials and opinion columns; even news articles often do not present all sides of an issue. Students should be taught analytical skills so they learn to separate bias and opinion from fact.

Analysis of the issues found in the articles, editorials and columns with divergent viewpoints can contribute to the development of critical thinking and creative decision-making skills. Bannister and Monsma (1982, p. 47) stated that “with balance and objectivity as basic educational objectives, consumer educators should accept the opportunity to teach analytical skills through the study of controversial issues from a variety of perspectives.” Newspapers provide this variety of perspectives on controversial issues and serve to close the gap between the consumer concepts, principles, and theories presented in textbooks and their application to current issues.

Students might read several national newspapers such as *The New York Times*, *The Wall Street Journal*, and *The Washington Post* for relevant consumer information, then see if state and local newspapers report the same news. The *FTC News Notes*, the *Federal Register*, and newsletters from other federal agencies such as NGTSA, CPSC, and FDA all contain factual information based on rulings, legislation, and research. Information from these resources could be researched in the national and local newspapers and the views compared. Also, non-governmental consumer groups such as the Consumer Federation of America, the National Consumers League and the Center for Auto Safety publish information from a consumer viewpoint. These provide another view to compare with government information and the media slant. A discussion could ensue on why the hard consumer news, as presented in the federal publications, might not be reported in the newspapers and how and why the consumer groups often interpret the information with a viewpoint different from government and/or the media.

The advertiser's influence on consumer news could be discussed. "Consumer information" articles in the automotive and real estate sections of large newspapers are often slanted to the benefit of the industry. An activity for students would be to try to find biases in these "information" articles and to analyze why newspapers carry these types of "consumer" articles. Students should consider if these slanted "consumer articles" are in the best interest of consumers.

Students might debate the difference between subtle advertising and

***"Students should be taught analytical skills so they learn to separate bias and opinion from fact."***

consumer news. Frequently, newspapers run advertisements that appear as news articles, usually labeled in fine print as "advertisement." For example, a student reported on a "new diet plan," which actually was an advertisement disguised as a news release. This technique could be analyzed.

Consumer issues, many of which are controversial, evolve and change as the economic, political and social climate changes. Newspapers are an excellent resource for researching and analyzing a consumer issue as it progresses from public concern to legislative action or other resolution. They can also be used for updating consumer issues found in textbooks and other curricular materials. Applying the Classification of Concepts Model to the issues of concern enables the student to observe the scope, emphasis, and limitations of the consumer content presented in the newspapers.

Consumer educators should monitor the consumer content of national, state, and local newspapers using the Classification of Concepts as a model and encourage the print media to enlarge the coverage of consumer information to include all areas of consumer content. Consumer educators should teach consumers of all ages to use and evaluate newspapers as a lifelong source of consumer information to expand their knowledge of current consumer, social, economic, political, and technical issues that affect their consumer decision making. ACI

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# CONSUMER EDUCATION CONCEPTS

*This article reports on the results of a survey and ACCI conference session assessing the past, present and future uses of the comprehensive classification system of consumer concepts known informally as the "Classi."*

The Classification of Concepts in Consumer Education is a unique resource for consumer educators — the product of an exhaustive literature search, several convenings of leaders in the field, and critical review by more than 200 consumer educators of successive drafts of the taxonomy. Current uses of the "Classi" and suggestions for its future were the subject of a 1986 survey of selected consumer educators and a 1988 ACCI conference session by users, authors and the publisher.

Contrary to the notion that classifications, or taxonomies, are of little interest to most people, the presenters at the Chicago conference were truly enthusiastic. Not satisfied with describing the many specific applications they had made of the Classi, they spoke as proselytizers — strongly recommending greater use in both research and application, broader promotion and distribution of the original edition, and the development of an abbreviated version for increased usability

for new audiences.

The Classification of Concepts in Consumer Education is the major product of the Consumer Education Development Project, a 1978-80 collaborative activity sponsored by the U.S. Office of Consumers' Education. The project was carried out under contract with the Michigan Consumer Education Center, National Consumers League and CUNY's Center for Advanced Study in Education. The "Classi" consists of four levels of concepts, each defined, cross-referenced and indexed under the three superordinate concepts of Decision Making, Resource Management, and Citizen Participation. (See Figure 1.)

Eastern Michigan University co-authors Rosella Bannister (Director of the Michigan Consumer Education Center) and Charles Monsma (now Director of the Institute for Community and Regional Development) carried out the mandate of the project. They undertook the development of a classification system that expanded consumer education's early focus on buymanship to encompass the knowledge and skills needed for responsible consumer citizenship.

The Classi was first published as Monograph 137 by South-Western

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Janice Holm Lloyd,  
Extension Specialist  
Agricultural Extension Service  
North Carolina State University

Publishing Company and disseminated without charge. It was intended to serve as a guide to program planners and curriculum developers, as a basis for review of the scope and focus of existing curriculum and materials, and as a means of encouraging the exchange of information, ideas and research.

In 1986, ACCI's Consumer Education Committee suggested conducting a small survey of consumer educators to obtain the comments and recommendations of persons using the Classification of Concepts in a variety of different settings. Potential survey respondents were suggested by committee members, ACCI officers, and consumer educators who had cited the Classification of Concepts in recent consumer education literature. The 30 persons thus recommended participated in a lengthy telephone survey and also agreed to respond to a written, open-ended questionnaire detailing their personal use of the Classi, their awareness of other uses (and the persons so using it), extensive comments about its value, and recommendations concerning its future. A request in the final edition of ACCI Happenings for additional persons willing to share information about their use of the Classi provided two additional questionnaire participants.

Survey respondents represented diverse backgrounds, organizational affiliations and interests. The majority were at institutions of higher education, representing the disciplines of business, economics, home economics, political science and teacher education. Six of these reported on research applications; 10 had worked with public school teachers in regular classes or workshops. Six respondents were affiliated with consumer or economic education information/education organizations, and three with government agencies. Two were consumer affair professionals in business. One of the public

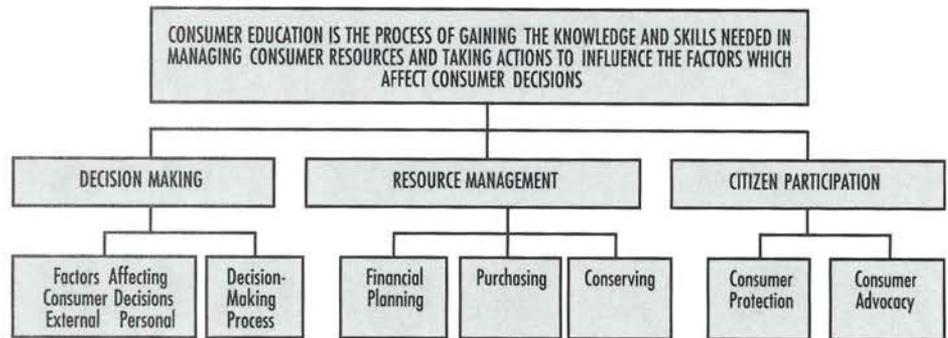


Figure 1

school teachers who participated was among five authors of textbooks surveyed.

## THE SURVEY

*Question 1. How have you used the Classification of Concepts in Consumer Education?* Public school teachers and university faculty reported a number of uses:

- In the organization of departmental curriculum as well as individual courses;
- As a basis for selecting references and resources;
- As an overview conveying to students the scope of the field and interrelatedness of issues and problems;
- As a guide for student reading assignments and research projects;
- As a tool in developing unit and course evaluation instruments;
- As a means of helping to define consumer science as a field of study in higher education (Kroll & Hunt 1980; Stampfl 1982, 1984).

In addition to the development of their own curriculum, university faculty supervised graduate student projects in the use of the Classi to critique the curriculum, texts and other resources of public school system consumer education offerings. Workshops for public school consumer education teachers required them to use the Classi as a basis for:

- Curriculum planning;
- Evaluating resources and con-

structing bibliographies;

- Designing student activities;
- Developing tools for evaluating the curriculum and the progress of students toward course objectives.

Research uses by faculty centered on content analysis. They involved several searches of the Journal of Consumer Affairs, other journals, newspapers, and conference proceedings — especially "Consumer Science in Institutions of Higher Education" (Stampfl 1982) and the 1984 ACCI Conference (Stampfl 1984) — in an attempt to document research trends and identify future research needs.

Consumer educators in government agency settings reported using the Classi to explain the scope and value of consumer education to visiting foreign educators, teacher education administrators, legislators, and budget officers. It is also used as the basis for:

- Selecting items for consumer education resource collections;
- Creating card catalogs and bibliographies;
- Developing new consumer education programs and materials;
- Validating an agency's program.

Several authors of texts and other educational materials commented on the value of the Classi in establishing the criteria for content and emphasis. Connecticut used the Classi to organize a new state curriculum guide. The Classi was also used to a limited extent in the

development of a national end-of-course test for consumer economic education.

*Question 2. What is your perception of the value of the Classification of Concepts in the specific context in which you have used it?* Comments were positive, citing not only the specific benefits, but noting that it is much easier to use a classification system than to develop one. Several respondents reported attempting to improve upon the Classi, only to make, after much effort, choices nearly identical to those reached by the authors and 200-plus persons who critiqued the Classi during its development.

*Question 3. How has the Classification of Concepts been used elsewhere that you know of?* Ten additional persons were named (and contacted) who had used the Classi as authors, teachers, researchers, graduate students, or agency administrators.

*Question 4. How well do you believe the Classification of Concepts has served its original purposes — to guide program planners and curriculum developers, as a basis for review of scope and focus of existing curriculum or materials, and to encourage the exchange of information, ideas and research?* While most respondents indicated that the Classi had served its purposes “very well,” the consensus was that not enough educators were aware of or using the classification system. In text development, in particular, too many persons were considered to be re-inventing the wheel. One respondent recommended creation of a data bank on the uses of the Classi while simultaneously promoting its availability and usefulness.

*Question 5. What do you consider the particular strengths, weaknesses and omissions of the Classification of Concepts?* While one respondent considered the Classi “Too broad,” nearly everyone else cited the “breadth” or “comprehen-

siveness” of the Classi as its greatest strength. The clarity of the definitions and the organization of the higher-level concepts into an easily reproducible chart were praised, although the development of more sophisticated graphics was recommended as part of any future revision. Greater standardization in terminology and definitions among consumer educators was cited as a strength, with the comment that the Classi had succeeded in emphasizing the importance of citizen participation as a superordinate concept and in facilitating communication about this and other concepts.

Among the suggestions for future improvement, one respondent commented that the Classi has a U.S. bias that could be addressed if

a revised edition is developed. For example, citizens in countries with national health insurance programs face health care decisions of a different sort from U.S. citizens. Further, the U.S. style of consumer citizen participation is not universal.

Other comments concerning perceived limitations of the Classi included a recommendation that two topics not presently included be addressed in any future version: technological innovation and consumer theory and research. Another respondent said that “consumerism” had not been, but should be, defined. Still another commented that the Classi “more overtly addresses the secondary as opposed to the college/university level, although it is applicable to both.”

*Question 6. Are you aware of any unforeseen consequences, positive or negative, of the issuance of the Classification of Concepts?* Only two persons commented beyond saying “no.” Both dealt with the importance of viewing the Classi as intended — as a flexible guide, a “fluid framework” to be reviewed periodically and revised as indicated to accommodate emerging priorities, issues or “new concepts.”

*Question 7. How do you recommend that we approach the “revisitation” of the Classification of Concepts?* Among the comments which led to the 1988 conference session were suggestions to evaluate case studies of Classi use and discuss its future possibilities. Two specific uses were recommended for consideration:

1. Use of the Classi as a framework for structuring research so as to measure student competency and assess the costs/benefits of teaching specific topics at various stages in the life cycle; and

2. Use of the Classi to analyze consumer content in modern literature in terms of the information value and perspective, and in the

#### 1988 ACCI CONFERENCE SESSION:

##### The Classification of Concepts in Consumer Education.

“The Classi Revisited — Overview 1978-1988”

Janice Holm Lloyd, Agricultural Extension Service, North Carolina State University

“Research Uses”

Rader Hayes, University of Wisconsin-Madison

“Program and Policy Applications”

Gillian McCreary, Saskatchewan Consumer and Commercial Affairs

“Curriculum and Classroom Uses”

Barbara Pershing, University of Northern Iowa

“What Next?”

Richard Vosburgh, University of Guelph

“Authors’ Response”

Charles Monsma and Rosella Bannister, Eastern Michigan University

“Publisher’s Perspective”

Carolyn Love, South-Western Publishing Company

popular press in terms of the scope, emphasis, and limitations of the coverage. [Editor's note: See Barbara Pershing's article in this issue of ACI.]

### The 1988 ACCI Conference Session.

Following the report on the above survey at this 1987 meeting, the ACCI Consumer Education Committee approved the organization of a 1988 conference session to highlight a variety of uses of the Classi and to provide a forum for discussing future applications with the Classi's authors and other interested consumer educators. The final agenda is presented in Figure 2. With the exception of this author's discussion of the Classi's history and the survey results reported above, the other participants' comments are briefly summarized in the remainder of this paper.

### Case Studies of Past and Current Uses.

Rader Hayes, Gillian McCreary and Barbara Pershing reported on uses of the Classi in research, a government agency and the classroom, respectively. Each presenter was selected because of the innovative applications she had reported in the 1986 survey.

Rader Hayes discussed the process by which she reached the conclusion that the framework has content validity. She cited her parallel development of a categorization scheme with Gribshaw and Swartzlander in 1983. Months of effort followed the initial dismissal of the Classi for content analysis research, only to reach the conclusion that they had developed categories that closely resembled the Classi. She reported similar experiences by Herrmann (1982) and Way (1984). Other advantages she found in using the framework for content analysis were: reliability, existing categorical definitions, and flexibility.

Gillian McCreary described with

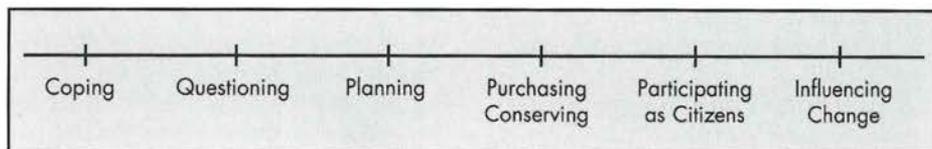


Figure 3

***"It [Classi] was intended to serve as a guide to program planners and curriculum developers, as a basis for review of the scope and focus of existing curriculum materials, and as a means of encouraging the exchange of information, ideas, and research."***

great enthusiasm a remarkable variety of uses of the Classi by the Saskatchewan Consumer and Commercial Affairs Department, which has a legislated mandate to provide consumer information and education to the people of the province (youth and adults, consumers and business). Among those uses are:

- Lobbying and communicating with politicians and education/finance power brokers and industry representatives (for education policy development);
- Educating educators and education administrators (defining and validating consumer education) and orienting new staff;
- Program/resource material development such as establishing priorities, rationalization, content selection and focus;
- Administrative applications such as bibliographic subject heading indexes, library collection acquisitions; and
- Evaluation of resource materials and programs.

Barbara Pershing's use of the Classi in the university setting included both curriculum and classroom applications. Of particu-

lar interest were the requirements she made throughout her semester-long courses. Students were provided individual copies of the Concept Numbering System and used them in assignments involving periodicals, newspapers and television. Students demonstrated awareness of consumer issues and information and developed skill in analyzing, classifying and evaluating the consumer content in the various media forms.

**Suggested Future Uses.** In addition to the descriptions of their past and current applications, the above presenters had suggestions for future use and for expansion or revision of the Classi:

1. There is a need to capture the research experience of Classi users and to incorporate the findings in any future edition;
2. A short form of the Classi would be useful in several settings, e.g., students in class projects or program managers in helping others see the relationship between specific activities and the program as a whole;
3. A computer form of the Classi would be useful to facilitate research, bibliographic, or other taxonomic uses.

In his presentation, Richard Vosburgh concurred with the above and introduced additional suggestions for consideration. He stated the need for asking what level of knowledge, skill or comprehension attainment is reasonable at different stages in the life cycle and recommended the development of a means for measuring performance in each of the areas defined in the Classification. He also recom-

mended developing a companion volume, a "Classification of Processes in Consumer Education," offering insight into which aspects of consumer competence are likely to be acquired through which learning processes, thus increasing user effectiveness in designing consumer education programs. He believes such a volume would also define a number of areas for further research.

Classi's co-author, Charles Monsma, suggested further study of the degree to which the Classi is proving useful in expanding the traditional, micro approach of consumer education teaching the research. Drawing on his address at the Canadian Learned Society Conference on the implications for research (of the Classi), he focused on the continuing imbalance between individualized and systemic (i.e., macro) analysis in the field (Monsma 1985). He cited two assumptions in the development of the Classi that could serve as the basis for new research:

*First, it is assumed that consumers should take an active role in influencing and shaping the goods and services that are produced rather than a passive role, merely reacting to whatever goods and services are available. Second, the traditional marketplace and money management skills taught by consumer educators must be augmented by consideration of the interrelationship between the consumer and the economic, political and social systems within which marketplace behavior occurs.* (Monsma & Bannister 1979, p. 17).

Monsma recommends using the consumer behavior continuum (fig. 3) as a framework for use by researchers in analyzing these assumptions.

**Expanding The User Base.** One of the objectives of this paper was to identify and convey the current and potential merits of Bannister and

Monsma's creation to a wider audience. The Classi has unquestionably received very positive feedback among its users, but remains much less well-known and used in teaching, curriculum and materials development, program/policy application, and research than its current users or authors consider desirable. Vosburgh, for instance, emphasized the need to promote greater awareness and use of the Classification of Concepts among consumer educators in all settings; he recommended workshops and other special efforts by ACCI's journals and by the National Coalition for Consumer Education's network in each state. Among the special efforts applauded by Vosburgh and others is the ongoing support of the Classi by South-Western Publishing Company.

Teacher-author Hayden Green originally suggested contacting South-Western, where Carolyn Love secured company support for the Classi's publication and distribution without charge in 1982 and for reprinting in 1985. In her remarks, Love reacted favorably to the suggestions for the future of the Classi, discussing the importance of targeting specific market segments that should be reached and deciding how best to reach them. She stated that the ideas for dissemination, expansion and diversification posed by the Classi's users and authors will be given serious consideration by her company. Persons with additional suggestions regarding the use and future of the Classi are invited to share them with ACCI's Consumer Education Committee in care of the Chair, Jan Lloyd, NCSU Box 7605, Raleigh, North Carolina 27695-7605.

Orders for single and bulk copies of the Classification of Concepts in Consumer Education, Monograph 137, may be obtained without charge, from Carolyn Love, Marketing Manager/School Division, South-Western Publishing Com-

pany, 5101 Madison Road, Cincinnati, Ohio 45227. ACI

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# STATE CONSUMER PROTECTION EFFORTS IN THE 1980'S AND BEYOND

The 1980s have been a challenging and productive period for state and local government. Whether intended or not, one clear result of the cutbacks in social spending and the push for deregulation at the federal level has been to place greater responsibilities on the shoulders of state and local government. As the *Wall Street Journal* has pointed out in its recent series, "The States: Making Government Work," the states have risen to the occasion by recruiting talented people and launching innovative programs.

In the critical realm of consumer protection, cooperative state efforts on issues of national scope have become the order of the day. Working through the National Association of Attorneys General, the states have come together on a bipartisan, principled basis to stand up against price fixing, deceptive advertising, hazardous products, and other threats to the welfare and health of consumers. As the FTC and other key federal agencies have increasingly adopted a hands-off attitude toward fraudulent business practices, the states have stepped in to fill this enforcement gap.

When Minolta and its dealers conspired to fix the price of the Maxxum 7000 and AF-Tele cameras, it was New York and Maryland that filed suit. The settlement reached ultimately was opted into by 35 other states and offered refunds to hundreds of thousands of consumers nationwide. When Chrysler tried to sell used cars with tampered odometers as new vehicles, 45 state attorneys general took concerted action to win a \$16 million settlement on behalf of the

more than 30,000 customers who had been affected. When Ford ambulances were plagued with fuel line leaks and accidental explosions, attorneys general from Missouri, Virginia, Texas, Kansas, North Carolina, and Ohio worked together to prompt a voluntary recall of 20,000 of these unsafe vehicles. When Hertz tried to overcharge its customers for repairs to rental cars, 41 state attorneys general reached a settlement yielding over \$2 million in refunds. And just last spring, my office and 18 other state attorneys general filed suit against four major insurers, Lloyd's of London, a trade association representing 1,500 insurance companies, and several reinsurers for conspiring to drive up rates and reduce coverage for municipal liability insurance policies.

Prior to 1981, cases of this scope and importance would have routinely been brought by federal regulatory agencies, regardless of which political party was in charge of the executive branch. Now, more often than not, it is the states that are more vigorous, consistent, and expeditious in protecting our nation's consumers. In fact, on issues such as false and deceptive advertising, consumer organizations frequently file complaints simultaneously with the federal regulatory agencies and state attorneys general, confident that the states will act even if federal regulators do not.

State initiatives have also spurred federal action on a number of key consumer issues — action, that might never have been taken if the states had not started the ball rolling. For example, in 1984, my

office reached an agreement with the U.S. Tobacco Company under which the firm committed itself to stop using the slogan "Take a pouch instead of a puff" in its advertisements for Skoal Bandits smokeless tobacco. This slogan, and other industry promotion practices, had given the misleading impression that smokeless tobacco was free of the health risks associated with cigarettes. In fact, smokeless tobacco poses risks of generating mouth cancer and damaging teeth and gums.

After New York, Massachusetts, and several other states began to seek legislation requiring health warnings on smokeless tobacco products, Congress passed the Comprehensive Smokeless Tobacco Health Education Act of 1986. This statute requires specific health warnings, bans TV and radio advertising of smokeless tobacco products, and calls for the development of public education programs to warn adolescents and the general public about the health risk of these products. This across-the-board federal solution to a serious health problem might have taken years longer if the states had not taken the first steps.

Similarly, in the ongoing controversy over all terrain vehicles (ATVs), the states played a leading role in forcing the Consumer Product Safety Commission (CPSC) to protect the public against these inherently unstable and dangerous products. Since 1982, ATV accidents have been responsible for

**Robert Abrams,**  
Attorney General, State of New York

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more than 1,000 deaths and 335,000 injuries nationwide. After the states had begun studying this problem and contemplating legal action, the CPSC finally concluded a consent decree with the industry this year. While the decree is inadequate in a number of respects — including its lack of provisions for refunds to affected consumers — it did take the important step of banning further sales of the dangerous three-wheeled ATV and preventing the industry from advertising the ATV as if it were a toy suitable for unsupervised use by children and adolescents. The National Association of Attorneys General has a multistate ATV task force that is continuing to monitor the results of the consent decree. This task force stands ready to take further action, as necessary, to protect consumers from the hazards and misleading promotion of ATVs.

States have been particularly active during this decade in combating misleading and deceptive advertising, as the FTC has proven strangely unwilling to pursue cases of national significance. My office went after Coca-Cola, Pepsi Cola, and the other major soft drink manufacturers in 1984 to stop them from using slogans such as “Now with Nutrasweet” to imply that they had removed saccharine from their diet soft drinks. In fact, they were using a mix of Nutrasweet and saccharine. Saccharine has been found to cause cancer in laboratory animals.

Texas and New York worked together to get Kraft to stop promoting Cheez Whiz — a cheese spread which contains some cheese among its other ingredients — as “Real Cheese.” And in 1987 my office’s Consumer Protection Bureau signed consent agreements with Sunshine and Keebler preventing them from using phrases like “no lard” and “100% vegetable shortening” to imply that their crackers and cookies were low in saturated fat. In fact, the tropical oils used by the firms — palm oil, coconut oil, and palm kernel oil — have up to *twice* as much saturated fat as equivalent amounts of animal lard. In the summer of 1988, my office convinced Kellogg’s to stop making misleading claims about the “energy boosting” capacities of the B-vitamins in Rice Krispies.

Food advertising will be a continuing focus of multistate enforcement efforts, because Americans are increasingly more health conscious and because food producers spend more on advertising than any other industry in this nation. It is incumbent upon state attorneys general in our role as enforcers of the consumer protection laws to make sure that misleading health and nutrition claims are not used to take advantage of the public’s legitimate interest in eating a healthy and safe diet. One of our ongoing struggles in this regard is a multistate effort to stop the FTC from eliminating an 80-year-old rule strictly limiting the use of disease-specific health claims in food labeling.

Probably the most notable recent state initiative in the area of curbing deceptive advertising came with the publication of the National Association of Attorneys General Airline Advertising Guidelines in January 1988. Responding to consumer complaints that heavily promoted budget fares were not available when customers called to make reservations, NAAG met with airline industry representatives, studied advertising practices, and published its guidelines.

The NAAG guidelines summarize the major provisions of state deceptive acts and practices statutes as they apply to airline advertising. After some initial complaints, the industry has, by and large, followed the spirit of the guidelines. The public is much better informed and less susceptible to being misled. Major restrictions on availability, refundability, number of seats available at the bargain fare, and other important restrictions are now clearly stated in both print and radio and TV advertisements of airline fares. This represents a vast improvement over the pre-guidelines advertising that was flooding the nation. NAAG will continue to monitor adherence to its airline advertising standards and is pursuing a similar investigation targeting at the advertising practices of the car rental industry.

Beyond stopping particular consumer frauds as they occur, the states have made a number of permanent contributions to consumers’ ability to be fully informed

and adequately protected. In 1986, my office negotiated precedent-setting agreements with McDonald’s, Arby’s, Wendy’s, Burger King, and Kentucky Fried Chicken. Under these agreements, those firms instituted nutrition information programs which offered very readable booklets providing information on the nutritional content of the foods they serve.

New York has taken the lead, including establishing an independent arbitration program, among states enacting tough new and used car lemon law programs. Thus, consumers have been given an alternative to costly litigation or the manufacturers’ own program. In New York, the independent program yielded \$15.5 million in refunds or replacement vehicles for more than 1,100 New York consumers in 1984, the first year of its implementation.

The major automobile manufacturers have petitioned the FTC to modify rule 7033 — which governs manufacturers’ arbitration programs — in a way that would preempt some of the strongest provisions of independent state programs like New York’s. The FTC’s response to this misguided petition will serve as a good test of whether the federal government can build on the best state initiatives in consumer protection instead of undermining them.

The ideal enforcement approach for the 1990s and beyond would be a strong federal/state partnership in enforcing the consumer protection laws. In this way the creativity of the states, fostered by their closer interaction with the citizenry, could be combined with the superior resources and comprehensive regulatory capacity of the federal government to provide the best possible consumer protection system. In today’s increasingly complex, high technology economy, there is more than enough work for both the federal and the state governments to do in protecting consumers from sophisticated forms of deception, hazardous products, and financial double-dealing. The experience of cooperative state action during this decade will make the states better partners with any reinvigorated — and long overdue — federal consumer protection program. ACI

# RENT-TO-OWN PROGRAMS IN NEW YORK

Anyone who has encountered advertisements for rent-to-own programs knows that the emphasis is on low payments, with no credit check and no hassle. What the advertisements don't say, of course, is that those "low weekly payments" could add up to the equivalent of an annual rate of nearly 20%. And because the products are merely being rented, the consumer could make payments for over a year and still have nothing to show for all that money should he or she decide to stop.

Indeed, a consumer may have experience with both renting and buying on credit and still not be prepared to deal with the two as they are combined in rent-to-own programs (more formally known as rental-purchase agreements). Moreover, legal redress may be unavailable, because the blend of renting and credit exempts the industry from laws applying to traditional retailers and financiers (such as the Uniform Commercial Code, Truth in Lending, usury laws and cooling-off laws) (National Consumer Law Center 1984).

In the absence of a response from the federal government, many state legislatures have taken up the issue. This article reviews New York's response to the large number of customer complaints about the industry and the concerns voiced by professionals working with low-income consumers.

Rent-to-own programs have grown dramatically, drawing mostly on low-income consumers. The industry touts low payments on appliances or furniture, with the promise of ownership at the end of a specified number of payments. The rental agreement is renewed automatically with each weekly or monthly payment; the customer has no obligation to continue beyond the present period.

Rental-purchase advertising focuses on the features attractive to low-income consumers such as quick delivery with no down payment, low weekly payments and, most importantly for many of these consumers, no credit check. Although the prospect of ownership is advertised heavily, the industry emphasizes the rental option and minimizes the purchase option in its form contracts. That provides the basis for the exemption from all federal and much state legislation. The New York law, passed in 1986, may be considered a model for consumer advocates in states without any rent-to-own regulation. Significant provisions in that law are described below.

**Right to "Cure" Delinquency or Redeem Property.** Probably the most significant provision in any rent-to-own regulation is the feature of the New York law permitting a customer to cure a delinquency and/or redeem an item that has been repossessed for missed payments. Such provisions

protect customers from "flipping" by a rent-to-own agency. Flipping occurs when delinquent customers are forced to start a whole new contract, forfeiting all payments already made toward the purchase option (National Consumer Law Center 1985).

The New York statute provides all customers with a seven-day "cure" period for delinquent payments (N.Y. Pers. Prop. Law S501(5)). By making the delinquent payment within that time, the original contract is reinstated with all credit for past payments remaining. If merchandise is returned or voluntarily surrendered by the consumer, the right to redeem that property by making all payments due is extended to 30 days. The reinstatement period is extended to 60 days when half the payments needed for purchase have been made and to 180 days with three-fourths of the payments (N.Y. Pers. Prop. Law S501(5)(c)).

**Disclosure Requirements.** The New York statute requires rent-to-own busi-

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Roger Swagler, Chair  
Department Housing and  
Consumer Economics  
The University of Georgia

Carol Baschon, Attorney  
Georgia Legal Services

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nesses to disclose: (a) the cash price of the item, (b) the price of the rental option, and (c) the total price (a + b). The most helpful provision requires that the information be attached to each item displayed, "clearly and conspicuously indicated in Arabic numbers" (N.Y. Pers. Prop. Law S505(3)). Such disclosure allows consumers to weight their desire to "have it now" against an exorbitant pricing scheme before they have a contract written by a salesman.

Following the pattern of federal Truth-in-Lending legislation, some other state laws require that price information be included in the rental contract. However, by the time the consumer is ready to sign a contract, he or she has likely made the decision to rent. Having the information on the product increases the likelihood that it will be incorporated into the consumer's decision-making process.

The biggest deficit of the New York disclosure provisions, indeed, of all such laws, is that there is no requirement that the annual percentage rate (APR) be calculated and disclosed. The extent to which disclosures focusing on total price are helpful to consumers is speculative. If the intent of disclosures is to encourage comparison shopping, an APR is necessary; without it, the cost of renting to own and other installment possibilities cannot be compared. While total price figures are helpful, they only allow comparisons among rental-purchase agreements (National Consumer Law Center 1985).

There is a conceptual problem here because, technically, no credit has been extended and no interest is charged. The renter is merely paying for the use of the item each period. However, because the renter is making payments over time which add up to more than the cost of the item, the net effect is the same as an interest charge. Expressing the charges as an implicit APR would facilitate consumers' comparisons.

**Price Limitations.** The New York law restricts the charges which can be placed on rent-to-own contracts. The law allows a total price 100% greater than the cash price, providing for a very high implicit APR (N.Y. Pers. Prop. Law S503). By creating such a high legal limit, a statute such as New York's apparently takes away

any legal challenge to these transactions based on other usury laws.

Whether or not the limit is set at the appropriate level, the restriction adds a new dimension to the protection of the consumer. Most other provisions require disclosure, which the consumer may not understand or may disregard. The limit on total charges helps consumers even when they are not in a position to make use of the disclosure information.

New York also limits late charges, a provision that does provide some relief to consumers. The statute restricts such charges to 10% of the delinquent amount or \$3 for weekly payments (\$5 for monthly payments), whichever is greater (N.Y. Pers. Prop. Law S501(3)(e)). In unregulated areas, late charges can run as high as \$1 to \$2 per day.

**Purchase Option.** The New York statute provides a purchase option, allowing a consumer to buy the rented merchandise at any time for the cash price minus one-half of all past payments (N.Y. Pers. Prop. Law S504). Accepting the high implicit APRs standard in rent-to-own contracts as a given, the New York statute provides for a greater rebate of those charges upon prepayment than the industry standard to refund interest (Rule of 78) used in most other installment transactions.

**Advertising.** The New York law requires that if the possibility of ownership is mentioned in an advertisement, the total cost of obtaining ownership must be given. That could be helpful in curbing the tendency of advertisements for some rent-to-own programs to imply that the consumer is getting something for nothing. Recall, however, that Truth in Lending requires similar disclosures when installments are advertised, and then think of how that provision is actually met in most ads. Figures set in tiny type or whisked across the screen are not likely to have much impact on most consumers.

**Miscellaneous Provisions.** There are a number of provisions in the New York statute, and most other statutes, that sound very nice, such as prohibiting contract terms that waive defense by the consumer or those requiring a confession of judgment

(N.Y. Pers. Prop. Law S501 (3)). However, these terms are rarely in rental-purchase agreements anyway.

**Summary and Implications.** It appears that rent-to-own programs have become a fixture of the low-income marketplace, filling a void left by more traditional financial institutions. The result is that the consumer is especially vulnerable because he or she has few options. It follows that there is a particular need for the type of protection routinely afforded to consumers in traditional installment credit transactions.

In the case of the New York law, traditional disclosure requirements are complemented by a price limitation (twice the product price). Thus, the law provides protection regardless of the consumer's response to the other information. That seems appropriate in light of the evidence suggesting the limited impact of disclosure provisions in the low-income marketplace and the limited options consumers have in such cases.

Consumer advocates should be aware what protections are available to consumers in their states, comparing that with what other states provide, and comparing both to what consumers need. Even the best state law, however, cannot help citizens outside that jurisdiction. Because rent-to-own companies operate nationally, there is a strong argument for legislation at the national level.

Regardless of the legislative environment, however, rent-to-own programs offer a unique opportunity to consumer advocates and educators. Because such programs have grown rapidly, many consumers are still unfamiliar with them. That makes it more likely that the consumer will be misled and, more importantly, that the message about the true cost and possible dangers of these schemes be spread as widely as possible. ACI

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National Consumer Law Center (1984, March/April), *New state rent-to-own statutes* (NCLC Reports: Consumer Usury Edition).

National Consumer Law Center (1985, July/August), *New state rent-to-own statutes* (NCLC Reports: Consumer Usury Edition).

# A CALL TO ARMS IN THE WAR AGAINST HEALTH FRAUD

**H**ealth fraud is still of concern today, even though the 1906 and 1938 Food, Drug and Cosmetic Acts drove many dangerous products out of the marketplace and the advertising page. The tools of the trade now are mass marketing, psychological intimidation and pseudoscience, a more potent combination than the swaying horse-drawn wagon and a soapbox. It's a multi-billion dollar greed machine grabbing every dollar it can get from desperately ill patients and healthy Americans alike. The effort to stem health fraud is a high priority for the FDA and, with the advent of AIDS and AIDS fraud, the agency has expanded an already active program to contain this growing problem. However, experts across the country agree that health fraud is too entrenched and pervasive for any one organization to combat alone. Coalitions have been formed and more are being planned. Though the enemy seems both overwhelming and elusive, battles have been won through increased public awareness, investigation and enforcement.

**Understanding the Problem.** To grasp the nature of the problem and to develop a factual base for action, the Department of Health and Human Services commissioned a survey, designed in conjunction with the FDA, that was conducted

by Louis Harris and Associates. The national cross-sectional sample of 1,514 adults included smaller targeted subsamples of 297 arthritics and 207 persons who have had cancer.

An advisory group of FDA staff and an outside consultant classified products within 15 specific treatment areas as either scientifically acceptable or questionable. These included stress or anxiety relief, disease prevention, muscle strength enhancement, skin rejuvenation or wrinkle removing, slowing down the aging process, eliminating body poisons or toxins, restoring hair growth, relieving pain without medicine, reducing cancer risk, reducing cholesterol levels, improving sexual performance, enhancing memory or intelligence, removing cellulite, increasing bust size, and stopping smoking. "Scientifically acceptable" means that a body of scientific evidence exists to support effectiveness; "questionable" products thus may be medically acceptable but lack supporting data to demonstrate effectiveness.

Since all potentially fraudulent treatment areas were not included in the survey, projected totals cited below should be considered conservative. For instance, the huge weight loss market and the burgeoning frauds for the prevention or treatment of AIDS were not reviewed. Nevertheless, 26.6% of

those polled reported having used one or more "questionable" health care treatments in the 15 treatment areas covered. Thus, at a minimum, some 46 million American adults have used a questionable health treatment.

Some of the attitudes of respondents are startling and revealing. Twenty-three percent *disagree* with the statement that "Traditional medicine practices are the most effective treatment for most serious diseases." Forty-one percent of adult Americans believe that *most* doctors are more interested in making money than treating sick people. Forty-three percent believe that there are many worthwhile treatments that doctors *won't* tell you about.

Over 35 million Americans have gone outside customary health organizations for treatment or advice. They consult nutritionists, health product sales people, religious counselors, herbalists and acupuncturists. Nearly five million Americans, for example, have consulted faith healers.

Among those individuals who have sought treatment in the 15 areas covered, 41% used only scientifically acceptable treatments,

Frank E. Young, Commissioner  
Food & Drug Administration

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34% used both acceptable and questionable treatments, and 26% used only questionable treatments.

Significantly, only one in ten users of a questionable product reported that the product was not effective at all. A third believed the treatment was *very* effective; another third believed it was *somewhat* effective; and 14% believed it was slightly effective. This perceived effectiveness of questionable treatments is consistent with the physiological processes of the resolution of most illnesses and the waxing and waning of many others. Furthermore, it enhances the word of mouth mechanism by which such products are promoted through the population.

The survey found that word of mouth is the *primary* mechanism for the spread of questionable product use. Three of ten users said they first learned of the treatment from family or friends. Moreover, 45% of questionable product users say they have recommended the product to others.

The survey clearly showed that questionable products can be found in the homes of the rich and the well-educated as well as the poor and those with no college education. Evidently higher learning and higher income don't translate into lower gullibility.

Of great significance in this survey is the reconfirmation of the concept of the physician as a very effective weapon against health fraud. Virtually no one admitted to using a treatment that a doctor had warned them against. This carries a strong message to physicians: that they should discuss self-medication with their patients and dissuade them from using any known quack treatments for their specific disease or health concern.

Even though 26% of questionable product users stopped using the product, they rarely complained to anyone. If they did complain, it was to a friend or relative and less often to a doctor, retailer or manufacturer. We must make it easier for consumers to pick up the phone when they find a problem product and expect action from the organization on the other end. In FDA, we must move quickly with regulatory action, including injunctions and seizures, when the public's

health is at risk. To be responsive and responsible, the media must also publicize the adverse consequences of using quack treatments and carefully screen all advertisements. The FDA has and will continue to work with organizations such as the Pharmaceutical Advertising Council and the Council of Better Business Bureaus toward this end.

Regarding the subgroups of arthritics and cancer patients, it was found that cancer patients were more optimistic about their disease. This may be why 36% of people with arthritis have used a questionable treatments as opposed to 15% of cancer victims. Of that 36%, only 13% believe the questionable treatment is very likely to cure their arthritis. Of the cancer patients who try a questionable remedy, only one in ten believes it is very likely that the treatment will cure their cancer. As with other diseases, those persons with a negative attitude toward traditional medical practices are most likely to try questionable treatments.

The survey reinforces the conclusions of many of the speakers at last March's National Health Fraud Conference in Kansas City, Missouri. The job cannot be done by one or two federal agencies in Washington. There must be joint efforts by the public and private sectors at the state and local levels to address the many facets of this ubiquitous problem.

**National Health Fraud Conference.** The conference proved to be significant in the effort toward coalition-building to stop the economic and personal hardship of health fraud. As the conference motto said, "Health fraud costs more than money." It yields false hopes; it may delay necessary treatment; and it may kill all by itself. Some products discussed at the conference were contaminated with heavy metals or infected with the AIDS and hepatitis viruses.

The conference brought together representatives from a wide range of regulatory, consumer, media, academic, insurance and medical organizations. Workshops were held on such topics as the conduct of investigations and the gathering of evidence; researching and writing accurate health articles; un-

proven cancer and arthritis remedies; the role of the insurance industry in combatting health fraud; how education in the schools and community can help; the role of local, state and federal authorities; the foreign clinics that are bilking so many Americans; exercise and sports medicine quackery; and the elderly as targets of health fraud.

Assistant Secretary for Health Dr. Robert Windom reviewed the progress and activities against AIDS and castigated certain publications for their misrepresentations of the AIDS threat, by either minimizing or exaggerating that threat. He noted the "vital importance of communication and communicating clearly and factually to the American people. How can we expect the average person to make a sensible decision on a crucial life-threatening subject like AIDS if there is very much confusion about the basic facts of the disease?"

FDA Deputy Commissioner John Norris spoke effectively about the lure of foreign clinics with their promises of advances and natural cures which, they allege, are suppressed in the United States. He described the priority system for taking regulatory action in this country. Direct health hazards are attacked first, such as an electrical device for weight reduction that not only was useless, but potentially damaging to the heart and other vital organs. Indirect health hazards are next on the list, such as the "sobriety aids" which, if taken when drunk, may give an individual the false impression of being sober enough to drive a car. Economic fraud, in which the only damage done is to the wallet, is also a target.

Dr. Victor Herbert, associate chief of staff of the Bronx Veterans Administration Medical Center, noted that "every cancer scam has become an AIDS scam." Special diets, mega-vitamin therapies and other old cancer "cures" have been resurrected and touted for AIDS. "One quack treatment for AIDS is intravenous vitamin C, which can kill you outright by destroying your kidneys, by setting up heart arrhythmias or by destroying red blood cells," he said. Dr. Stephen Barrett, author of several books on quackery, told a similar story of massive vitamin A doses endanger-

ing the life of a young leukemia patient. Taken to prevent recurrence of the disease, which was in remission from conventional therapy, the vitamin A caused dangerous swelling of brain tissue.

Speaking to the psychological power of the deceivers, Dr. John Renner, chairman of the Midwest Council Against Health Fraud, observed that "Quacks know how to get inside your head. They know how to make you feel afraid. They know how to make you feel guilty if you don't want to buy. They know how to make you feel that if you don't act quickly, you'll miss out."

Of great concern to many speakers was the rapidity with which the quacks are moving into the area of AIDS fraud. Angelo Aponte, Commissioner of the New York City Department of Consumer Affairs and an early fighter in the battle against AIDS fraud, noted that AIDS is the number one killer of young women in NYC. Mr. Aponte said fraudulent AIDS testing clinics and mail-order test kits are aimed at married men afraid to see their family doctor. He also mentioned plastic phone covers and anti-AIDS pads to wipe public toilet seats as two examples of useless products sold to the fearful who don't understand the means of transmission of the virus.

The conference, through example after example, drove home the fact that health fraud is a cancer upon our land, reappearing without warning in any locale.

**Local, State and National Anti-Quackery Initiatives.** In September 1985, the FDA, the Federal Trade Commission and the U.S. Postal Service co-sponsored a National Health Fraud Conference in Washington, D.C. As a follow-up to that national conference, FDA held regional health fraud conferences during 1986 in cities across the country. These well-received conferences and other health fraud initiatives served as the impetus to the formation of coalitions with state and local officials, community groups and professional organizations. Coalitions to combat health fraud were subsequently organized in Kentucky, Dallas/Fort Worth, Kansas City, Des Moines, Chicago, Los Angeles, San Juan, Kent (Ohio), Minnesota, Michigan, Jacksonville

(Florida), Arizona, Oregon and Washington state. The New York State Assembly established a Task Force on Health Fraud and the Elderly, held hearings, and introduced legislation to address the problem.

Many of these local groups are members of the National Council Against Health Fraud, whose president, William Jarvis, spoke at both the 1985 and 1988 national conferences. This organization's newsletter alerts its members to emerging health fraud and acts as a clearing house for all those interested in addressing the health fraud problem. Each local group draws on the resources within its own community to focus on problems of most concern to the local population. For example:

*The Ohio Council Against Health Fraud benefits from its association with Kent State University and certain of its departments, such as the School of Nursing. They recently organized a local health fraud conference and the university provided the facilities. The group's newsletter is sent to alumni for membership recruitment and support.*

*The Chicago Council Against Health Fraud works closely with the National Council and, because of limited resources and personnel, has decided to focus its efforts on two areas of concern — AIDS fraud and steroid use by high school athletes.*

*The Dallas group, concerned as many groups are about potential liability of their members, concentrates on finding evidence of health fraud and then referring cases to appropriate state or federal regulatory authorities.*

*The California Attorney General's Task Force on AIDS Fraud is a fine model for citizen participation because it has brought together individuals from the business, regulatory and medical communities and people with AIDS.*

*The Central Atlantic States Association, a regional affiliate of the Association of Food and Drug Officials, has established, through a coalition of state and local regulatory offices, a Health Fraud Surveillance and Action Team (HFSAT). Its objectives are to educate consumers, share information about fraudulent products, prevent dupli-*

*cation of investigatory efforts, develop coordinated enforcement strategies, advise the news media about potentially fraudulent advertisements, and encourage the development of local coalitions.*

To support these local efforts, FDA, in cooperation with other organizations, has conducted a series of activities against quackery. FDA has worked with the medical professions to conduct health fraud conferences and to disseminate information on health fraud through professional journals such as the *Journal of the American Medical Association*.

"Ask the Expert Day" was a joint effort with the Arthritis Foundation and Call for Action in which local physicians manned the phones at radio and television stations in 13 cities across the country to answer questions about unproven arthritis remedies. This provided easy, anonymous access for anyone having doubts about an arthritis remedy.

The Council of Better Business Bureaus (CBBB) and FDA worked together to encourage various media outlets to review their advertising closely and contact FDA or CBBB to validate questionable medical claims made in advertisements. FDA and CBBB have issued reports on arthritis fraud, weight loss fads, quackery and the elderly, and quackery and the teenager.

The Pharmaceutical Advertising Council and the FDA have developed a public service campaign to raise the public's awareness level about health fraud. The campaign includes television and radio spots, announcements in newspapers, magazines and medical journals, and 400,000 copies of a brochure.

Although the war of truth versus deception will never end, it is this type of cooperation that will be effective in crushing health fraud wherever it occurs. In the ongoing battles, we need your help to diversify the attack, build strong fortresses of coalition, collaboration and communication, and leave the quacks with nary a web-footed leg to stand on. ACI

*Commissioner Young acknowledges the assistance of Alexander Grant, Associate Commissioner, and his staff in preparing this project.*

# A NEW NATIONAL COALITION FOR CONSUMER EDUCATION

During the past two years, under the leadership of John Knapp, executive director, the National Coalition for Consumer Education (NCEE), based at Eastern Michigan University, has been re-energized. The state coordinators assigned in 40 states are actively campaigning for greater emphasis on consumer education in the schools and at the community level. Simply stated, today's National Coalition is working to give greater prominence to consumer education, to enlarge its scope, and to increase its impact.

This organization's vitality springs from the diversity and dedication of the coordinators who comprise the national network and that of two Canadian provinces.

Not all coordinators are academics. Their occupations vary, but never their commitment. Teachers, journalists, cooperative extension workers, educational administrators, corporate consumer affairs managers and state agency officials—all bring their own special insights and expertise to the task. It is the mixed representation of business, government and consumer organization leadership within the board and among the state coordinators that gives the Coalition a unique perspective on the needs and applications of consumer education.

The contributions of the coordinators may mean the development of a new publication, the sponsoring of a workshop, or just encouraging a consumer organization to expand its educational programs. As counselors, catalysts and contributors, the state coordinators are setting the pace for consumer education in the states.

Last spring the Coalition brought to a close its first nationwide consumer education materials contest. Cosponsored by the federal Food and Drug Administration, the contest focused on noncommercial,



generic print materials on subjects within FDA's jurisdiction. The objective of the competition was to acknowledge high quality consumer education materials and encourage their broad distribution. More than 143 entries from over 100 organizations across the country were submitted—a testimony to the broad interest in consumer education. The winners were announced April 8 at the ACCI annual conference in Chicago. Commissioner Frank Young of the FDA presented the awards.

The Coalition's attention has been focused on the practical rather than the theoretical. For the

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## CONSUMER EDUCATION

future, the Coalition hopes to expand its influence in schools and on campuses through research, networking, consultation and special projects intended to emphasize the growing need for better educated consumers in today's global economy. Surveys and projects that can make use of the Coalition's networks within the states and across the country are of particular interest.

As the Coalition grows and strengthens, the quarterly newsletter, *Coalition Exchange*, will increase in importance as the communications link. This newsletter, which shares experiences and spotlights successes, currently reaches more than 2,000 consumers educators four times a year.

To continue the work of the Coalition and expand its activities for the coming year, a fund-raising drive is under way with a 1989 goal of \$100,000. Anyone interested in supporting the Coalition, making use of its network for consumer education projects, or becoming a state coordinator should contact John Knapp at (313) 487-2292. The Coalition is still seeking coordinators in Colorado, Hawaii, Massachusetts, Nevada, Nebraska, New Mexico, Vermont, Oregon, Wyoming and Washington.

In November, the Coalition will move its offices to New York. Its new executive director will be Irene K. Williamson, president of Williamson International, a consulting firm specializing in national and international consumer affairs and communications. ACI

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John Knapp, Director  
National Coalition for  
Consumer Education

Irene Williamson, President  
Williamson International

Donoghue, William E., with Dan Schilling (1987). *William E. Donoghue's Lifetime Financial Planner: Straight Talk about Your Money Decisions*. New York: Harper and Row Publishers.

Paisley, Clyde Albert (1984). *Financial Independence, As You Like It*. Boston: Allyn and Bacon.

Pritchard, Robert E., Gregory C. Potter, and Larry E. Howe (1988). *Be Your Own Financial Advisor*. Englewood Cliffs, NJ: Prentice-Hall.

"One word, mutual funds!" Paraphrasing dialogue in a movie classic of the late 60s, the enterprising and benevolent uncle might be heard offering this financial advice to his nephew, "the graduate." But where do you go for similar guidance when your "good ole Uncle Charlie" doesn't exist or is unfamiliar with such matters? And, more importantly, where do you go if you know that Uncle Charlie is wrong?

One option is to turn to the morass of "mass-market" money management books available at retail bookstores and libraries. The number of these "do-it-yourself" treatments of personal financial management is increasing so rapidly that advice on money management, like advice on other personal matters, seems to defy the notion of scarcity — the foundation of economics. However, one should not conclude that learning personal finance this way is without cost. Aside from the books' generally affordable cover prices and the time required to read them, additional opportunity costs may result from choosing an undesirable or flawed treatment of the subject of money management. So the important question is, "Which of the many alternatives is best for you?"

This review offers guidelines found to be effective in assessing the appropriateness of a particular book in meeting the various needs of readers and educators. Criteria are offered for evaluating the relative quality of these books for different readers and for judging their content regardless of the intended reader. A sample of three sources, obviously, is inadequate to describe the entire range of quality of "mass-market" money management books. Indeed, since the choice of these books was somewhat arbitrary, it is the reviewer's hope that these criteria, when adopted by each reader, will adequately place widely available and familiar texts (e.g., Sylvia Porter's *Money Book*, et al.) in their "correct" position on one's quality spectrum.

The important distinctions between these books, I believe, will depend on whether readers are interested in receiving only financial advice of a prescriptive nature (money management "by-the-numbers"), a conceptual treatment that will allow them to make their own decisions, or a combination of both. The three books reviewed tend to mix financial prescriptions with healthy doses of pedagogy in varying proportions.

While each of the books is intended for the "mass-market," discernible groups of readers will judge each book's particular presentation of financial management more or less to their liking. Rarely does one find money management books that are written for the extremes of income distribution. Publishers rationally prefer to appeal to the widest audience possible. But a good management book ought to have some value for readers with less-than-middle-class incomes. Paisley's theme, for instance, transcends any distinctions among readers' standards of living. Most certainly, the goal of "building net worth for financial independence" is a concern of financial planning even for low-income individuals.

Educators might assign and/or recommend these texts for two types of students in personal finance courses. Students exposed to the topic as a part of a family economics curriculum might read them as companions to a textbook. By supplementing standard classroom resources with all or parts of these books, students will not lose sight of the practical dimensions of personal finance. Each of the books has its particular strengths in conceptual and practical treatments of selected topics in personal finance.

Donoghue is most complete in his discussion of the fundamental concepts of investing: the risk-return relationship and other important investment concepts to which students are introduced in their courses. His discussion of financial market timing may, however, be a bit arcane for the new student. And his apparent bias for mutual funds may suggest to the uninitiated student that they are the right investment tool for all investors' objectives. Paisley's central theme of planning and management to increase household net worth will fit well in a course with a resource management perspective. Pritchard et al. provide strong conceptual discussions only on the topics of interest rates and the characteristics of financial investments.

Tony Schiano, Assistant Professor  
Department of Housing and  
Consumer Economics  
University of Georgia

Adult students form a subgroup that may not need a supplement to the conceptual aspects of personal finance. For them, practical content and advice might complement years of financial management experience. While all three of the sources would serve this need well, Paisley and Pritchard et al. are likely to be viewed by nontraditional students as the most direct in terms of providing advice. In fact, the highly prescriptive approach adopted by Pritchard et al. suggests that it is the authors who intend to "be your financial advisor." Their title suggests that this book contains a discussion of the skills and principles an individual ought to have to manage one's own financial affairs. It does not meet this objective in the reviewer's judgment.

Regardless of the intended reader, some important dimensions of the quality of each book's treatment of personal finance should not be overlooked. A prospective reader might consider the breadth of coverage of the standard topics in the personal finance curriculum, the accuracy of the information on each topic, the use of application tools or case study demonstrations of the content, and the author's credentials and expertise in the subject.

On breadth of coverage, one might ask whether a narrow focus is adopted (for example, saving and investing and a particular financial alternative within this general topic) or whether the author has something to say on every aspect of financial management. One area receiving limited discussion (in varying degrees) is the budget process as a foundation for all areas of financial management. Paisley's is the most extensive of the three, but his discussion occupies only three pages. In their defense, each of the authors explains in some fashion the importance of goal-setting and planning as imperatives for success.

The widest variation in coverage occurs over the topic of personal taxation. Donoghue gives the most extensive treatment. Pritchard et al. incorporate their only treatment of taxes in a chapter on investing in real estate and rental property. Their readers would sacrifice a general discussion of the implications of personal income taxation

for a wider range of financial decisions.

Accuracy of the information has two important components for readers seeking a practical or advisory theme. Since financial markets are dynamic, the timeliness of the information is crucial. Publication dates may be misleading and may not indicate that the information is current. Inaccuracy, more likely, will be the case for prescriptive information that is quickly dated. The book's treatment of income taxes is an easy test of this. Beware of discussions like Paisley's: Excessive detail on taxation rules will most certainly shorten the useful life of the information, especially in the era of substantial tax law changes.

The other dimension of accuracy one might consider is consistency with classical treatments of the topic. The discussion of life insurance can serve as a good test. All of the books cited stress the importance of evaluating life insurance needs as the first step in risk management. None of them gives a complete discussion of the textbook "needs" approach to estimating life insurance coverage requirements of survivors, Paisley is closest, but his "adjustment factor" is based on a perpetuity (formula) that receives a nominal after-tax rate-of-return of six percent, which would overestimate survivors' lifetime needs. An additional test of the treatment of life insurance lies in the discussions of term and cash value life insurance. Among the books reviewed, only Paisley offers the traditional buy-term-and-invest-the-difference argument. Donoghue and Pritchard et al. outline the relative merits of each type of insurance in a more objective discussion.

A reader might also consider the method by which the author demonstrates application of the topics covered in the book. When the case method of teaching is adopted, authors can rely on readers to analyze their own financial circumstances. This is Paisley's approach. He facilitates self-analysis by offering a set of "progress checks" at the end of each chapter. Donoghue concludes each chapter with a vignette on contemporary financial problems encountered in the topic discussed in the chapter. Moreover, Donoghue's application of the basics is strengthened by his chapters that

deal with the special financial concerns of major life-cycle events (singlehood, marriage, divorce, and child-rearing). Paisley and Pritchard et al. lack a recognition of current demographics and differences in consumers' lifestyles and stages of the life cycle.

Finally, a review of the authors' credentials, per se, may be deceiving. While signaling a requisite level of credibility on the subject, they may give some incorrect hints about the way personal finance is discussed in the book. For example, Paisley, a certified financial planner, gives more conceptual discussions on several topics than Pritchard et al. who are academicians. The authors' biases are revealed subtly in their discussion of the basic topics. Attention to any particular axis the author seeks to grind is essential for a critical reading of many topics in the book. For instance, Donoghue, in a not-so-subtle manner, pushes mutual funds presumably to entice his readers to acquire his newsletters and other publications. Readers who are uncomfortable with this kind of "pitch" or any other seemingly slanted discussion will immediately remember that "caveat emptor" also applies to the "written word." To minimize the risks associated with each author's idiosyncrasies, more time can be "invested" in the bookstore skimming through the selection of money management books and in soliciting recommendations from experienced readers.

On this last point, this reviewer would rank his own preferences for these three money management books in the order as they are presented at the beginning. Donoghue's complete discussions of the general principles of personal finance and the special financial concerns of major life events compensate for his mutual funds bias. Paisley's theme of increasing net worth for financial independence provides a valuable organizing theme for his advisory treatments of each of the topics of family finance. Pritchard et al. excel only in their discussion of interest rates. This does not make up for their inordinate amount of attention to prepaying mortgages, their lack of a basic discussion of personal taxation, and their highly prescriptive approach that tends to lack conceptual background. ACI

Warner, Ralph (1987). *Everybody's Guide to Small Claims Court*. Berkeley: Nolo Press.

*Everybody's Guide to Small Claims Court* is one of those books you hope you'll never need to read. Just having a copy probably means that you're suing someone or someone's suing you, and that's never pleasant. In either case, the better prepared you are for your day in court, the better your chances are of winning. And this is the book that can give you that critical edge.

If you've ever watched *People's Court* on television, you already have a pretty good idea of how small claims court works. The proceedings are relatively informal. Plaintiffs and defendants present their arguments in their own words, and the judge then hands down a decision. Compared to civil court litigation, small claims trials are a quick and inexpensive forum for settling a wide variety of civil disputes.

But it's not always as simple as it looks on television. For one thing, small claims court rules and procedures vary from state to state, as does the maximum amount for which you can sue. In some states, it's as little as several hundred dollars; in others, the limit may be several thousand. Still, the basic rules for filing or defending a small claims lawsuit are similar enough in all states to set down some basic guidelines. That is exactly what attorney Ralph Warner does in this book, now in its third edition from Nolo Press, a respected publisher of consumer-oriented self-help law books.

Warner begins at the beginning

by explaining small claims procedures, defining the types of cases that are tried there, and helping you decide whether you even have a case against the other party. He deals with these questions step by step:

- What is the amount of damages in dollars?

- Is that amount within the limitations of small claims court?

- Is it worth your own time and trouble in preparing and presenting your case in court?

- Can you collect if you win? (There's no point in suing someone who's dead broke.)

- Whom should you sue: the business, the owner, the partners?

- Which small claims court has jurisdiction in your case?

- Have you made a sincere attempt to resolve your dispute without resorting to filing a lawsuit?

Resolving your case out of court through negotiation, mediation, or arbitration is a subject many such books tend to overlook. But Warner deals with the issue in considerable detail. The time and trouble that section can save you may be worth the price of the book.

Warner also offers a good, clearly written glossary of legal terms used in small claims cases, from *abstract of judgment* to *writ of execution*. This is particularly important when you're working without an attorney, since each step in either filing or defending a small claims action has its own procedural jargon and paperwork. Warner's guide makes this task far less intimidating than

it might otherwise be. There are also sample forms commonly used in small claims cases, along with explanations of what they're for and how they relate to your case.

Chapter by chapter, Warner takes you through the process of filing forms, gathering evidence, subpoenaing witnesses, and presenting your case to the judge. He also devotes entire chapters to the most common types of cases heard in small claims courts, including automobile purchases and repairs, vehicle accident claims, financial debts, landlord-tenant cases, small business disputes, and various types of damage claims.

Finally, Warner's guide deals with what, for many people, is the most difficult aspect of suing in small claims court — collecting a judgment. Studies show that only a third of all defendants pay judgments against them on request. The majority of plaintiffs must collect their judgments themselves. The court itself is not a collection agency, but its rulings have the force of law, which entitles you to the services of the sheriff's or marshal's office in collecting your judgment. Warner explains the ins and outs of seizing a defendant's bank accounts or business income, filing liens on personal property, and placing a levy on his or her motor vehicles.

This book doesn't claim to tell you *everything* you need to know about small claims court. As Warner points out on the first page, court rules differ significantly from state to state, and those rules must be followed precisely.

I would suggest that if you are about to become involved in a small claims lawsuit, pick up a copy of the court rules from the clerk of the court in your area; then check it against the information in *Everybody's Guide to Small Claims Court* because the hard fact is that sincerity and truthfulness alone may not win your case for you. If your opponent is better prepared than you are, you'll wish you'd read this book when you'd had the chance. ACI

David Horowitz,  
Consumer Commentator

Advancing the Consumer Interest Vol. 1 No. 1

# AMERICAN COUNCIL ON CONSUMER INTERESTS

ACCI serves consumer professionals by:

- Disseminating* scholarly research findings
- Stimulating* effective career competencies, consumer education, and research
- Promoting* an opportunity for idea sharing by consumer affairs and education professionals
- Publishing* career opportunity openings
- Announcing* news of other consumer-oriented organizations
- Updating* members on federal, state, and local government legislation
- Reviewing* consumer resource materials
- Holding* organizational memberships in the Consumer Federation of America and the International Organization of Consumer Unions
- Hosting* an annual conference
- Encouraging* student involvement

ACCI members are involved professionally in

- Educating* the general public, high school and college students
- Organizing* consumer action programs
- Conducting* research on consumer problems and issues
- Counseling* consumers on financial management
- Implementing* consumer protection programs, legislation, and regulatory activities
- Distributing* information to consumers

The American Council on Consumer Interests is governed by officers and directors elected by its membership through mail balloting. Established in 1953, ACCI is a non-partisan, non-profit, incorporated professional organization.

## PUBLICATIONS

**The Journal of Consumer Affairs** is an interdisciplinary academic journal which is published semiannually for all members. It focuses on scholarly research and professional thought on consumer policy, consumer education, consumer economics, and consumer behavior. Book reviews of selected consumer-oriented books are given in each issue.

**The ACCI Newsletter** is published nine times per year (September through May) for all members. It offers information on the latest developments in the consumer field—legislation, government activity, consumer action programs, conferences, educational opportunities, and annotated announcements of books, articles and visual aids.

**Advancing the Consumer Interest** is a 48-page semiannual journal which focuses on the use and application of consumer-related knowledge and analysis of current consumer issues. Consumer educators, policy makers, and consumer affairs professionals in universities, government, journalism, business, extension and secondary schools will find ACCI a rich source of readily useful information. All members receive ACCI.

**The ACCI Annual Conference Proceedings** is a collection of the papers presented at the annual conference. Subscriber members receive it as part of their membership fee, and conference attendees as part of their registration fee. Other regular, associate, and student members may purchase it for an additional nominal fee.

**Career Opportunity Announcements** are published as an insert to the Newsletter. Published four to six times per year, these announcements offer ACCI members information on current positions available in the consumer field.

## ACTIVITIES

**The Annual Spring Conference** is an opportunity for professionals to keep up with ideas, research findings, reports of consumer action and education programs. The three-day conference features speeches, presentation of papers, and opportunities for interaction with outstanding leaders in the consumer field. Although the conference is open to anyone with an interest in consumer affairs, ACCI members are given discounted registration fees.

**The Colston E. Warne Lecture Series** is an annual conference highlight. Past lectures have been given by the following distinguished consumer leaders: Kenneth Boulding, Mary Gardiner Jones, Esther Peterson, Sidney Margolius, Jerry Voorhis, George Brunn, Jeffrey O'Connell, Barbara Warne Newell, Joseph Belth, Betty Furness, Gwen Bymers, Anwar Fazal, Mark Green, James Morgan, Rhoda Karpatkin, Michael Pertschuk, and Stephen Brobeck.

**Active Committees** within ACCI provide members an opportunity to work with other professionals on consumer issues. Currently there are committees which serve to encourage quality developments in consumer education, consumer research, and international consumer affairs.

**Student Chapters** are located at various universities and colleges across the country and serve to encourage undergraduate and graduate students in advancing their consumer education outside of the classroom. A Student Newsletter is published several times per year for all ACCI student members, offering practical suggestions for chapter activities and individual involvement. For more information, or to begin a new chapter, contact David Richardson, National Student Coordinator, at headquarters office.

**PUBLICATION OFFICE:**

**AMERICAN COUNCIL ON CONSUMER INTERESTS**

240 Stanley Hall, University of Missouri  
Columbia, Missouri 65211

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