# Advancing the Consumer Interest

A Journal of
Consumer Law,
Policy, and
Research
Volume 8
Number 2
Fall 1996

A Publication of the American Council on Consumer Interests

## 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, lawyers, students in consumer science, and other practitioners in consumer affairs.

Manuscripts may address significant trends in consumer affairs, education, and law, innovative consumer education programs in the private and public sector, reasoned essays on consumer policy, and application 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, education, and law.
2. Description and analysis of exemplary education, extension, community, and other consumer programs.
3. Research reported at a level of technical sophistication applicable to practitioners as well as researchers. The emphasis of this research should be on its implications and applications for consumer education, policy, law, etc. The primary question of the reported research should be, "What does this research mean for practitioners?"
4. Application of theories, models, concepts, and/or research findings to problem solutions for target audiences.
5. Articles summarizing research in a given area and expanding on its implications for the target audience.

The *Guidelines for Authors Submitting Articles* are printed inside the back cover.

*Advancing the Consumer Interest*
Department of Consumer Science
University of Wisconsin-Madison
1300 Linden Drive
Madison, Wisconsin 53706-1575
USA

608-265-6515 fax 608-262-5335
email aci@macc.wisc.edu

Advancing the Consumer Interest

Volume 8 Number 1
Spring 1996

**FEATURE ARTICLES**



**BOOK REVIEWS**



**LEGAL DIGEST**



*Peer-reviewed article

*Advancing the Consumer Interest* (ISSN 1044-7385) is an official publication of the American Council on Consumer Interests. Published semi-annually. Subscription/Membership Offices: American Council on Consumer Interests, 240 Stanley Hall, University of Missouri, Columbia, MO 65211. A subscription to *Advancing the Consumer Interest* is included with individual, associate, student, and institution/subscriber memberships in ACCI. Single copies of ACI back issues: $15. Other ACCI publications include *The Journal of Consumer Affairs, ACCI Newsletter,* and *Consumer Interests Annual.* For further information on ACCI membership categories, services, and fees, write, call, or fax ACCI at the address below.

# Consumers and Their Discontents: Issues for a Civil Society

*Rhoda H. Karpatkin*
*President, Consumers Union of U.S., Inc.*

The first issue of *Consumer Reports* was published in May 1936, in the heart of the thirties' Depression. As we prepared the May issue of *Consumer Reports* this year, we asked ourselves: what are the most urgent consumer issues of 1996? I want to touch on several reasons why consumers should be experiencing powerful feelings of discontent.

In one sense, it's odd to devote a speech to consumer discontents in America. American consumers are widely perceived as the most satisfied in the world, and with good reason. The product and service marketplace has grown at an astounding pace in ingenuity, complexity, and choice. The standard of living of our population as a whole is envied around the globe. Our laws and government agencies—while they've had their ups and downs—are often seen as models. The Freedom of Information Act, the Food and Drug Administration, the Federal Trade Commission, and the Consumer Product Safety Commission, to name a few, are impressive to those who compare American consumers to consumers elsewhere. And, over the years, we've seen a citizen consensus emerging that products should be safe and the environment protected. True, not enough politicians understand this consensus, but it's surely there.

So with that big picture, what sort of consumer discontents need our attention? The consumer discontents I want to discuss address what I believe are overarching concerns that affect us as consumers, and should have a place on the agenda of consumer organizations.

*First, consumers in America are discontent when so many consumers are struggling to keep up financially or are consigned to poverty, and where so many of America's national and state leaders are working hard to make their conditions more harsh.*

Consumers can consume only when they have jobs and income that produce the money to spend. On that score, we have many problems as a society. Many consumers are losing their jobs. Corporations are downsizing, and the unemployment ranks are filled with people who once thought of themselves and their corporations as the bedrock of the American economy. Now, after some lengthy unemployment, some of the victims do find jobs or work again, but many earn less and do not receive the same health and pension benefits. Many working consumers have seen their earnings diminish and their hopes for better lives crumble. They must work harder, and still have trouble even maintaining their standard of living. An estimated two-fifths of the public appear to have lost ground financially since the eighties. At the same time, the wealthiest consumers grow even richer, and the poorer ones poorer. About one-quarter of our work force now earns below the poverty line. Yet the safety net is shrinking.

In the face of all this, legislative proposals about budget and tax *cuts* are actually debates about how to render *less* public assistance to those who need it, and how to weaken programs that serve the poorer and struggling consumers in our country. Consumer organizations should be calling for programs that help those who can't find work, and those who can't make it on their own. We need job programs, education and training, and a strengthened safety net.

*Second, Consumers in America can't be truly content when we consume products that result from abusive and exploitative working conditions.*

When Consumers Union was founded in 1936, we reported not only about product and services' quality and performance, but also on the labor conditions under which products were made. We believed that while product information was important for consumers, they needed more: jobs and salaries that enabled them to have a decent standard of living.

It's hard to believe that the clock has turned backwards in this respect. The most visible problems seem to be in the textile industry, where substandard—often atrocious—salaries and working conditions abound. The sweatshops producing the clothing we wear are all over the world. Come with me on a global journey.

We begin in the United States, in El Monte, California, a suburb of Los Angeles, where 70 workers from Thailand lived and worked for years in conditions described by federal agents as involuntary servitude. They were paid $1.60 an hour, and locked up at night. These immigrants, some very young, sewed garments for American stores with labels from Macy's, Hecht's and Filene's. Two years ago, California labor officials inspected at random 69 garment manufacturers and contractors, and found that all but two were violating the law. Half violated minimum wage laws, and 68% violated overtime requirements. This month, the El Monte business owners pleaded guilty to Federal slavery charges, and await sentencing. The workers were paid back wages of $1.1 million, thanks to the California Department of Industrial Relations, but that was substantially less than the $9 million they were owed.

On to Honduras, where, as in many free trade zones in Central America and the Caribbean, factories produce clothing for American stores or labels like Banana Republic, Gap, Eddie Bauer, and Gitano. Girls as young as 14 work for 38 cents an hour, on weekday shifts of 15 hours, and Saturday shifts of 22-1/2 hours. On to Guatemala, where, according to *The Wall Street Journal*, apparel makers under contract to J.C. Penney easily employ children under the age of 14 at less than the $2.80 per day minimum wage, and require unpaid overtime.

Finally, come to India, Nepal, and Pakistan, where women and young children docilely weave the beautiful hand-knotted rugs that Westerners like us treasure. A Swiss consumer magazine reported that an estimated 700,000 children in those countries manufacture carpets under slave-like conditions. Indeed, some Indian children are actually sold into bondage by their parents. There are about 200 million children between 10 and 14 worldwide, working under inhumane conditions, according to the International Labor Organization; some children are as young as 5.

Sweatshops continue to exist in America because of corporate greed, and because the United States Department of Labor has too few investigators to monitor the 6.5 million workplaces governed by federal labor laws. Sweatshops continue to exist abroad because of corporate greed as well, because of the dreadful poverty that impels families to rely on the earnings of abused and exploited workers, and because corporations are not subject to any international regulations or understandings. They compete for marketplace advantages and higher profits by paying the lowest possible wages.

Consumer organizations should raise their voices for more federal and state labor inspectors, and should urge consumers to patronize manufacturers and retailers who are listed as having decent working conditions. One guide is to look for a union label.

***Consumer organizations should be calling for programs that help those who can't find work, and those who can't make it on their own.***

*Third, consumers in America must be discontent when their style of consumption causes severe environmental damage.*

The way we consume, especially in First World countries, is depleting essential resources, just as the global population is expanding. That damage is resulting in "global warming" or "the greenhouse effect," an atmospheric buildup of gases that could raise the average temperature on earth. Several gases are present in the atmosphere at increasing levels as we burn more fossil fuels, while, at the same time, we destroy too much of the very forests that remove greenhouse gases from the air. Damage comes from the cars we drive and the way we light, heat, and cool our homes, heat our water, and refrigerate our food. It comes, in other words, from the way we consume.

***Damage comes from the cars we drive and the way we light, heat, and cool our homes, heat our water, and refrigerate our food. It comes, in other words, from the way we consume.***

While it is difficult to predict the exact effect on our ecosystems, the damage to our urban life is clear. This month, the British government reported that car travel and dangerous emissions from auto use had more than doubled since 1970, as more affluence brought more reliance on cars. The temperature increases from the greenhouse effect may cause sea levels to rise, and disrupt and damage agriculture. Countries around the world could lose considerable arable land.

International accords in Toronto and Rio have agreed on reducing carbon dioxide emissions substantially. To meet the global target for the year 2050, the northern hemisphere countries must cut back emissions by about 80% to accommodate expected increases in the southern hemisphere, which will inevitably seek to climb out of poverty by industrializing. A group of scientists assembled by the United Nations has said that we must reduce fossil fuel use by an immediate 60%, in order to stabilize global climate.

Those same greenhouse gases are also depleting the stratospheric ozone layer, that screens out most of the sun's damaging ultraviolet rays and protects life on Earth. As a result, we could face millions more cases of skin cancer in Americans now living and born in the next 80 to 90 years. Increased ultraviolet irradiation could have negative effects not only on humans, but on animals and plants. A protocol signed in Montreal and London by most industrial nations aims to reduce emissions substantially, and to eliminate all ozone-depleting gasses by the year 2000.

Global warming and ozone layer depletion may represent the greatest global challenges, but environmental threats are wide-ranging. These include:

- The pollution of our air, water, and land, resulting from other chemicals and waste-products released into our environment;
- The destruction by acid rain of lakes, fish populations, plant and tree life, and even our historical landmarks, resulting from pollution;
- Decreasing biodiversity because of the destruction of ecosystems, resulting from the clear-cutting of forests, the pollution of rivers and lakes, and the over-exploitation, over-harvesting, and ultimate extinction of certain plant and animal life;
- Deforestation, the destruction of large forest areas for the purposes of timber exportation and fuel consumption, for habitation, and for the short term use of the land for mining, ranching and agriculture;
- Misuse of pesticides, harming animal, plant, and human life;
- Unsafe or inadequate disposal of toxic and radioactive waste.

While most of these problems are caused by production and consumption patterns in industrialized countries, poor nations will predictably need and use more energy and resources as they develop, especially as populations expand. By the mid-21st century, the world's population will probably have doubled. If we continue to follow the same production and consumption patterns that we do today, we will create an impossible situation. Such growth is not sustainable and resources are depletable. We must have an equitable distribution among the peoples of the world, of the consumption of raw materials, of energy, and of the goods and services derived from them.

The consumer movement needs a philosophy of consumption that goes beyond the concerns of safety, quality, and choice. We must add concerns about the sustainability of our consumption. We must consume exhaustible natural resources in a way that others will have those resources as well—others in the non-affluent world, and others in future generations. The consumer movement needs a philosophy that recognizes that we consume more than goods and services; we consume the environment. As consumers, we are hurt when our air and water are polluted, our forests ravaged, our plant and animal life destroyed.

Americans often set consumption styles and standards for other parts of the world. Tourists gape at the phenomenal variety of products on our store shelves, at our wasteful packaging, and at our throw-it-away culture. Many yearn to copy our style of consumption: big houses, several cars, many possessions, frequent and built-in obsolescence and constant replacement of products. Advertising relentlessly drives home the message that happiness is brought by acquiring more and more and better and better possessions.

Yet as today's American lifestyles are emulated by an increasing number of consumers in such places as Korea, Russia, Singapore, and Japan, the threat to our planet increases. Consider that India's population is now approaching one billion, and about 300 million are regarded as part of a growing middle class. They are a potential market for refrigerators, washing machines, Ray Bans, soap, televisions, cars, and other products, both useful and useless. In many developing countries, American-style consumption is under way for the wealthier, and development holds out the possibility of higher standards of living for many in decades to come.

The problem is that, in many respects, the much envied American lifestyle is untenable for us and an untenable example for others to follow. It gobbles up depletable resources, leaving too little for the Third World consumers, as they strive to reach a decent standard of living. It will leave too little for our grandchildren and their grandchildren. Our society must determine how to avert this crisis. All the powerful parts of our market economy must join together.

Changes in consumer lifestyles are necessary, but it will take far more than that. Some consumer organizations have accepted this challenge, nationally and globally, and are trying to encourage such changes. Many consumers are consuming differently and are learning to refrain from buying, to recycle, to repair, to re-use, to borrow, to share, and to rent.

Still, the style of consumption we see today reflects a marketplace where business has tried to create more and more needs, to sell more and more products. It has created meaningless product differentiations, built in obsolescence, developed wasteful packaging, and shown insufficient concern for the resources it uses. Producers and sellers must adopt manufacturing practices and produce products that are environment-friendly, and the advertising and marketing practices to go with it.

***The consumer movement needs a philosophy that recognizes that we consume more than goods and services; we consume the environment.***

Government's role is also paramount. Federal and state legislation and regulation are essential to compensate for the weaknesses of a market economy. It's deplorable that hard-won environmental advances are under assault. Such legislation exists today because there is broad national consensus that we need those protections.

Government can also promote and provide ways to consume wisely. Recycling programs and effective public transportation systems are two examples of sensible government interventions. And governments must actively and ardently promote effective global agreements to protect the Earth's assets, and their implementation.

In the face of these consumer discontents, consumer organizations have a broader role to play as citizen organizations in our decision-making processes and in our market economy. We play that broader role now when we work on process issues such as campaign financing and lobbying reform.

When organizations raise consumer consciousness, educate and inform consumers, speak to governments and corporations on behalf of consumers, and help monitor government and corporate actions, when they lobby and litigate, when they help define consumer expectations and standards of ethical commercial behavior, they are, in effect, the conscience of the economy and of our society. They provide a necessary balance to the overwhelming power of business in a market economy. Without independent consumer groups, there can be no fair marketplace. Their participation is an essential prerequisite in any society that seeks to achieve economic and social justice for consumers.

Since the transformation of the governments and economies in Eastern Europe a few years ago, there has been a lot discussion about the importance of civil society. I define civil society as citizen activity outside state and business control, and independent of them—consumer organizations, for example. In those countries, civil society is seen as central to the building of just and democratic societies. That is true in the United States, as well.

***In the face of these consumer discontents, consumer organizations have a broader role to play as citizen organizations in our decision-making processes and in our market economy.***

If we want to be a major, or even a relevant, factor in our civil society, I believe we must address the major and relevant issues I've described. Addressing means: putting them on consumer agendas and getting involved in the policy-making process; defining and strengthening the linkage between the people affected by those issues and the consumer organizations; and working with other organizations for whom these are major issues. Addressing means being responsive to the sources of consumer discontent.

The consumer movement is a national treasure in America, and is always straining to do more than its limited resources permit. I know how hard it is to urge an expanded agenda. Still, I hope as you return to your day-to-day struggles, you add these economic and environmental issues to your list entitled "The job we have to do."

**NOTE**

A longer version of this paper was presented at the Consumer Federation of America, Consumer Assembly 1996, Washington, D.C, March 29th 1996.

# Barriers to Effective Financial Management Among Welfare Recipients

*Julia Marlowe,*
*Deborah D. Godwin,*
*and Esther Maddux*
*University of Georgia*

Many of today's welfare reforms are meant to provide a transition as recipients move from public assistance into the workplace. Typically, it is assumed that once former welfare recipients are off welfare and employed, they will be able to manage their finances and support their families (U.S. GAO, 1995). However, there are two problems with this reasoning. First, the kind of job secured may not pay enough money to lift the individuals and their families out of poverty. Second, the individuals may not have effective money management practices. The first problem has been addressed in much of the literature (Holzer, 1995; Maynard, 1995; Haveman, 1995). The second problem has received less attention from researchers and is the focus of this paper.

The current welfare system has not typically provided incentives for good financial management and may even discourage economic accomplishment (Santiago, 1995). Thus, welfare recipients may have gained experience in a setting which is different from, and not relevant to, the setting in which independent families are expected to function. For example, having earnings or savings above a certain level often disqualifies individuals from participation in certain public assistance programs (McCarthy, 1992; Rose, 1990). Thus, earning or saving extra money would be disadvantageous for the individuals in the short run, even though earning and saving money are considered to be beneficial practices. Therefore, such policies serve as *external barriers* to effective financial management practices.

*Internal barriers* to effective financial management of welfare recipients have not been specifically identified, though literature posits that a culture of poverty creates restrictions (Ellwood, 1988). Certain characteristics of recipients, such as feelings of hopelessness or lack of control (Kane, 1987; Langer, 1983; Lewis, 1968; Pettigrew, 1980; Schuchardt, Marlowe, Parker, & Smith, 1991), may also create internal barriers to effective financial management. Cooperative extension agents reported to extension specialists that clients believed financial goals were out of their reach because they did not have much money (W. Hall, personal communication, Fort Valley, GA, May 24, 1989). Clients also indicated that saving money would be futile, because any money accumulated toward a financial goal would have to be given to needy family members before the goal was accomplished (Marlowe, 1989; R.M

Roberson, personal communication, April 29, 1994). Such perceptions may create internal barriers to effective financial management.

Barriers could limit the degree of control the welfare recipients have over their money management. Thus, it is important to address both external and internal barriers. Policy changes might be necessary to address external barriers, but internal barriers could be addressed with educational efforts. As efforts to reduce welfare dependency accelerate and their implementation spreads, it will be particularly important to assess the potential effectiveness of policies and programs designed to help recipients make the transitions to economic independence.

This paper reports on a preliminary investigation of recipients' perceptions of external and internal barriers to effective financial management. Thirty-five welfare mothers were interviewed. Georgia recipients of Aid to Families with Dependent Children (AFDC) who have not completed high school must participate in the Positive Employment and Community Help (PEACH) program (Georgia Department of Human Services, 1994). This program provides GED (Graduate Equivalent Diploma) classes, basic skills, and job skills training. It is feasible to begin an investigation in a setting where the researcher can establish rapport with the welfare clients and gather detailed information. Furthermore the information desired is not available from national data sets. Findings from this preliminary investigation should help researchers design follow-up studies to be conducted with a larger sample of the welfare population.

*As efforts to reduce welfare dependency accelerate and their implementation spreads, it will be particularly important to assess the potential effectiveness of policies and programs designed to help recipients make the transitions to economic indepe ndence.*

## METHODS

The researchers conducted a pilot study to assess the validity of the data collection method. Although the data are self-reported, previous research indicates that these respondents are very willing to be forthright about their financial situations (Marlowe, 1989). PEACH coordinators in two counties in Georgia who teach GED preparation classes with welfare recipients agreed for their clients to be interviewed. Clients in two of these classes were interviewed the first day of class during winter and spring 1994. The questionnaires were administered by a graduate student who spent time establishing rapport with the participants. Each respondent wrote her answer on her questionnaire after hearing it read aloud to the group. All respondents present in the classes voluntarily participated. The wording of the items on the questionnaire is presented in the tables reporting the findings.

*External barriers* were measured with two items. One item asked respondents how much money someone like them could *save* and still be eligible to receive AFDC. A second item asked how much individuals like them could *earn* and still be eligible for AFDC.

Respondents' *internal barriers* were measured with three different constructs. If respondents do not believe that they have control over their financial situation, this can serve as an internal barrier. An index of seven items was used to measure respondents' *feelings of control* of various aspects of their financial situation, with a higher score representing a perception of more control over one's money.

An index, labeled *financial futility,* was formed by summing respondents' answers to six questions about the respondents' feelings and beliefs with respect to certain financial situations and their feeling about the futility of financial management in those situations. The index ranged from 0 to 6, with a score of 6 representing a greater feeling of futility with respect to managing one's money.

*Financial behavior* itself is not a barrier to effective financial management; however, engaging in certain financial behaviors can create financial barriers. For example, high levels of borrowing may create less flexibility in the future. Financial behavior items were constructed to assess planning and saving, bill-paying, and borrowing behavior. A total of 11 items about various aspects of financial behavior were asked. Some questions asked respondents how frequently they engaged in a specific financial behavior. The interviewer explained the response set as follows: never, rarely (once a year), sometimes (two times a year), frequently (four times a year), and almost always (once a month).

## FINDINGS

Approximately 66% of the respondents were between ages 25 and 34, and another 17% under age 25. Twelve percent of respondents had eight years of formal schooling; the rest had some high school. Forty-one percent had one or two children, 38% had three or four children, and 21% had more than four children.

Respondents reported perceptions of high external barriers to effective financial behavior; that is, on average they perceived that earnings and savings disincentives of the welfare programs are more stringent than they really are (Table 1). Georgia regulations at the time respondents were interviewed allowed AFDC recipients to have $1,000 in savings and still qualify for benefits. Only four respondents knew this. An overwhelming majority of respondents (84%) thought that they could not have more than $500 in savings and still remain eligible for benefits. With respect to earnings, Georgia regulations allowed AFDC recipients to earn $650 per month and still be eligible for benefits. Only two respondents knew this. Almost all (91%) thought that an AFDC recipients could earn no more than $400 per month and retain their welfare eligibility. Clearly, the perceived external barriers are greater than the actual barriers for a majority of respondents.

Perception of two internal barriers are reported in Table 2. On average, welfare recipients believed they had a high degree of control with their finances. The midpoint of the "feeling of control" index is 17.5 and the mean degree of control was 19.57. This is higher than expected, given the popular stereotype that welfare recipients have feelings of hopelessness and little control over their finances. For every item about financial futility, fewer than half the sample responded that they agreed with the statement. When the six questions were summed to form the "financial futility" index, the mean was only 2.15, over a range from 0 to 6. This would indicate that percepton of financial futility was less than expected.

Financial behaviors are reported in Table 3. Items 1, 2, and 7-10 concern planning and saving behaviors. A high majority (over 85%) of respondents said they set aside money for

**TABLE 1**

PERCEPTIONS OF EXTERNAL BARRIERS

| Item | Responses: Number and Percent | | | | | |
|---|---|---|---|---|---|---|
| | *up to* $500 | | $2,000 | | $1,000[a] | |
| How much could someone like you save and still be eligible to receive AFDC? | 27 | 84% | 1 | 3% | 4 | 13% |
| | $400 | | $1,000 | | $ 650[a] | |
| How much could someone like you with only one child earn and still be eligible for AFDC? | 30 | 91% | 1 | 3% | 2 | 6% |

[a]Correct answer.

**TABLE 2**

PERCEPTIONS OF INTERNAL BARRIERS: N = 35

| Feelings of Control[a] % reporting: | None | Not Much | Some | Much |
|---|---|---|---|---|
| How much influence do you feel you have over: | | | | |
| 1. the amount of money you have | 6 | 29 | 37 | 29 |
| 2. increasing your income | 17 | 23 | 34 | 26 |
| 3. decreasing your expenses | 15 | 21 | 27 | 38 |
| 4. saving money | 9 | 9 | 38 | 44 |
| 5. getting out of debt | 14 | 9 | 23 | 54 |
| 6. talking creditors into reducing payment when you cannot pay all your bills | 18 | 27 | 44 | 12 |
| 7. involving family in money discussions | 27 | 21 | 21 | 32 |

| Financial Futility | % Agreeing |
|---|---|
| 1. Credit is necessary if someone like me needs to buy something that costs more than $100. | 49 |
| 2. Financial goals are out of reach for someone like me. | 37 |
| 3. It would do me no good to try and budget because I don't have enough money. | 49 |
| 4. Someone else always needs money so if I set any aside, I would just have to give it away. | 20 |
| 5. It would do no good to set financial goals for myself because I could never accomplish them. | 26 |
| 6. It does no good to save for the future, because others would need the money—so I might as well spend the mon | 26 |

| | Mean | s.d. |
|---|---|---|
| Feelings of Control Index: (Range: 7-28) | 19.57 | 4.72 |
| Financial Futility Index (Range 0-6) | 2.15 | 1.64 |

[a] Percentages may not total 100% due to rounding.

**TABLE 3**

INTERNAL BARRIER: FINANCIAL BEHAVIOR N=35, % REPORTING

| Item | Yes | No |
|---|---|---|
| 1. Do you sometimes set aside money for emergencies or upcoming expenses? | 85 | 15 |
| 2. Would you set aside $20 per month until you have $200 saved if there was something you wanted to buy? | 97 | 3 |
| 3. Do you owe for any bills that are past due? | 49 | 51 |
| 4. Right now, are any of your bills past due? | 37 | 63 |
| 5. Have you had to borrow any money within the past week? | 31 | 69 |

| | $0 | < $50 | $50-100 |
|---|---|---|---|
| 6. How much money have you borrowed within the past two weeks? | 74% | 20% | 6% |

| How often do you:[a] | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 7. have a plan for spending your money? | 11 | 11 | 9 | 9 | 60 |
| 8. manage your money so you have enough money to last until you get your next income check? | 26 | 3 | 14 | 20 | 37 |
| 9. set aside money for something when you know that you will have to pay for it? | 3 | 14 | 9 | 17 | 57 |
| 10. spend more than you make? | 29 | 11 | 11 | 6 | 43 |
| 11. set aside money to pay bills? | 3 | 23 | 14 | 11 | 49 |

[a] 1=Never, 2=Rarely, 3=Sometimes, 4=Frequently, 5=Almost Always

the future. Sixty percent of respondents said that they almost always had a spending plan. Over half (57%) said that they almost always set aside money. However, only 37% said that they almost always could make their money last until they receive their next check. It appears that these respondents regularly engage in planning and saving behavior, but despite this, they have difficulty making their money last from month to month.

Items 3, 4, and 11 measure bill-paying behavior. About half the respondents said that they owe for bills that are past due, but fewer than half said that they have current bills past due. It appears that most respondents have past due bills, but they are now making payments on these debts. Almost half (49%) of respondents said that they almost always set aside money to pay bills. Another 25% said that they sometimes or frequently set aside money to pay bills.

Items 5 and 6 measure borrowing behavior. Only 31% reported they had to borrow money within the past week. Only 26% reported that they had borrowed money over the past two weeks. Obviously there are some inaccuracies in the reporting of these two items. However, it appears that a majority of respondents had not borrowed money. Furthermore, only 6% reported borrowing up to $100. No respondents said that they borrowed more than $100.

## SUMMARY AND IMPLICATIONS

Findings from these preliminary data suggest that welfare recipients' perceptions of earnings and savings constraints act as potential barriers to effective financial management. Recipients had inaccurate perceptions of the external barriers to more effective earning and saving behavior; a majority of respondents believed the eligibility thresholds were much higher than they actually are. Respondents could be saving and earning more than they are and retain their welfare eligibility. This implies that low-income families may be worse off than they need to be. Alternatively, literature has noted that it is common for welfare recipients to supplement their welfare income with income which they do not report (Edin, 1995). Knowing what is actually allowed could help relieve the stress associated with concealing income. Given that respondents perceive external barriers to be greater than they really are, programs which correct information could improve recipients' ability to manage their finances.

Characteristics of the welfare recipients may not be internal barriers to effective financial management. Respondents feel they are in control of their finances. Respondents had higher than expected perceptions of control over their finances and a lower than expected sense of futility about managing their financial resources. It appears that these welfare recipients frequently engage in planning and saving behavior. While close to half of the respondents reported that they had some bills past due, almost half of the respondents almost always set aside money to pay bills. Surprisingly, most respondents do not appear to borrow much money, and those that do borrow money, do not borrow much. On the whole, it appears that these respondents may be managing as well as can be expected.

This study adds to our knowledge of welfare recipients and may help policy makers establish policies and structure social programs. These data indicate that many welfare recipients have good financial management skills; thus, programs should not underestimate what recipients already know. Rather than focusing on teaching budgeting skills, programs might provide information on actual program eligibility requirements, benefits of earning and saving money for families like them, and comparison-shopping information so that clients are knowledgeable about where goods and services can be obtained at the lowest prices.

This study was preliminary; further research with a larger sample could uncover different results. This small sample may not be representative of the welfare population; however, these findings may be instructive as researchers further investigate this topic. Future research should include measures of actual institutional barriers and perceived external barriers among recipients of public assistance. Research should be designed in such a way that it facilitates analysis of policy and hence substantiates policy change. Future policy may need to be structured to give incentives for effective financial management behaviors (e.g. earning more, paying bills, and saving) rather than to create barriers to effective financial management.

Future research could also focus on factors associated with developing financial independence. Previous research documents that low levels of education and changes in family composition, such as the birth of a child or divorce, often create a poverty household and dependence upon public assistance (Duncan, 1984). Nevertheless, all single-parent households with low levels of education are not dependent upon public assistance. Little is known about why some low-income families are economically independent and others are not. Future research could uncover other predictors of financial independence which would help explain factors associated with acquiring financial independence. Findings from the study reported here indicate that many welfare recipients are capable of effective management, so increased knowledge of predictors of independence could help establish a more complete model of family economic independence and hence less reliance upon public assistance.

**REFERENCES**

Duncan, G.J. (1984). An overview of family economic mobility. *Years of Poverty, Years of Plenty: The Changing Economic Fortunes of American Workers and Families* (pp. 9-31). Ann Arbor, MI: Survey Research Center, Institute of Social Research, University of Michigan.

Edin, K.J. (1995). The myths of dependence and self-sufficiency: Women, welfare, and low-wage work. *Focus*, 17 (2), 1-9.

Ellwood, D.T. (1988). *Poor support: Poverty in the American family*. New York: Basic Books.

Georgia Department of Human Resources (1994, March 1). *LCC Orientation Manual.* Athens, GA: Northeast Georgia Local Coordinating Council, Georgia Department of Human Resources, Division of Family and Children's Services.

Haveman, R.H. (1995). The low-wage labor market. *Focus*, 17 (1), 47-49.

Holzer, H.J. (1995). Job availability for long-term AFDC recipients. *Focus*, 17 (1), 46.

Kane, T.J. (1987). Giving back control: Long-term poverty and motivation. *Social Service Review*, 61, 405-419.

Langer, E. (1983). *The psychology of control.* Beverly Hills, CA: Sage Publications.

Lewis, O. (1968). The culture of poverty. In Moynihan, D. (Ed.), *On understanding poverty* (p. 188). New York: Basic Books.

Marlowe, J. (1989). Tailoring money management for low income households. In Southeastern Regional Family Economics/ Home Management Conference, *Proceedings: 18th annual...conference* (pp. 40-45). Lexington, KY: Author.

Maynard, R.A. (1995). Preparing welfare recipients for employment. *Focus*, 17 (1), 46-47.

McCarthy, P. (1992, May 17). Welfare family penalized for savings. *Boston Globe*, p. 75.

Pettigrew, T.F. (1980). Social psychology's potential contributions to an understanding of poverty. In Covello, V.T. (Ed.), *Poverty and public policy,* (pp. 189-233). Cambridge, MA: Schenkman Publishing.

Rose, R.L. (1990, Feb. 2). For welfare parents scrimping is legal but saving is out. *The Wall Street Journal*, p. A1.

Santiago, A.M. (1995). Intergenerational and program-induced effects of welfare dependency: Evidence from the national longitudinal survey of youth. *Journal of Family and Economic Issues*, 16, 281-305.

Schuchardt, J., Marlowe, J., Parker, L., and Smith, C. (1991). Low income families: Keys to successful outreach. *Advancing the consumer interest*, 3 (2), 27-31.

United States General Accounting Office (1995). *Welfare to work: Approaches that help teenage mothers complete high school.* Health, Education and Human Services Division, Washington, D.C.: United States Government Printing Office.

# Consumer Affairs Professionals' Perception of Job Market Potential

*Barbara Stewart*
*University of Houston*
*Judith Durand*
*President, Durand Research & Marketing Associates*

During the development of the consumer affairs profession, a long range planning committee was activated to make suggestions for positioning the consumer affairs department within the corporate structure and to offer recommendations for short and long range activities to aid in developing present and future consumer affairs professionals (Long Range Planning Committee, Society of Consumer Affairs, 1985). Now, a decade later, assessment of the current status of corporate position and professional opportunities is appropriate.

A survey of current consumer affairs professionals, including those who work in customer service, consumer education, and consumer affairs, was conducted to determine their perceptions of three factors related to job market potential. These included (a) the importance of consumer affairs departments, (b) the potential for growth and job availability in consumer affairs, and (c) opportunities for entry level consumer affairs professionals. This study is important for educators of future consumer affairs professionals, consumer affairs students who will be seeking employment upon graduation, and current consumer affairs professionals who are interested in job market potential.

Participating in the study were members of the Society of Consumer Affairs Professionals (SOCAP). Although not necessarily representative of the total population of professionals involved in consumer affairs functions,[1] the membership of SOCAP provides a concentrated cohort of professionals in the field with sufficient commitment to the profession to affiliate with a representative professional organization. Indeed, it is possible that the use of SOCAP members as a sampling frame risks the introduction of a recognizable bias since SOCAPers may enjoy higher levels of job security and status than consumer affairs professionals as a whole. A systematic random sample (1197) of members employed in the United States was selected and received a mailed questionnaire.

The instrument, which was pilot tested using one-half of the members of a local SOCAP chapter, was designed to identify: (a) perceptions of the importance of consumer affairs departments, (b) patterns of growth in the number of jobs available in consumer affairs, and (c) opportunities for entry level consumer affairs positions for college and university graduates. Also included in the design were demographic variables such as professional level, geographic location, years in consumer affairs, and gender. Questions were included to determine the beliefs of the likelihood of finding a first job in government, private industry, and non-profit organizations; the perceived importance of various departments within a business and the likelihood of downsizing those departments; and the likelihood of increases, decreases, or no changes in the number of jobs in consumer affairs in the next ten years.

Data were analyzed by means of frequency distribution, cross tabulation, paired *t* tests, and analysis of variance techniques, utilizing the *Statistical Package for the Social Sciences* (SPSS). Slightly more than 200 returned questionnaires were analyzed. With a return rate of less than twenty percent, issues of non-response bias were considered. While a lower than desired response does limit the generalizability of the findings, no evidence was found that specific biases were introduced. The data were comparable to those reported in the *1994 SOCAP Salary and Job Survey* (SOCAP, 1994).

Participants had been employed in consumer affairs from zero to 35 years with a mode of 5 years, a median of 9 years, and a mean of 10.3 years. Table 1 reports respondent profiles with regard to professional level, position title, and industry.

**TABLE 1**

PROFESSIONAL LEVEL, POSITION TITLE, AND INDUSTRY OF CONSUMER AFFAIRS RESPONDENTS (N=209)

| Professional Level | % |
|---|---|
| Intermediate Staff | 2.4 |
| Lower Management | 22.0 |
| Middle Management | 52.2 |
| Senior Management | 20.1 |
| Other | 1.0 |
| No Response | 2.4 |
| **Position Title** | **%** |
| Presidents | 1.9 |
| Vice-Presidents | 8.6 |
| Assistant Vice-Presidents | 1.0 |
| Directors | 20.1 |
| Assistant Directors | 5.3 |
| Managers | 42.1 |
| Assistant Managers | 3.3 |
| Supervisors | 11.5 |
| Other | 5.9 |
| No Response | 1.4 |
| **Industry** | **%** |
| Automotive / Transportation | 9.6 |
| Consultants | 3.3 |
| Education | 4.3 |
| Energy/Public Utilities | 3.8 |
| Financial Services | 7.7 |
| Food/Beverages | 16.7 |
| Government | 4.3 |
| Health Care/Pharmaceuticals | 7.7 |
| Household/Consumer Products | 11.0 |
| Leisure/Travel/Entertainment/Hotel | 3.3 |
| Manufacturing (Durables) | 7.2 |
| Manufacturing (Non Durables) | 2.9 |
| Media | .5 |
| Retail/Mail Order | 4.3 |
| Telecommunications | 1.9 |
| Trade/Professional Associations | 4.8 |
| Other | 4.9 |
| No response | 1.9 |

## IMPORTANCE OF CONSUMER AFFAIRS DEPARTMENTS

Recent studies have shown that while it may be difficult for some business managers to accept, consumer affairs departments can and do make a difference within the business structure (Lanning, 1986; Vogel, 1990). Moseley (1991) supported the notion that consumer affairs professionals make a difference when she stated, "The consumer affairs role is to influence, shape, and direct the formulation of promises to customers. The consumer affairs department can communicate current and anticipated customer needs and expectations to line managers whose responsibility is to set product and service standards, interpreted by customers as promises" (p. 30).

However, to perform such roles, consumer affairs departments must be positioned both functionally and organizationally so that decision makers recognize the potential contributions of the department to the decision making process. One way to do that is to relate the skills and functions to those of other corporate managers (Long Range Planning Committee, SOCAP, 1985).

The current study supports the findings of the previous studies (see Lanning, 1986; Vogel, 1990; Moseley, 1991). To gain some indication of the relative stature of consumer affairs departments within organizations, participants were asked to rate, using a Likert scale, the importance of each of ten departments. Respondents selecting "very important"

**TABLE 2**

RANKED IMPORTANCE OF DEPARTMENTS WITHIN ORGANIZATIONS (N=209)

| Department | % "Very Important" | % "Important" & "Very Important" |
|---|---|---|
| Sales | 67.5 | 80.9 |
| Marketing | 63.2 | 87.1 |
| Finance | 57.9 | 86.1 |
| Consumer Affairs | 50.2 | 81.3 |
| Research and Development | 49.8 | 73.7 |
| Training | 41.1 | 73.7 |
| Administration | 40.2 | 80.9 |
| Public Relations | 37.8 | 78.9 |
| Personnel | 35.9 | 75.6 |
| Support Staff | 32.1 | 73.7 |

**TABLE 3**

RANKED LIKELIHOOD OF DEPARTMENT REDUCTION (N=209)

| Department | % "Very Likely" | % "Likely & "Very Likely" |
|---|---|---|
| Support Staff | 31.1 | 68.4 |
| Administration | 29.2 | 65.1 |
| Training | 24.9 | 61.7 |
| Research and Development | 18.2 | 46.9 |
| Consumer Affairs | 17.2 | 49.3 |
| Public Relations | 16.7 | 48.8 |
| Personnel | 15.8 | 52.6 |
| Sales | 14.4 | 37.8 |
| Marketing | 11.5 | 43.5 |
| Finance | 10.5 | 39.7 |

created the ranked structure shown in the first column of Table 2. Consumer affairs was ranked fourth in being "very important" (50.2%) behind sales (67.5%), marketing (63.2%), and finance (57.9%). When responses of "important" and "very important" were collapsed, the rankings reconfigured slightly (Table 2, second column). The consumer affairs department ranked third at 81.3% behind marketing (87.1%) and finance (86.1%).

Another recent study by Adcock (1993) sought to analyze the effect of an economic recession on customer service/consumer affairs. It was reported that 47.7% of consumer affairs personnel surveyed saw an increased emphasis on customer service, 36.9% saw no change, and 15.4% saw decreased emphasis. When asked how their department budget had been affected due to the recession, 9.4% reported it had increased, 51.6% reported no change, and 39.1% reported it had decreased (Adcock, 1993). This is evidence of both positive and negative experiences due to recession.

To assess relative departmental value from a slightly different angle, participants in this study were asked to indicate how likely they felt it would be that departments would experience a reduction in force or a budget cut if a company had to downsize. Comparison of rankings of "very likely" and "very likely" with the inclusion of "likely" showed that consumer affairs departments maintained a middle position, ranking fifth among those listed (17.2% and 49.3% respectively). When "likely and "very likely" were collapsed, the most vulnerable departments were support staff (68.4%), administration (65.1%), training (61.7%), and personnel (52.6%). Fewer reductions or cuts were perceived in marketing (43.5%), finance (39.7%), and sales (37.8%) (Table 3).

## GROWTH AND POTENTIAL FOR JOB AVAILABILITY IN CONSUMER AFFAIRS

A recent study by Jenks, Baum, and Goodman (1990) cited three reasons for increasing job opportunities for consumer affairs professionals: (a) The telephone is increasing its role in customer service; (b) Interactions with customers require ongoing relationships where service personnel must have access to customer files; and (c) Customers who are not immediately making a purchase receive service via telephone or service departments. The current study was designed to determine if respondents believed there would be an increase or decrease in consumer affairs jobs in the future.

Participants were asked to report what they felt would be the change in the number of jobs available to consumer affairs professionals in the next ten years. Reflecting a very positive hiring climate, 70.8% of the respondents saw increases, 8.6% saw decreases, 9.1% saw no change, and 10% did not know.

Cross tabulations with other questionnaire data provided additional insights. Each respondent determined his or her professional level from categories defined by the national SOCAP. The most optimism for an increase in the number of jobs rested with middle managers (59%), followed by lower management (21.9%) and senior management (17.1%). Middle managers may be most optimistic because of greater involvement in the day-to-day routine of hiring consumer affairs professionals. The lesser degrees of optimism reported by staff respondents, both entry and intermediate, may reflect where reductions are occurring and merits future study.

The data were also analyzed by comparing the perceived change in the number of jobs with the number of years a person had worked in consumer affairs. Of those who believed there would be an increase in the number of jobs, 34% had been in consumer affairs for 0-5 years; 26% for 6-10 years; 17% for 11-15 years and 23% for more than 15 years. This bimodal distribution of responses may be the result of enthusiasm as one enters the field, followed by declining optimism in the eleventh to fifteenth years based on realization of declining upward mobility, culminating in some optimism by those professionals who through longevity are well established in the field. Of those who believed there would be a decrease in jobs, 41% had been in consumer affairs for 6-10 years. Again, it is possible that this figure reflects a lack of confidence in mid-career professionals who have lost the first rush of enthusiasm and are beginning to experience concerns about their opportunities for promotions. These data were not different at statistically significant levels, however.

Likewise, the data were analyzed by the region of the country in which respondents worked. Each of the geographically based SOCAP chapters was collapsed into one of five regions in the United States (Northeast, Southeast, Midwest, Southwest, and West). There were no differences between the regions in the perceived increase or decrease in the number of consumer affairs jobs. In other words, there was no difference in optimism in the increase in consumer affairs jobs by the region of the country. Most were optimistic. Also, there were no significant differences in beliefs between men and women respondents, who believed that there would be an increase in jobs.

Using categories defined by the national SOCAP, each respondent indicated his or her industry. Of respondents who thought there would be an increase in the number of jobs in consumer affairs in the next ten years, the most optimism was seen by those in the food and beverage industry (18%), followed by household and consumer products (14%). Of those who believed there would be a decrease in the number of consumer affairs jobs, more were in financial services (24%), food and beverage (18%), health care (12%), and household and consumer products (12%).

## OPPORTUNITIES FOR ENTRY LEVEL CONSUMER AFFAIRS PROFESSIONALS

Zick and Widdows (1992) noted that one of the most striking developments of the 1980's was the relative rise of consumer affairs departments in business when contrasted to declining opportunities in the public sector. Grimm (1989) reported that the most frequently listed entry level positions were representatives or specialists.

Using a Likert-type scale, the current study sought to determine the perceived availability of jobs for newly-degreed consumer affairs professionals in various settings: (a) *a consumer affairs department* in federal, state, or local government; private industry; or non-profit organization settings and (b) *any department* in federal, state, or local government; private industry; or non-profit organization settings. Nearly 63% of the respondents believed it was possible to find a first job in a consumer affairs department in private industry, 57% believed it was possible in a non-profit organization, and 39% believed a person could find a first job in consumer affairs in government. While responding more broadly to opportunities in any department, 56% of the respondents selected either "very likely" or "likely" for jobs in private industry, 49.8% of the time for jobs in non-profit organization, and 36.6% of the time for jobs in government.

Paired *t* tests compared the likelihood of finding a consumer affairs job or any job in private industry. The tests indicated that one is more likely to find a job in consumer affairs in private industry than in just any department in private industry (statistically significant at the .01 level of significance). Likewise, one is more likely to get a consumer affairs job in a non-profit organization than in just any department in a non-profit organization (level of significance =.002). There were no differences for jobs in government between consumer affairs departments or any department there.

Other paired *t* tests showed that respondents reported that it is more likely that a consumer affairs job would be found in private industry than in federal, state, or local government (level of significance <.001). Likewise, one is more likely to find a consumer affairs job in a non-profit organization than in federal, state, or local government (level of significance <.001). No differences were found in the likelihood of finding a first job in a consumer affairs department in private industry or non-profit organizations. The same relationship was observed for the likelihood of finding first jobs in any department. Significantly more jobs were seen as available in private industry and non-profit organizations than in government ( level of significance <.001).

Further analysis showed that there were no differences between professional level of the respondent regarding where first jobs would be found with respect to government, private industry, or non-profit organizations. Cross tabulations revealed no difference between the likelihood of finding a first job in consumer affairs or any department by region of the country. Those respondents working in the Northeast, Southeast, Midwest, Southwest, and West saw no differences in the likelihood of a new consumer affairs professional finding a job in government, private industry, or non-profit organizations.

## SUMMARY AND CONCLUSIONS

This examination provides information on the current climate and perceived potential for growth in consumer affairs. Generally, the findings of this research suggest:

- A perception of growth exists within the consumer affairs profession irrespective of participants' geographic region, gender, years of service, industry, and professional level.
- Consumer affairs departments seemingly are well respected within companies.
- Current professionals feel that opportunities exist for entry level consumer affairs professionals, especially in private industry and non-profit organizations.

This study was designed to provide information to consumer affairs professionals within academia who develop programs to prepare future professionals and to students who are interested in a career in consumer affairs. Additionally, it has contributed to the information available to consumer affairs professionals as they assess the types of skills desired in new consumer affairs employees.

*A cautious perception of growth exists.* This is true across the country irrespective of participants' gender, years of service, industry, and professional level.[2]

*Consumer Affairs professionals perceive their departments to be well respected.* While it is good to see that the consumer affairs department is ranked respectably within a company for importance (4th of 10 departments), nonetheless, it is important to increase the stature of the department by convincing senior staff that the consumer affairs department is as important as sales and marketing are to the viability, importance, and integrity of the business. When consumer affairs departments first found their way into business, they had the unenviable position of generally being at the bottom of the ladder in importance (the complaint department). Thankfully, those days are past but there is still a long way to go to make the consumer affairs department as visible and respected as it should be.

*Entry level opportunities exist.* Opportunities exist for entry level consumer affairs professionals, especially in private industry and non-profit organizations. These findings are related to the first findings (a perception of growth exists within the consumer affairs profession). Perhaps the easiest way to get into consumer affairs is at the entry level/specialist position, particularly in private industry and non-profit organizations. Again, outsourcing may play a role in providing entry level opportunities for employment which do not require high levels of education or experience. A follow up study can address these concerns.

This initial study has generated additional questions. Important among these are considerations of the perceptions of consumer affairs held by groups other than consumer affairs professionals. How for example, is consumer affairs perceived by consumers and other organizational departments such as marketing, sales, and public affairs? This examination of future career projections would also benefit from recent historical data on actual increases or decreases in consumer affairs positions. Among the most interesting questions are where the perceived new jobs will be found and what will be the appropriate preparation for these new professionals. Additionally, what will be the influences of current trends such as outsourcing on the field as a whole? And what, if any, forms of professional career paths will emerge as a result of the projected growth?

Amid these future-directed questions, this study shows that current consumer affairs professionals are optimistic about their field. This optimism, coupled with consistently recognized contributions of consumer affairs professionals to the total business picture, will contribute greatly to the realization of growth and development of the profession.


#### ACKNOWLEDGEMENTS

The authors acknowledge support and funding from the following: Society of Consumer Affairs Professionals (national), Society of Consumer Affairs Professionals (Houston chapter), Exxon Corporation, Southwestern Bell, individual Houston SOCAP members, and Dr. Roger Durand.


#### NOTES

1. Because of departmental budget constraints, government and non-profit organizations may have been underrepresented in the SOCAP membership.

2. One area of increasing concern for consumer affairs professionals is the frequency with which companies are outsourcing in the consumer affairs department. A lengthy discussion of this phenomenon occurred at a recent Society of Consumer Affairs Professionals Conference. Several participants indicated that their companies had outsourced the entire customer service function of the department (The outsourcing company handled all initial customer contact—complaints, inquiries, and correspondence). Staff at the original company investigated more serious complaints, handled product recalls, and tracked other consumer information which was needed by the company. Several individuals mentioned that as a result of outsourcing, their company had decreased the number of staff in the consumer affairs department. This begs the question, "Will there really be growth within the consumer affairs profession in the foreseeable future?" If so, will it be in professional, management positions or will it be at entry level positions where a high school degree is sufficient? The general feeling at the SOCAP meeting was that there would be a decrease in the number of management positions but an increase in the number of entry level types of jobs. To resolve or better understand these concerns and questions a follow-up survey should address these issues.

#### REFERENCES


Adcock, D.S. (1993). [Response analysis report]. Unpublished raw data.

Grimm, C.J. (1989). Consumer Affairs Departments: Structure and Staffing. In M.L. Basham (Ed.), *Job Description Samples* (pp. 15-17). Alexandria, VA: Society of Consumer Affairs Professionals in Business Resource Center.

Jenks, M., Baum, S., and Goodman, J. (1990). Hiring and Retaining Superior Staff: A Growing Challenge for the 1990's. *Mobius*, IX 2, 18-21.

Lanning, M.J. (1986). Consumer Affairs as a Strategic Management Role. In M.L. Basham (Ed.), *Job Description Samples* (pp. 18-19). Alexandria, VA: Society of Consumer Affairs Professionals in Business Resource Center.

Long Range Planning Committee, Society of Consumer Affairs Professionals (1985). Consumer Affairs: Developing the Profession. In M. L. Basham (Ed.), *Job Description Samples* (pp. 20-25). Alexandria, VA: Society of Consumer Affairs Professionals in Business Resource Center.

Moseley, F.K. (1991). Case Study #2: Partnerships Ensure Better Products and Services. *Mobius*, X 2, 30-36.

Stewart, B., and Durand, J. (1994). *1994 SOCAP Salary and Job Description Study Executive Summary.* Alexandria, VA: Society of Consumer Affairs Professionals.

Vogel, C. (1990). Developing Consumer Affairs Programs to Address Consumer Trends. *Mobius*, IX 2, 33-35.

Zick, C.D., and Widdows, R. (1992). Turning the Ebbing Tide of Consumer Studies Enrollments. *Advancing the Consumer Interest*, 4 (2), 19-23.

# Health Insurance Coverage for Low-Income Families: Findings from the Consumer Expenditure Survey

*Geoffrey D. Paulin*
*Bureau of Labor Statistics*

In recent years health care costs have risen considerably. Data from the Consumer Price Index show that the price of medical care has risen at a much higher rate than for all other goods and services. From 1989 to 1994, the medical care index increased 41.3 percent compared to 18.2 percent for all items less medical care. From 1987 to 1991, health services increased from 5 to 6 percent of gross domestic product (U.S. Bureau of the Census, 1994). Additionally, in 1993, the nation's total health care costs rose to $884.2 billion, up 7.8 percent from 1992 (U.S. Department of Health and Human Services, 1994). At the same time, studies (Cunningham and Monheit, 1990, pp. 77-78; Paulin and Weber, 1995) show that business and government are shifting the direct costs of health care back to consumers. Particularly vulnerable to these shifting costs are families with low incomes. One can assume that low-income families have access to fewer economic resources than high-income families, and that, therefore, low-income families have less flexibility in the allocation of non-health care expenditures than high-income families. Rising health care costs are thus assumed to be more difficult for low-income families to absorb than for high-income families. Even though some programs, such as Medicaid, provide access through government sponsorship, fewer families have qualified for this coverage recently, leading to lower quality care and less preventive care for families lacking such insurance (Cunningham and Monheit, 1990, p. 78; Kasper, 1987, esp. pp. 387, 389-397).

Several recent studies have used the Consumer Expenditure Survey to analyze health care coverage. For example, Rasell, Bernstein, and Tang (1993) examine the distribution of health care expenditures by family income level. Rubin and Koelln (1993) search for evidence of moral hazard (that is, health insurance coverage leads to a greater usage of health care services) and adverse selection (that is, those who use the most health care services are most likely to seek health insurance coverage). Paulin and Weber (1995) analyze the relationship between health insurance coverage and other expenditures. Paulin and Dietz (1995) examine the probability that a family will obtain different levels of health insurance coverage given its demographic characteristics. This study focuses on families with low incomes to see how health care costs are related to other expenditures for these families. Three groups are identified: Medicaid recipients, families with other health insurance coverage, and uninsured families. Sources of income, demographic characteristics, and spending patterns of these families are compared for these groups to see whether differences in source of insurance (primarily government or primarily private) are related to overall spending patterns, and whether differences in level of coverage (at least some or none at all) are related to other spending.

## THE DATA

The data presented in this paper are taken from the 1991-93 Consumer Expenditure Interview Surveys sponsored by the Bureau of Labor Statistics. The rotating sample consists of about 5,000 consumer units,[1] which are interviewed once every three months for a total of five consecutive quarters. Results of the second through fifth interviews are available for study.[2] Each quarterly observation is treated independently both in the first part of the paper, where average expenditures and shares are compared, and in the regression section of the paper. In all cases, the data are weighted to reflect the population.

It should be noted that although expenditure data are collected at the quarterly level, income data are collected at an annual level. Therefore, for convenience, some expenditures are "annualized" by multiplying the quarterly average by four before the data are recorded in the tables. (Expenditures that are annualized in this manner are identified in the tables.) Because the shares are calculated by taking the ratio of the average quarterly expenditure on a specific good or service (e.g., food at home) to the average quarterly value for total expenditures, the share is not affected by annualizing the data. (To get an "annualized" share, both the numerator and denominator would be multiplied by four before taking the ratio; thus, the ratio is ultimately unaffected.) Similarly, the regressions are run using quarterly data. This has no effect on the parameter estimates described in the text. (For further discussion, see Appendix.)

The sample selected for this study includes all consumer units interviewed between January 1991 and December 1993, whose income

**TABLE 1**

Sources of Consumer Unit Income by Insurance Status, 1991-93.

| Characteristic | Medicaid | Premium Payers | Uninsured | *t*-statistics Medicaid/ Payers | Payers/ Uninsured | Uninsured/ Medicaid |
|---|---|---|---|---|---|---|
| Sample Size | 2,262 | 621 | 654 | | | |
| Total Population (in thousands) | 5,901 | 1,548 | 1,777 | | | |
| Average Annual Income: | | | | | | |
| Income before taxes | $7,342 | $ 6,707 | $6,839 | 2.80** | -0.32 | -1.22 |
| Wage and salary | 1,135 | 1,700 | 2,170 | -2.42* | -1.47 | 4.13** |
| Self-employment[a] | 66 | 32 | 119 | 1.21 | -1.56 | 0.98 |
| Labor related income[b] | 133 | 81 | 356 | 1.77 | -3.77** | 3.25** |
| Welfare[c] | 2,004 | 494 | 1,843 | 7.54** | -2.37* | -0.30 |
| Food stamps | 1,676 | 602 | 1,350 | -11.44** | 14.65** | -3.42** |
| Supplemental Security Income | 898 | 659 | 341 | 1.83 | 2.48* | -5.04** |
| Alimony/child support | 137 | 98 | 190 | 1.09 | -1.51 | 0.94 |
| All Other[d] | 1,292 | 3,042 | 469 | -9.54** | 13.47** | -5.15** |
| Percent Reporting: | | | | | | |
| Sources of Income before taxes[e]: | | | | | | |
| Wage and salary | 28.8 | 28.5 | 51.9 | | | |
| Self-employment[a] | 2.1 | 1.5 | 4.3 | | | |
| Labor related income[b] | 5.7 | 3.1 | 11.5 | | | |
| Welfare[c] | 51.5 | 13.1 | 42.9 | | | |
| Food stamps | 83.6 | 50.0 | 73.8 | | | |
| Supplemental Security Income | 37.4 | 36.8 | 14.5 | | | |
| Alimony/child support | 11.1 | 5.9 | 11.7 | | | |
| All Other[d] | 31.0 | 64.1 | 10.9 | | | |

Note: Sample includes only families whose income before taxes is below the current and previous year's poverty lines, and have at least one source of government-provided support, including welfare, food stamps, supplemental security income, or residence in public housing.

[a] Includes income from own business, professional practice, partnership, or farm.
[b] Includes unemployment compensation, workers' compensation, and veterans' benefits.
[c] Includes public assistance or welfare including money received from job training grants such as Job Corps.
[d] Includes social security and railroad retirement; interest on savings accounts and bonds; regular income from dividends, royalties, estates, or trusts; pensions or annuities from private companies, military, or government; earnings or losses from roomers, boarders, or other rental property; other money income including money received for care of foster children, cash scholarships or fellowships, or other stipends not based on working.
[e] Subcomponents may add to more than 100% due to multiple sources of income reported for some families.

*t*-statistics: Results of *t*-tests comparing mean income by insurance status.

* Indicates difference is statistically significant at the 95% confidence level.

** Indicates difference is statistically significant at the 99% confidence level.

**TABLE 2**

DEMOGRAPHIC CHARACTERISTICS BY INSURANCE STATUS

| | Medicaid | Premium Payer | Uninsured |
|---|---|---|---|
| Sample Size | 2,262 | 621 | 654 |
| Estimated Population (in thousands) | 5,901 | 1,548 | 1,777 |
| Characteristics of Average Family | | | |
| Age of Reference Person | 44.2 | 58.7 | 38.4 |
| Family Size | 3.1 | 2.4 | 3.0 |
| Persons under 18 years old | 1.6 | 0.8 | 1.5 |
| Persons over age 64 | 0.2 | 0.6 | [a] |
| Number of Earners | 0.5 | 0.6 | 0.8 |
| Annualized Total Expenditures | $10,215 | $10,325 | $10,834 |
| Percent: | | | |
| Living in the: | | | |
| Northeast | 19.8 | 20.0 | 16.5 |
| Midwest | 27.0 | 26.9 | 22.1 |
| South | 37.5 | 42.3 | 38.1 |
| West | 15.6 | 10.8 | 23.3 |
| Urban | 89.8 | 79.9 | 89.0 |
| Black | 36.5 | 26.5 | 31.6 |
| Hispanic | 14.4 | 10.1 | 22.0 |
| Occupation of the Reference Person: | | | |
| Wage and salary | 23.3 | 23.9 | 46.4 |
| Manager/professional | 1.7 | 4.4 | 3.5 |
| Technical/sales | 5.2 | 3.4 | 10.3 |
| Service | 8.6 | 7.1 | 17.0 |
| Blue collar | 7.8 | 9.0 | 15.6 |
| Self-employed | 1.7 | 2.6 | 3.5 |
| Retired | 13.0 | 39.8 | 3.2 |
| Unemployed (long-term)[b] | 4.6 | 1.7 | 4.8 |
| Out of the labor force | 57.4 | 32.0 | 42.2 |
| Education of the Reference Person: | | | |
| Less than high school | 59.9 | 63.2 | 51.4 |
| High school graduate/some college | 38.3 | 35.5 | 44.8 |
| College graduate | 1.8 | 1.3 | 3.8 |
| Family Composition: | | | |
| Single person | 28.1 | 49.4 | 24.6 |
| Husband and wife only | 3.8 | 6.4 | 3.3 |
| Husband and wife with children | 12.1 | 10.8 | 18.9 |
| Single parent | 36.9 | 15.4 | 34.9 |
| Other consumer units | 19.1 | 18.0 | 18.3 |
| Earner Status: | | | |
| No earners | 63.9 | 63.8 | 41.2 |
| One earner | 28.4 | 24.0 | 44.5 |
| Two earners | 5.7 | 8.7 | 11.0 |
| At least three earners | 2.0 | 3.5 | 3.3 |
| Housing Status: | | | |
| Homeowner with mortgage | 5.8 | 7.9 | 6.4 |
| Homeowner, no mortgage | 11.6 | 23.0 | 11.6 |
| Renter | 82.6 | 69.1 | 82.0 |
| Public housing/other assistance | 33.0 | 36.7 | 24.3 |
| At Least One Child Who Is: | | | |
| Under 6 years old | 35.8 | 16.0 | 32.5 |
| 6 to 11 years old | 30.6 | 14.8 | 33.2 |
| 12 to 17 years old | 28.3 | 23.9 | 33.3 |

[a] Less than 0.005.

[b] Includes families whose reference person identifies unemployment ("unable to find work") as the reason for not working during the past year.

Note: Sample includes only families whose income before taxes is below the current and previous year's poverty lines, and have at least one source of government-provided support, including welfare, food stamps, supplemental security income, or residence in public housing.

before taxes is below the national poverty line for both the previous and current year.[3] In order to be classified as below the poverty line in the Consumer Expenditure Survey, families must also be complete reporters of income.[4] Because some families may have temporarily low incomes (due to a business loss, for example) but still can have high assets or other access to money, families included in the sample must also either live in public housing or other housing for which the government pays at least part of the cost, or receive at least one of the following types of income: welfare, supplemental security income, or food stamps.

The sample is divided into three groups. The first consists of all families in which at least one member receives Medicaid insurance. These families are defined as "Medicaid" families regardless of what other health insurance they may also have. The second group consists of all families who do not receive Medicaid, but who pay for some kind of health insurance, including Medicare, for at least one member. These families are defined as "premium payers." The third group consists of families who receive no health insurance coverage. These families are defined as "uninsured."

## SOURCES OF INCOME

Table 1 shows average annual income before taxes[5] for each group, as well as the percent of families in each group reporting different sources of income. Medicaid families receive about $600 per year more on average than non-Medicaid recipients. Although non-Medicaid families have similar incomes before taxes, the money comes from different sources for each group. For example, about three-fourths of uninsured families receive food stamps, compared to only half of the premium payers. However, almost two-thirds of premium payers report other sources of income, such as social security, interest income, and so forth, compared to only one-tenth of the uninsured. Medicaid families receive the largest amount of assistance from government programs, such as welfare, food stamps, and supplemental security income; premium payers receive the least amount from these sources.

## DEMOGRAPHIC CHARACTERISTICS

When comparing demographic characteristics, the uninsured and Medicaid families appear to have the most in common (Table 2). Their reference persons[6] are about 15 to 20 years younger on average than the reference person for the premium payers. Their families are also slightly larger, with both Medicaid and uninsured families having about twice as many children[7] as premium payers, and less than half the number of persons who are at least 65 years old. Family composition is nearly identical for the Medicaid and uninsured families, and the percent of these families with at least one child under age 12 is similar.

However, there are important differences as well. Insured families (that is, premium payers and Medicaid families) have about the same number of earners and the same distribution of earners (that is, the same percentage have no earners, one earner only, or multiple earners). The uninsured are more likely to have at least one earner—only two-fifths of the uninsured have no earner compared to more than three-fifths of insured families. The uninsured are also more likely to have multiple earners. Similarly, the uninsured are twice as likely as the insured to have a reference person working for a wage or salary position. Premium payers are the most likely to have a reference person who is retired. Nearly two-thirds of reference persons for Medicaid families are long-term unemployed[8] or out of the labor force for reasons other than retirement, compared to less than half of the uninsured and one-third of the premium payers.

## HEALTH INSURANCE POLICIES AND COVERAGE

Table 3 describes the types of health insurance policies that families may purchase, and the attributes of these policies. Private policies are those offered by private insurance companies, and include several types of policies.[9]

The majority of insured families are covered by some kind of government insurance. By definition, the Medicaid families have at least one member covered by a government insurance program. However, nearly two-thirds of the premium payers have at least one member covered by Medicare. Medicaid families also rely on Medicare coverage, with one-fourth of these families also having at least one member covered by Medicare, while fewer than one-twelfth have members covered by private insurance.

Some recent studies using Consumer Expenditure Survey data (Paulin and Dietz, 1995; Paulin and Weber, 1995; Reise, 1993) have classified insured families as "fully insured" or "partially insured" depending on the number of members covered. A family is fully insured if the sum of members covered by all policies is greater than or equal to the family size. A family is partially insured if at least one member is covered, but the number of members covered is less than the family size.[10] When the insured families are compared on this basis, they appear to have similar levels of coverage—only about one-fourth to three-tenths of these families lack full coverage. However, this similarity may be deceptive. Medicaid families cover a larger percentage of their members, on average. Medicaid

**TABLE 3**
INSURANCE POLICY CHARACTERISTICS AND RELATED INFORMATION BY INSURANCE STATUS, 1991-93

| | Medicaid | Premium Payer | Uninsured |
|---|---|---|---|
| Family Size | 3.1 | 2.4 | 3.0 |
| Percent with at least one private policy paid for: | | | |
| Entirely by the family | 4.6 | 27.8 | 1.6 |
| Partially by someone else | 1.5 | 12.2 | 0.7 |
| Entirely by someone else | 3.9 | 17.9 | 2.3 |
| Number of private policies paid for: | | | |
| Entirely by the family | 0.06 | 0.35 | 0.02 |
| Partially by someone else | 0.02 | 0.12 | 0.01 |
| Entirely by someone else | 0.04 | 0.19 | 0.02 |
| Percent with at least one: | | | |
| Member covered by a private policy | 7.8 | 53.6 | - |
| Medicare recipient | 25.1 | 65.8 | - |
| Average number of members covered: | 2.9 | 1.9 | - |
| Members covered by private policies | 0.2 | 1.2 | - |
| Medicare recipients | 0.3 | 0.8 | - |
| Medicaid recipients | 2.5 | - | - |
| Percent of families who are: | | | |
| Fully insured | 75.6 | 71.5 | - |
| Partially insured | 24.4 | 28.5 | - |
| Percent of members covered: | 93.5 | 79.2 | - |
| Private coverage | 5.0 | 49.8 | - |
| Medicare coverage | 8.9 | 31.6 | - |
| Medicaid coverage | 80.7 | - | - |

Note: Sample includes only families whose income before taxes is below the current and previous year's poverty lines, and have at least one source of government-provided support, including welfare, food stamps, supplemental security income, or residence in public housing.

**TABLE 4**

HEALTH CARE EXPENDITURES BY HEALTH INSURANCE COVERAGE STATUS, 1991-93

| Expenditure allocation | Medicaid | Premium Payers | Uninsured | *t*-statistics Medicaid/ Payers | Payers/ Uninsured | Uninsured/ Medicaid |
|---|---|---|---|---|---|---|
| Total health care (annualized) | $250 | $936 | $209 | -9.74** | 8.28** | -0.62 |
| Health insurance | 147 | 547 | 15 | -9.90** | 14.09** | -7.70** |
| Medical services | 33 | 162 | 130 | -3.49** | 0.50 | 1.65 |
| Prescription drugs/ medical supplies | 69 | 226 | 64 | -4.91** | 5.16** | -0.31 |
| Percent of health care allocated to— | 100.0 | 100.0 | 100.0 | | | |
| Health insurance | 59.1 | 58.5 | 7.4 | 0.08 | 9.92** | -7.37** |
| Medical services | 13.1 | 17.3 | 62.0 | -0.58 | -3.68** | 3.62** |
| Prescription drugs/medical supplies | 27.8 | 24.2 | 30.6 | 0.67 | -0.65 | 0.26 |
| Percent of total expenditure outlays allocated to— | | | | | | |
| Total health care | 2.5 | 9.1 | 1.9 | -8.99** | 8.11** | -0.85 |
| Health insurance | 1.4 | 5.3 | 0.1 | -8.75** | 12.38** | -7.76** |
| Medical services | 0.3 | 1.6 | 1.2 | -3.45** | 0.62 | 1.62 |
| Prescription drugs/ medical supplies | 0.7 | 2.2 | 0.6 | -4.74** | 5.12** | -0.52 |
| Percent reporting expenditures (quarterly):[a] | | | | | | |
| Health insurance | 24.2 | 76.5 | 2.0 | | | |
| Medical services | 13.0 | 32.9 | 19.3 | | | |
| Prescription drugs/ medical supplies | 23.3 | 44.1 | 20.5 | | | |

Note: Sample includes only families whose income before taxes is below the current and previous year's poverty lines, and have at least one source of government-provided support, including welfare, food stamps, supplemental security income, or residence in public housing.

[a] Does not include reimbursements for payments made in previous quarters but received in current quarter. Less than one percent of these consumer units report reimbursements for a given health care expenditure, regardless of insurance status.

*t*-statistics: Results of *t*-tests comparing expenditure levels and expenditure shares by insurance status.

** Indicates difference is statistically significant at the 99% confidence level.

families cover 2.9 of their 3.1 members, or 94% of the family. Premium payers manage to cover 1.9 of their 2.4 members, or 80% of the family.

Although the percentage of insured families with at least one private policy differs quite a bit, within each insured group, given the family has a private policy, the probability that it is at least partially paid for by someone outside the consumer unit is the same as the probability that the family pays for the policy itself. For example, about 5% of the Medicaid families have a private policy for which they pay entirely, and about 5% have a policy that is paid for at least partially by someone else. About 28% of premium payers have at least one policy for which they pay entirely, and about 30% have at least one policy partially paid for by someone else. By contrast, if the uninsured have a policy, it is twice as likely to be paid for at least in part by someone outside the consumer unit. However, the number of uninsured families with policies is, as expected, small; for at least in part by someone else, compared to 1.6% who have a policy paid for entirely by the consumer unit. Such policies cover persons outside the consumer unit, presumably a child from a previous marriage or similar person.

## HEALTH CARE EXPENDITURES

In the Consumer Expenditure Survey, out-of-pocket expenditures are collected. That is, only the portion of the medical good or service for which the consumer unit must pay directly is collected; reimbursements from insurance companies are treated as negative expenditures for the quarter in which they are received. (However, expenditures to be reimbursed at a future date are treated as conventional expenditures. In this way, on average, reimbursements and expenditures to be reimbursed cancel each other out.) Table 4 shows out-of-pocket health care expenditures for each of the insurance groups.

Perhaps the most striking feature is that while Medicaid and uninsured families spend similar amounts for health care, the average premium payer spends about four times as much as non-premium payers. Even when spending for health insurance premiums is excluded from health care costs, the premium payers spend five times more than Medicaid families for medical services, and more than three times as much for prescription drugs and medical supplies as either Medicaid or uninsured families. These families also have the highest incidence of health care expenditures for items other than insurance—one of every three premium paying families reports an expenditure for medical services, and four of every nine premium-paying families report an expenditure for prescription drugs and medical supplies.[11] Although some studies (e.g., Rubin and Koelln) find evidence of moral hazard in health care expenditures (that is, insured families visit the physician more frequently because they are insured), a moral hazard argument does not explain why these families spend so much, particularly when the Medicaid families, who are also insured, report expenditures much more similar to the uninsured. The most likely explanation is adverse selection (that is, families who know they will use health care services buy insurance). Recall that reference persons in premium-paying families are much older on average than reference persons for other families, and that premium payers have a much larger proportion (25%) of members who are at least 65 years old than Medicaid families (6%) or uninsured families (1%).

Comparing Medicaid families directly to the uninsured, though, is interesting since, given they have such similar demographic characteristics, differences in health care spending are more easily attributed to differences in insurance status. Indeed, the uninsured spend on average four times more ($130) for medical services than the Medicaid families ($33). However, the difference between spending levels for these groups is barely statistically significant at the 90% confidence level. Although both groups have fairly high variances relative to their means, the lower bound on the 95% confidence interval for medical services for the uninsured stretches all the way down to about $21. The upper bound for Medicaid families is only about $70. Presumably, Medicaid lowers the actual out-of-pocket costs of medical services faced by Medicaid recipients. However, the uninsured face the full costs of such services, and therefore have a higher mean with a large variance. More similar are prescription drugs and medical supplies. Expenditures for these items are nearly identical—$69 (Medicaid) compared to $64 (uninsured). However, the portion reporting these expenditures is about 3% lower for the uninsured than for Medicaid families.

## OTHER EXPENDITURES

Because the families in each group all receive some sort of public assistance, it is perhaps not surprising that average total expenditures are statistically indistinguishable by insurance

**TABLE 5**

ALLOCATIONS OF TOTAL EXPENDITURES BY INSURANCE STATUS, 1991-93

| | | | | *t*-statistics | | |
|---|---|---|---|---|---|---|
| | Medicaid | Premium Payer | Uninsured | Medicaid/ Payers | Payers/ Uninsured | Uninsured/ Medicaid |
| Total Expenditures | $10,215 | $10,325 | $10,834 | -0.22 | -0.81 | 1.25 |
| Percent of total expenditures allocated to: | | | | | | |
| Basic goods and services | 73.9 | 63.8 | 71.4 | 3.59** | -2.45* | 1.22 |
| Food at home | 27.7 | 21.6 | 25.2 | 4.23** | -2.10* | -1.68 |
| Housing (less other lodging) | 40.7 | 37.7 | 40.3 | 1.42 | -0.97 | -0.18 |
| Shelter and utilities | 37.4 | 35.2 | 37.4 | 1.11 | -0.86 | -0.02 |
| Furnishings, operations | 3.2 | 2.5 | 2.9 | 1.36 | -0.71 | -0.61 |
| Apparel and services | 5.5 | 4.5 | 5.9 | 1.76 | -1.99* | 0.65 |
| Transportation | 10.5 | 13.0 | 11.3 | -1.27 | 0.78 | 0.54 |
| Private transportation | 9.5 | 12.1 | 10.5 | -1.31 | 0.71 | 0.70 |
| Public transportation | 1.0 | 0.9 | 0.8 | 0.40 | 0.35 | -1.02 |
| Alcohol and tobacco | 3.2 | 2.4 | 3.8 | 2.19* | -2.82** | 1.35 |
| Personal care | 0.9 | 1.0 | 1.0 | -0.58 | 0.36 | 0.15 |
| Recreation | 5.5 | 5.8 | 6.7 | -0.48 | -1.17 | 1.90 |
| Food away from home | 1.8 | 2.1 | 2.5 | -1.08 | -0.88 | 2.25* |
| Other lodging | 0.1 | 0.2 | 0.3 | -1.25 | -0.30 | 1.39 |
| Entertainment | 3.4 | 3.0 | 3.6 | 1.23 | -1.35 | 0.59 |
| Reading | 0.3 | 0.5 | 0.3 | -2.83** | 2.71** | -0.04 |
| Other Expenditures | 3.5 | 4.9 | 3.9 | -2.19* | 1.41 | 1.11 |
| Education | 0.4 | 0.6 | 0.7 | -0.93 | -0.09 | 1.81 |
| Miscellaneous | 1.0 | 1.5 | 0.9 | -0.96 | 1.12 | -0.30 |
| Cash contributions | 0.2 | 0.2 | 0.1 | -0.33 | 1.71 | -1.71 |
| Personal insurance | 1.9 | 2.6 | 2.3 | -2.27* | 0.95 | 1.52 |

Note: Sample includes only families whose income before taxes is below the current and previous year's poverty lines, and have at least one source of government-provided support, including welfare, food stamps, supplemental security income, or residence in public housing.

*t*-statistics: Results of *t*-tests comparing expenditure levels and expenditure shares by insurance status.

* Indicates difference is statistically significant at the 95% confidence level.

** Indicates difference is statistically significant at the 99% confidence level.

status for the groups under study (Table 2). However, expenditures for health care comprise very different shares of total expenditures—about 2% for the Medicaid and uninsured families, and more than 9% for the premium payers (Table 4). Surely there are differences in expenditure patterns to allow one group to allocate so much more of its budget to one type of expenditures than the other groups. What is the relationship, then, between health care expenditures and other expenditures? Do the premium payers allocate a smaller portion of only a few expenditures to fund their health care expenditures, or do they draw evenly from all expenditures?[12]

Table 5 helps answer these questions. Because total expenditures are so similar across groups, examining expenditure shares produces useful information. That is, if one group allocates 10% of its budget to a particular expenditure while another group allocates 5% , it is clear that the latter group also spends half in actual dollars. Furthermore, share analysis has been a standard tool of economists at least since Ernst Engel found that the share of income allocated to "necessities," such as food, decreases as income increases (Bannock, Baxter, and Rees, 1972). Because these groups all have low incomes already, it is interesting to see how, given an increase in expenditure for one item, they choose to reallocate expenditures for other items.

Given the low incomes of these groups, it is not surprising that the families under study allocate a much larger percentage of their total expenditures to basic goods and services (food at home; shelter, utilities, furniture, and other household operations; and apparel and services) than all other consumer units. (For all consumer units outside the sample under study, total expenditures average $29,155 annually, of which 46% is allocated to basic goods and services.) However, there is a large difference across the groups in the sample. The premium payers allocate less than 64% of their budgets to these items, compared to Medicaid families (71%) and the uninsured (74%). It appears that the bulk of the reallocation for the premium payers comes from food at home; they allocate under 22% of total expenditures to food at home, compared to over 25% for both Medicaid and uninsured families. The premium payers also spend a smaller percentage for apparel and services—about 1% less than each of the other groups.[13] Taken together, these smaller allocations go a long way to explaining the difference in the share of total expenditures allocated to health care for each group; that is, the premium payers allocate about 26% of their total expenditures to food at home and apparel and services, compared to 31% for uninsured families and 33%t for Medicaid families, for a difference of 5% to 7%. That is about the same percentage as the difference in health care expenditures as a share of total expenditures for premium payers (9%) compared to others (about 2%). Only a few other shares (such as alcohol and tobacco, reading, and personal insurance) differ across insurance groups in a statistically significant way, but these are all for items that comprise a small portion of total expenditures (less than 5% regardless of insurance status). For two of these items (personal insurance and reading) premium payers allocate slightly more than the other groups; for the third item (alcohol and tobacco) they allocate slightly less. Furthermore, the difference between the premium payers and other groups is less than 1% for any of these items. Therefore, any direct relationship between these and health care expenditures is not clearly discernible.

## CETERIS PARIBUS

Although there appears to be a relationship between health care expenditures and expenditures for basic goods and services, caution should be applied before suggesting a strong link. For example, the premium payers spend less on food at home and apparel, but they have smaller, older families than the other groups, and are least likely to receive food stamps. In order to find stronger evidence of a relationship between health care expenditures (or at least insurance status) and other expenditures, regression analysis is used. This has the effect of holding age, family size, income sources, and other factors constant. (See Appendix for a listing of independent variables.) Because the most important part of the regression is arguably the income effect, only these parameter estimates are described. However, a full set of results is available from the author on request.

As described earlier, the sample consists of low-income families who are complete reporters of income. But as stated in footnote 4, not even "complete" reporters necessarily provide a full accounting of income. Especially because the sampled families are specifically selected because they have low incomes, any omission of income data on the part of the respondent could have a large effect on the coefficients derived from the regression. Furthermore, even small, transitory changes in income can add substantially to the variance of income for these families. One way to smooth the potential volatility caused by omitted data or temporary shocks to so-called "current" income is to use instead long-run, or "permanent" income in the regressions. First expressed by Milton Friedman (1957), the permanent income hypothesis suggests that families take into account expected future income when planning for current expenses. Many other authors have used total expenditures as a proxy for permanent income when analyzing data from the Consumer Expenditure Survey.[14] However, in this case, health care costs (including insurance) are subtracted from total expenditures to obtain a better measure of the effect of health care increases on other expenditures. Specifying the model this way has advantages that are described below.[15]

The regression results yield at least one important factor: the marginal propensity to consume each good or service tested. In general, the marginal propensity to consume is described as the cents of an additional dollar the family would spend for a particular good or service if given an extra dollar to spend. This information is useful by itself, because it can indicate differences in underlying tastes or preferences across insurance categories. It is also used to calculate the income elasticity of goods and services, or the percent increase (or decrease) in purchases given a one percent increase in income.[16] Table 6 shows the results of regressions for major expenditure categories.

**TABLE 6**

MARGINAL PROPENSITIES TO CONSUME BY INSURANCE STATUS, 1991-93

| Cents of additional dollar allocated to: | Medicaid | Premium Payer | Uninsured | Statistical Significance Medicaid/ Payers | Payers/ Uninsured | Uninsured/ Medicaid |
|---|---|---|---|---|---|---|
| Food at home | 0.18 | 0.12 | 0.09 | ** | NS | ** |
| Housing | 0.24 | 0.22 | 0.25 | NS | NS | NS |
| Apparel and Services | 0.04 | 0.04 | 0.05 | NS | NS | NS |
| Transportation | 0.38 | 0.46 | 0.42 | ** | NS | * |
| Recreation | 0.05 | 0.07 | 0.09 | * | * | ** |

Note: Sample includes only families whose income before taxes is below the current and previous year's poverty lines, and have at least one source of government-provided support, including welfare, food stamps, supplemental security income, or residence in public housing.

Statistical Significance: Results of *t*- and *F*-tests comparing parameter estimates for marginal propensity to consume by insurance status. (See Appendix for more information.)

* Difference is statistically significant at the 95% confidence level.

** Difference is statistically significant at the 99% confidence level.

NS Difference is not statistically significant, even at the 90% confidence level.

Note that in the present specification, total health care costs (including insurance) are subtracted before the model is run. This specification has at least two advantages.

First, it allows a more pure comparison of the effect of changes in permanent income by insurance status. For example, two families with identical personal characteristics but different insurance status may have identical total expenditures, but very different health care allocations; thus, it is difficult to assess whether different allocations for non-health care expenditures reflect differences in tastes or other factors by insurance status, or just different health care expenditures. On the other hand, if two families with identical personal characteristics and identical total expenditures less health care are compared, it is easier to conclude that difference in allocation of non-health care expenditures is somehow linked to tastes or other factors related to health insurance status.

Second, this specification allows the marginal propensity to consume to be interpreted in a slightly different way than discussed above. For example, suppose that a family

**TABLE 7**

INCOME ELASTICITIES BY INSURANCE STATUS, 1991-93.

| | Income Elasticities | | |
|---|---|---|---|
| Expenditure Category: | Medicaid | Premium Payer | Uninsured |
| Food at home | 0.63 | 0.51 | 0.35 |
| Housing | 0.58 | 0.53 | 0.61 |
| Apparel and services | 0.71 | 0.81 | 0.83 |
| Transportation | 3.53 | 3.22 | 3.65 |
| Recreation | 0.89 | 1.10 | 1.32 |

Note: Sample includes only families whose income before taxes is below the current and previous year's poverty lines, and have at least one source of government-provided support, including welfare, food stamps, supplemental security income, or residence in public housing.

has a given amount of permanent income to spend, once its health care costs are covered. Now, due to an unexpected illness, the family has to take some of the money away from its original allotment of permanent income to pay for the additional cost of coverage. The marginal propensity to consume describes the amount by which the family would decrease expenditures on a particular good or service for every dollar that is taken away from permanent income to pay for the unexpected health care cost. To keep the comparisons consistent across the different types of insurance status, it is assumed that an increase in health care costs is due to an increase in payments for medical services or prescription drugs and medical supplies, not a change in price of insurance policies.

As shown in Table 6, there appears to be a relationship between food at home expenditures and Medicaid status. Although the marginal propensity to consume food at home does not differ significantly across the non-Medicaid families, it differs significantly for Medicaid families and both the premium payers and uninsured families. This may explain why Medicaid families have the highest percentage of food stamp recipients—if these families have a higher marginal propensity to consume food, they may be more likely to seek food stamp assistance. (The counter argument, that because they have food stamps they buy more food, is controlled for by adding a dummy variable describing family food stamp status to the regression equation.) This difference is especially pronounced when examining the income elasticity of food at home (Table 7). Medicaid families are predicted to increase their food expenditures by 0.63% given a 1% increase in income, compared to only 0.35% for the uninsured.

When other expenditures are examined, recreation and transportation also show differences across insurance status. Premium payers appear to have the highest marginal propensity to consume transportation, although uninsured families have the highest elasticity.[17] Medicaid families also have a lower marginal propensity to consume recreation than non-Medicaid families. No significant differences in marginal propensity to consume are found for housing or apparel.

When analyzing elasticities in general, the results (Table 7) are generally not surprising. Regardless of insurance status, basic goods and services are all found to have elasticities less than one (indicating these are "necessity goods"), while transportation and recreation (except for Medicaid families) have elasticities greater than one (indicating these are "luxuries"). However, the magnitudes of these elasticities are interesting to compare. As described earlier, the income elasticity of food at home is nearly twice as large for Medicaid families as it is for uninsured families. But housing expenditures have very similar elasticities across insurance status; for apparel and services, Medicaid families have a bit lower elasticity than non-Medicaid families. Also, the fact that transportation is so elastic is interesting when compared to results of other studies. Paulin and Weber (1995) find that transportation expenditures are near unity for most families, regardless of insurance status (p. 50, Table 6). However, because the groups currently under study are so income constrained, it is perhaps less surprising that transportation would have such a high elasticity. Transportation is not necessarily an end in itself, but a means to an end. So low-income families might try to minimize transportation costs by engaging in as much activity as possible on each trip, where if they had more income, they might spread out the workload. (For example, one might make it a point to shop after work rather than waiting until the weekend, because waiting until the weekend would require an extra payment for transportation.) Recreation expenditures, though, have elasticities similar to those found by Paulin and Weber (1995).[18]

## SUMMARY AND CONCLUSIONS

In this study low-income families are divided into three groups: Medicaid recipients (who receive free health insurance), premium payers (those who have no Medicaid coverage but who purchase some kind of health insurance), and the uninsured. Because these families have limited access to economic resources, it is assumed that they are particularly vulnerable to increasing health care costs. Sources of income, demographic characteristics, and spending patterns are compared across these groups.

Medicaid and uninsured families have many factors in common—age, family size, family composition, and percent with at least one child under age 12. However, Medicaid families and premium payers have fewer earners than the uninsured.

Health care coverage and expenditures are also examined. When comparing coverage, Medicaid families appear to have the advantage, with a higher proportion of members covered than the premium payers. (By definition, they also have a higher proportion covered than the uninsured, who have no members covered.) Premium payers still rely heavily on government-sponsored insurance; although half of the members of these families are covered by private insurance, nearly one-third are covered by Medicare. Also, these families are about as likely to have a policy for which they must pay the whole premium as to have a policy for which at least part is paid for by someone outside the consumer unit.

Expenditures for health care differ markedly by insurance status. Once again, though, Medicaid and uninsured families are more similar to each other than they are to premium payers. Premium payers spend by far the most for health care—they allocate the largest proportion of their total expenditures to each component of health care (health insurance, medical services, and prescription drugs and medical supplies). They also have by far the largest percentage reporting expenditures for these items. Medicaid and uninsured families each allocate less than 3% of their total expenditures to health care (compared to 9% for premium payers), although they distribute those expenditures differently within health care. (Medicaid families spend more on insurance and less on the other items.) However, the proportion reporting expenditures for health care other than insurance is similar for each group (although Medicaid families are less likely to incur expenditures for medical services and the uninsured are less likely to incur expenditures for prescription drugs and medical supplies).

STATE HISTORICAL SOCIETY OF WISCONSIN. WHI (X3) 50662

Wisconsin, 9/21/64.

Finally, the relationship between health care and other expenditures is compared. Because the groups all have virtually the same level of total expenditures, comparisons of expenditure shares are useful; Any differences in expenditure shares are more likely to be the result of differences in health insurance coverage than the result of income differences. Premium payers allocate less spending for food at home and apparel and services and more for health care than the other groups. The differences in expenditure levels for these items between premium payers and other groups are nearly identical.

Regression analysis confirms that premium payers and the uninsured indeed appear to have different revealed preferences for food at home than at least the Medicaid families. Similarly, analysis of elasticities shows that given an increase of one percent in income, Medicaid families would increase food expenditures by a larger percentage than premium payers or the uninsured, but they would increase apparel and service expenditures by a smaller percentage than the other groups. Transportation is found to be the item most sensitive to changes in income, regardless of insurance status.

When the results are taken as a whole, Medicaid seems to be most successful at reducing out-of-pocket expenditures for medical services. The uninsured group (the most similar demographically) incurs about four times the expenditure on average for medical services as the Medicaid families. The difference is statistically significant at a low level (90% confidence), primarily because the variance on these expenditures for uninsured families is quite large. This may indicate that Medicaid families are more likely to seek preventive care, and thus many families incur a small expenditure rather than a few uninsured families incurring very large expenditures. The fact that these expenditures are subsidized may explain why there is a lower percentage of Medicaid families reporting an expenditure for medical services than the uninsured, even if the previous statement is true. (That is, if the visit is fully covered, the respondent reports no expenditure, even though health care is received.) However, because the Consumer Expenditure Survey collects no data directly related to usage (such as number of actual physician visits), these results should be interpreted cautiously.

Comparing these groups to the premium payers is more problematic. The premium payers are different demographically—they are older and have fewer children, for example—and therefore have much different needs for medical care and other goods and services. Even though premium payers appear to be substituting food and apparel expenditures for health care, they may need less food (due to smaller families) and less new apparel (because they are more likely to be retired). Therefore, caution again should be used before making strong inferences about the relative standing of this group.

**NOTES**

1. A consumer unit is defined as a single person living alone or sharing a household with others but who is financially independent; members of a household related by blood, marriage, adoption, or other legal arrangement; or two or more persons living together who share responsibility for at least two out of three major types of expenses—food, housing, and other expenses. For convenience, the terms "family" and "consumer unit" are used interchangeably throughout the text, even though a consumer unit may consist of only one person.
2. The first interview is used solely for bounding purposes. That is, if a family purchases a major appliance or other infrequently purchased item during the three months prior to the first interview, it may subsequently report the same item in the second interview. At this point, the interviewer can make sure that the second interview report is really a new purchase, and not the result of the respondent inadvertently recalling the wrong purchase date.
3. The national poverty line is published by the U.S. Bureau of the Census. It is based on income, family size, and age. For example, the 1995 poverty threshold for a single person under age 65 is $8,108. For a family of four with two persons under the age of 18, the threshold is $15,631. The Bureau of Labor Statistics uses this information to define variables indicating whether or not the family is below the previous or current year's threshold.
4. Although the Consumer Expenditure Survey attempts to collect income from all families, some respondents provide more information than others. Therefore, families are divided into two groups, complete and incomplete reporters, depending on the income they report. In general, complete reporters are defined as those consumer units that provide values for at least one major source of income, such as wages and salaries, self-employment income, or Social Security income. However, even complete reporters may not have provided a full accounting of income. Nevertheless, only complete reporters are eligible to be designated as being below the poverty line according to the Bureau of Labor Statistics-defined variable describing poverty-line status.
5. Income is collected only in the second and fifth interviews; however, income information from the second interview is carried forward to records for third and fourth interviews.
6. The first person mentioned when the respondent is asked to "Start with the name of the person or one of the persons who owns or rents the home."
7. Defined here as persons less than 18 years old.
8. That is, they describe the reason for which they did not work during the last year as "unable to find work."
9. These include Blue Cross/Blue Shield, other commercial health policies, health maintenance organization policies, Medicare supplements, dental only policies, and special policies with limited coverage, such as for children participating in school athletic programs.
10. The Consumer Expenditure Survey collects information on how many members are covered by each policy, but it does not collect information on which members are covered. Therefore, it is not possible to determine which families may "double cover" members—that is, the same member may be covered by Medicare and Medicaid. However, for ease of analysis, families are assumed not to "double cover" until all members are covered at least once.
11. The Consumer Expenditure Survey does not collect information on the actual number of visits made to a physician or other care provider. However, the report of an expenditure for such an item indicates that at least one such visit occurred. Therefore, percent reporting is used as a proxy for number of visits, even though it probably underestimates usage in that sense.

12. It is possible that before adjusting expenditures, families utilize other resources, such as borrowing or savings. But since the families under study have low incomes, it is assumed that access to these resources is limited. Due to these limitations, it is assumed that eventually, health care cost increases will cause some reallocation in expenditures.
13. The difference between Medicaid and premium payers is statistically significant at the 90% confidence level.
14. For examples related to health care issues, see Miller (1990), Paulin and Dietz (1995), Paulin and Weber (1995), Reise (1993), and Rubin and Koelln (1993). For other examples, see Branch (1993), Nelson (1989), and Paulin (1995). The latter includes health and personal care as an expenditure class.
15. In addition to the interpretative advantages described in the text, the difference in specification makes almost no difference in practical terms. The estimated marginal propensities to consume shown in Table 6 are nearly identical to those estimated with total expenditures including health care, regardless of insurance status, or of the good or service being analyzed.
16. The formula for income elasticity is as follows:

$\partial Y / \partial I * I/Y$

where

$\partial Y/\partial I$ is the marginal propensity to consume good or service Y
I is permanent income
Y is the expenditure for the good or service under study.

The marginal propensity to consume is taken from Table 6. Permanent income is found by subtracting total health care (Table 4) from total expenditures (Table 5). Expenditures for good Y are approximated using the results in Table 5. For example, for Medicaid families food at home is 27.7% of total expenditures ($10,215), or approximately $2,830.
17. The marginal propensity to consume does not differ in a statistically significant way for premium payers and the uninsured, so the text reports that premium payers "appear" to have the largest marginal propensity to consume. However, the elasticity for the uninsured is unambiguously larger than for the premium payers. If both the uninsured and premium payers were treated as if they both had marginal propensities to consume of 0.46 (instead of 0.42 for the uninsured), the estimated elasticity for the uninsured would be 3.99—even larger than the figure shown in Table 7.
18. The relatively small magnitude of the recreation elasticity for Medicaid families is due in part to the fact that these families have the lowest marginal propensity to consume recreation. Given an extra dollar, these families are more likely to put it toward food at home than the other groups. This finding, too, is consistent with those of Paulin and Weber (1995).
19. Mathematically, the quarterly expenditure regression equation is:

$Y = a + bI + e$

where

Y is the specific good or service (e.g., food at home)

a is the intercept

b is the marginal propensity to consume

I is permanent income

e is the error term.

Note that if the expenditures and income are annualized, the effective regression equation is:

$(4*Y) = A + b(4*I) + E$

where $A = 4*a$; $E = 4*e$.

Note that b is unchanged, and the remaining values are four times larger than before.

## REFERENCES


Bannock, G., Baxter, R., and Rees, R. (1972). *A dictionary of economics* (p. 140). Middlesex, England, Harmondsworth, Penguin Books Ltd.

Branch, R. (1993). Short run income elasticity of demand for residential electricity using consumer expenditure survey data. *The Energy Journal* 14, 111-121.

Cunningham, P.J. and Monheit A.C. (1990). Insuring the Children: A Decade of Change. *Health Affairs* 10, (Winter) 77-90.

Friedman, M. (1957). *A theory of the consumption function* (esp. p. 221). Princeton, NJ: Princeton University Press for National Bureau of Economic Research.

Kapser, J.D. (1987). The importance of type of usual source of care for children's physician access and expenditures. *Medical Care* 25 386-398.

Miller, R.D. (1990, October). Another look at the medically uninsured using the 1987 Consumer Expenditure Survey. (Working Paper 206). Washington DC: Bureau of Labor Statistics.

Nelson, J. (1989). Individual consumption within the household: A study of expenditure on clothing. *Journal of Consumer Affairs* 23, 21-44.

Paulin, G.D. (1995). A comparison of consumer expenditures by housing tenure. *Journal of Consumer Affairs* 29, 164-198.

Paulin, G.D. and Dietz, E.M. (1995). Health insurance coverage for families with children. *Monthly Labor Review* 118, (August), 13-23.

Paulin, G.D. and Weber, W.D. (1995). The effects of health insurance on consumer spending. *Monthly Labor Review* 118, (March), 34-54.

Rasell, E., Bernstein J., and Tang K. (1993). The impact of health care financing on family budgets. *Challenge* 36 (November-December), 12-20.

Reise, E.M. (1993). A look at private health insurance coverage for families with children under 18 using data from the Consumer Expenditure Interview Survey for 1989-91. In *Proceedings of the Social Statistics Section* (pp. 827-832). Alexandria, VA: American Statistical Association.

Rubin, R.M. and Koelln, K. (1993). Determinants of household out-of-pocket health expenditures. *Social Sciences Quarterly* (December), 721-735.

U.S. Bureau of the Census. *Statistical abstract of the*

*United States: 1994* (114th edition.) ( p. 783, Table 1276). Washington, DC: Author.

U.S. Department of Health and Human Services (1994). *HHS News* (November), 1.

**APPENDIX: REGRESSION ANALYSIS**

*Regression equations.* In total, five separate regressions are computed. Each regression includes expenditures for some category (food at home, housing, apparel and services, transportation, and recreation) as its dependent variable. As noted in the data description, each dependent variable is the quarterly expenditure for the specific category reported by each family. Each is regressed on several independent variables, one of which is quarterly total expenditures less health care, the permanent income proxy described in the text. As in the computation of shares, there is no need to annualize either the dependent variables or the income proxy before running the regression. To do so would essentially multiply both sides of the equation by four, and the coefficient on permanent income would remain unchanged. The coefficients on the other independent variables would be four times larger if only the dependent variables and the permanent income were multiplied by four, because they would now be predicting an "annual" instead of a quarterly expenditure. But as stated in the text, the main coefficient of interest (and the only one shown in the tables) is the unchanged permanent income coefficient, which measures the marginal propensity to consume.[19]

Also included are two dummy variables indicating insurance status. The first is coded 1 if the family is a premium payer, and 0 otherwise; the second is coded 1 if the family is uninsured, and 0 otherwise. These dummy variables are then interacted with all other independent variables in the equation. In this way, the coefficient for the "main effect" variable represents Medicaid families, and the coefficients on the interaction terms indicate the difference in effect of the independent variable on the dependent variable for Medicaid and other families. In Tables 6 and 7, these effects are added together for the reader's convenience. For example, the regression coefficient on permanent income (that is, total expenditures less health care) is 0.178. The regression coefficient for the interaction of the first dummy variable and permanent income is -0.059. The regression coefficient for the interaction of the second dummy variable and permanent income is -0.084. The interpretation of these numbers is that the marginal propensity to consume food is about 0.178 for Medicaid families, and is about 0.059 less for premium payers and 0.084 less for the uninsured. In other words, given an extra dollar, Medicaid families are predicted to spend about 17.8 cents of it on food at home, compared to 11.9 cents for premium payers, and 9.4 cents for the uninsured. These figures are rounded to two decimal places and shown in Table 6.

*Statistical significance.* If the coefficient for any interaction term is statistically significantly different from zero, this indicates that the interacted group is significantly different from the main effect group. For example, in the food at home regression, the coefficient for permanent income for premium payers (-0.059) is statistically significant, indicating that premium payers have a statistically significantly smaller marginal propensity to consume food at home than Medicaid families. In this case, a *t*-statistic is used to test whether the relationships are different. To test whether there is a statistically significant difference between the premium payers and the uninsured, an *F*-test is used to compare the two coefficients.

*Independent variables.* In addition to permanent income, several independent variables are common to all regressions. The continuous variables include: age of reference person, age squared, number of adults (i.e., persons 18 or older), number of children (i.e., persons under 18 years old), and number of earners. Several dummy variables are also included to control for other factors. These are: family composition (single person, single parent, husband and wife only, other families), region of residence (Northeast, Midwest, West), and ethnic origin of the reference person (Black, Hispanic). The intercept represents families composed of a husband and wife with their own children only who live in the South, and whose reference person is neither Black nor Hispanic. These families are referred to as the "control group."

However, some variables are unique to one regression. The food at home regression includes a dummy variable indicating whether or not the' family receives food stamps. The housing regression includes dummy variables describing whether or not the family receives government assistance for housing (either public housing or other housing for which the government pays at least part of the cost), and whether the family owns the home with no mortgage or rents. (Homeowners with mortgage are considered the control group here.) The transportation and recreation regressions include number of vehicles owned. Vehicles are included in the recreation regression in part because some vehicles (e.g., motorcycles) might be used recreationally, and also the more vehicles the family owns the more likely it is that the family has access to food away from home, vacation lodging, and other components of recreation.

**Leigh Eric Schmidt (1995), *Consumer Rites: The Buying and Selling of American Holidays.* Princeton, N.J.: Princeton University Press, $24.95.**

From time to time, those of us caught up in economic or legal models of consumer economics owe it to ourselves to look at our profession from a different perspective. Through the disciplines of sociology, history, religion, philosophy, and anthropology along with a qualitative data approach, Leigh Schmidt brings such a perspective to an exploration of the consumer-holiday connection.

Like any good researcher, Schmidt admits his biases: he is an associate professor of religion at Princeton and his Protestant theological training means that he focuses only on Christian holidays; his American roots mean that book is selective in time (Colonial America to the mid-20th century) as well as place. Also, because of the historic period covered and the population distribution at the time, the book has a decidedly East Coast-urban feel. One of the most charming parts of the book is in the Acknowledgements, where the author quotes from a letter written by an aunt living in South Dakota in 1947 and we're finally able to get a glimpse of another part of America. In spite of these biases, however, Schmidt brings a balance to his presentation of marketplace and consumer issues, coming across as neither anti-commercial nor anti-consumer.

To set the stage, Schmidt begins by tracing holy days (holidays) from the early church, when "the church's time" and "the merchant's time" were beginning to integrate. Vendors turned holy day festivals into bazaars and marts, and a saint's "day" celebration could, in fact, last several days. The Reformation and the era of the Puritans brought an end to all that: "such festivities were increasingly viewed as terrible impediments to work discipline and economic growth.... The sooner such festivals and holy days were brought under control and reduced in number, the better for commerce, civic prosperity, and genuine piety" (p. 23).

STATE HISTORICAL SOCIETY OF WISCONSIN, WHi (X3) 50660

Milwaukee, WI, Nov. 20, 1966.

"Civic prosperity," however, did recognize that holidays produce some economic benefits, when the opportunity for consumption and economic gain outweighs the cost of lost labor and reduced productivity. In particular, Schmidt explores Valentine's Day, Christmas, Easter, Mother's Day, and Father's Day. In an epilogue, he looks at a small set of other holidays, but these are almost an afterthought.

Most of us would expect to find Christmas on the list—but Valentine's Day? In fact, as Schmidt's careful research shows, it was Valentine's Day—not Christmas!—that led the way as a commercialized holiday in America: "Certainly the holiday's history discloses much about the translation of a religious vernacular into secular idioms, the shifting patterns of early modern courtship, the complex sources of consumer culture and modern forms of gift giving, the uneven altering of material culture through mass production, the distinctive interplay of consumer satisfaction and alienation in the face of modern commodities, the problems of artificiality and authenticity in a world of industrial facsimile, and the intricate interweaving of romantic sentimentalism, feminization, and consumerism in the nineteenth century." (p. 102). And certainly this quote tells you something about Schmidt's writing style; if you liked Veblen, you'll love this book!

There were some interesting insights for me in this book. For example, Christmas gift giving evolved not from the gifts of the Magi, as I had always thought, but rather from a tradition of gift giving for the New Year. Much of what we associate with Easter commercialism (the new outfits, the hats, the candy, the flowers) evolved from New York City's churches and their floral displays. Mother's Day is the result of the determination of one person, Anna

Jarvis, and stands as proof that one person can make a difference—and that marketplace subversion is nearly impossible to avoid.

The endnotes in this book make for fascinating reading, primarily because they represent a rich range of disciplines. They also reveal many non-traditional (for economists!) data sources, including museums, letters, personal journals, historical popular magazines *(Godey's Magazine and Lady's Book)*, and trade publications *(Dry Goods Reporter)*. Schmidt, who is nothing if not thorough, even provides endnotes for the acknowledgments.

The illustrations (all 101 of them) are truly wonderful. They range from newspaper clips and sketches to old photos, samples of cards, advertisements, editorial cartoons, and some classic Harper's Bazaar illustrations. It's a refreshing change from regression tables and distribution graphs.

*Consumer Rites* occasionally touches on such bigger issues as social and economic justice. Holiday preparations "put huge burdens on workers to meet the surging demand for holiday goods and to satisfy the throng of holiday shoppers" (p. 235) and an illustration of a retail "shop girl" pleads for consumers to avoid the eleventh hour rush and "for the sake of humanity, shop early" (p. 187).

Schmidt also speaks of the feminization of holidays causing us to wonder how the increased labor force participation of women will affect holiday celebrations into the next century. Schmidt posits two possibilities: "that these contemporary shifts may ultimately lessen the commercialization of the holidays—the less time for shopping and gift giving, the smaller the claims of the marketplace" or that they may provide the "potential for further market penetration of family celebrations in the form of caterers and decorators" as marketplace substitutes (p. 299).

It is the sign of a good book that I was left wanting to know more: about the history of the church-consumer relationship, about how Americans of other faiths view and participate in these American holidays, about how other cultures differ in their celebration of these holidays, and about how consumer decision making and the economy changed as the culture surrounding these holidays evolved.

Consumer Rites will complement many consumer behavior and marketing courses. Within these pages are many real-world examples of the theories we teach. It's a refreshing, sometimes challenging, way to look at the marketplace.

Jeanne M. Hogarth, *Division of Consumer & Community Affairs,* Federal Reserve Board

**Jon Elster, editor (1995), *Local Justice in America.* New York: Russell Sage Foundation, $39.95.**

The title of Jon Elster's latest book, *Local Justice in America,* brings images of Bernard Goetz and vigilantism to mind. So what is its connection to consumer interests? *Local Justice in America* is the third volume in a series presenting a framework for the study of the allocation of scarce goods and necessary burdens, for example layoffs, in different countries, for which a market system is not used for allocation. In this volume, Elster has compiled analyses of the distribution systems in the United States of a variety of goods and burdens applying that framework. In the introduction, Elster, a distinguished professor at Columbia University, summarizes the topic of his first book—the theoretical framework for the analysis of distributive systems—so this volume can be read independently of the first two volumes. Indeed, each chapter can be read individually depending on one's specialty. Elster devotes chapters to education, health, employment, and immigration.

Perhaps the reason for my initial confusion about the topic of *Local Justice in America* is the use of the term "justice." By definition, "justice" speaks of "the action, practice or obligation of awarding each his due" equally, fairly, and impartially.[1] But as each contributor describes the interaction of stated principles, criteria to implement those principles, and the process and procedures actually used to implement those criteria, it becomes clear that distributive systems do not always allocate scarce goods and necessary burdens equally, fairly or impartially.

Patricia Conley, who teaches political science at Northwestern University, discusses the distribution of college admissions at public and private universities in the United States. The chapter begins with a fascinating and disturbing description of the history of college admission which ranges from an open-door policy to using considerations beyond academic merit to exclude women, minorities and Jews. Conley identifies principles of college admission including: cultivating academic merit; maintaining the financial welfare of the university; and maximizing students' contributions to the university community and eventually local community, among others. The criteria include administrative prerequisites, academic merit, personal qualities, individual welfare, background characteristics, and financial ability. She reviews the wide variety of procedures used to sort the applicants based on the criteria and the importance of or value accorded these criteria by different institutions. The procedures and consistency of administrative officers' decisions are evaluated using data from Conley's survey of 500 admissions officers at 4-year public and private universities. Not surprisingly, there are significant differences that demonstrate that college admissions are not distributed equally, fairly, or impartially. But the real benefit of the chapter is that it demonstrates how abstract principles are translated into concrete procedures to allocate scarce goods which represent the true value that is accorded each principle.

J. Michael Dennis, a consultant with ABT Associates in Chicago, focuses on the distribution of scarce medical resources which not only improve the quality of life but save lives—hemodialysis and kidney transplantation. This chapter is about the tragedy of a distributive system historically ruled by inequality, unfairness, and partiality. The reasons for the varying policies and procedures and the resulting "facade of uniformity" become clear with Dennis's examination of the objectives of the competing interest groups including patients, nephrologists, surgeons, academics, politicians, government regulators, insurance companies, families, and public interest groups (p. 129). The sometimes fatal consequence of the politics of distributive justice is the lesson of the chapter.

The distribution of the burden of layoffs and the distribution of citizenship through immigration policy and procedures, tho ugh not typically the subject of consumer advocates, are nevertheless instructive and are described respectively by Stuart Romm, a computer analyst in Chicago, and by Gerry Mackie, a graduate student in the department of political science at the University of Chicago. By applying Elster's framework to the burden of layoffs and immigration opportunities, and contrasting these issues to the distribution of limited education opportunities and medical resources, the authors humanize this otherwise complex theory. Elster's framework also allows for a rich comparison, and thus a more comprehensive understanding, of the distribution of life's most important goods, services, and burdens—education, medical resources, employment opportunities, and immigration—all of which "shape an individual's life's chances" for success (p. 25).

Among its other virtues, Local Justice in America is extremely timely for the consumer advocate who is about to embark on a trip to lobby on the issue of the allocation of college admissions or scarce medical resources. In California and Texas, where consumer advocates are working side by side with educators to address the attack on affirmative action—just one of the principles which influence the admission decision—Conley's chapter is a must read. In New York and other states, legislatures are beginning to examine HMO's decision making processes and Dennis's chapter is instructive.

Instructors of consumer law or consumer behavior will find *Local Justice in America* to be an excellent supplement to their reading lists. It will help students understand the interplay of policy, policy makers, and more significantly politics, and how each affects consumers. Most importantly, students can easily relate to Elster's selections of education, health, employment, and immigration.

Typically, consumer advocates concentrate on the allocation of consumer goods and services either by purchase or lease depending on the availability of money or credit and the myriad of issues which arise from each element of the transaction. Jon Elster reminds us with his ongoing "Local Justice" project that consumer goods and services are allocated in different ways in different countries depending on societal values and political systems. In *Local Justice in America,* he provides a fresh look at alternative distribution systems and what they say about American values.

[1]Webster Collegiate Thesaaurus, Merriam-Webster, 432 (1976)

Andrea Masley, *attorney*
*Consumer Affairs Committee, NYC Bar Association*

**John Yinger (1995), *Closed Doors, Opportunities Lost: The Continuing Costs of Housing Discrimination.* New York: Russell Sage Foundation, $29.95.**

Almost 30 years after the passage of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, Yinger found evidence that African American and Hispanic citizens continue to face discrimination in housing and mortgage markets. Yinger's book is based on data collected as part of a national Housing Discrimination Study supported by the Department of Housing and Urban Development. Paired teams of auditors were used to examine discrimination in sales or rental of housing units to African American or Hispanic examiners, compared to white examiners. Yinger further supports his work with a comprehensive review of research literature as well as an historical perspective on fair housing legislation and its impact. These two items alone would make the book worthwhile reading.

On the whole, the book provides a comprehensive review of research related to housing discrimination. It is easy to read although it begins to seem monotonous toward some of the later chapters. Detailed descriptive information is provided on the causes of discrimination, the extent of discrimination and its consequences, and its relationship to education, employment, and poverty. The focus of the book is on the purchase or rental of housing units with somewhat limited discussion of mortgage lending.

Some of the key results reported include: racial and ethnic steering continues to be widely practiced; Black and Hispanic households pay a discrimination "tax" of about $3,000 every time they conduct a housing search, which accumulates into an implicit payment every three years of $7.9 billion by the African-American community, and of another $4.4 billion by the Hispanic community in the form of higher search costs and lost housing opportunities; and the elimination of all current housing discrimination would reduce the Black poverty rate by 14%.

African Americans and Hispanics are less likely to own their own homes than whites. Even when the home is owned, it has a lower value and is of poorer quality. Racial residential segregation continues to be high, especially in metropolitan areas with large African-American populations. To maintain an integrated community, several conditions are needed: marketable housing and community or neighborhood amenities, a lack of concentrated public housing in the community, and the absence of racially identifiable schools.

In the lending arena, Yinger reports that after accounting for applicant, property and loan characteristics, minority applicants are turned down at a rate that is over 50% higher than the rate for comparable Whites. There is also evidence that lenders discriminate in advertising, application procedures, and loan terms.

The serious researcher will be concerned with the multivariate analysis of the data. While the text focuses on results and doesn't bog the reader down with statistical details, the Appendix includes the four regression equations on which key results are based. The number of observations in each equation ranges from 748 to 1049. The number of independent variables in each equation is approximately 100. The corrected $R$-squares range from .16 to .33. The large number of variables raises questions of multicolinearity. It is unclear why the author didn't delete or try to collapse some of the variables since about 20% of the variables in each equation were significant. Also at issue is whether the dependent variable, measured as the difference between the number of housing units inspected by the White auditor and the number inspected by the minority auditor, is a good measure of housing discrimination.

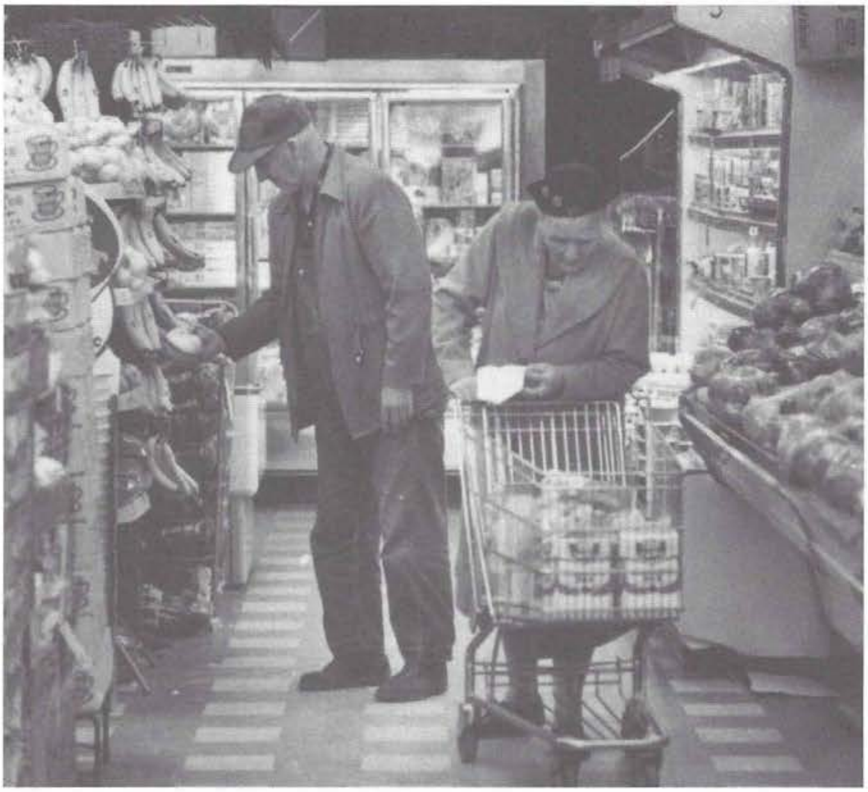
Despite any problems with the regression analyses, the book provides many insights into the measurement of discrimination and would be useful to researchers, community leaders, and policy makers. The final chapter proposes a series of policies to address segregation and discrimination in housing. Some of these could be adapted at the local level. On the national level, the author recommends, not only the continuation of current enforcement mechanisms but also the expansion of investigations. In addition, Yinger calls for continued federal support for research to improve our understanding of mortgage markets along with a national audit of rental housing every five years and of sale housing every ten years. He recommends that the Community Reinvestment Act be expanded to cover nondepository lenders and that a Community Brokerage Act be enacted to give formal responsibility to Multiple Listing Services to provide service on all types of neighborhoods. The latter raises some interesting legal and marketing questions. Overall the recommendations suggest a fertile field of research possibilities. Yinger notes that the direct costs of discrimination are "disturbingly high" and indicates that racial and ethnic discrimination remain significant issues.

Carol Meeks, *University of Georgia*

**Marcia Mogelonsky (1995), *Everybody Eats: Supermarket Consumers in the 1990s.* Ithaca, NY: American Demographics Books, $29.95.**

Today's media regularly report how food and diet affect consumers, yet controversy about the results of research findings often makes headline news. The Nutritional Labeling and Educational Act of 1994 has made it easier for consumers to compare nutrients and calories in different products. Not surprisingly, food selection is only one of the factors that consumers consider in their choice for food shopping.

The author does stress that the book is designed to help retailers, advertisers, and manufacturers understand what people want when visiting their selected food store. The author states the supermarket is not only a source for food purchasing but also provides a place for socialization. Whether the store becomes the community hub, singles' club, recycling center, or is utilized to educate children and to assist the elderly, its success often depends on management keeping pace with its customers' needs. Consequently, consumers may enjoy reading this book to view how their manner of grocery shopping reflects their particular characteristics.



STATE HISTORICAL SOCIETY OF WISCONSIN, WHi (X3) 50661

Stanley, WI, n.d.

The book is segmented according to age, ethnicity/race, and regionality, with some overlap among categories. Consumers can develop a better sense of how their shopping patterns will change as they age. They are also enlightened as to the influences that some age groups have on others (e.g., teens shopping for working parents).

The author discusses the diversity within specific minority groups. The Mexican Hispanics have different traditions than the Puerto Ricans, and the foreign-born have different ideas about products and services than U.S.-born Hispanics. Asian customers can be Japanese, Chinese, Korean, Vietnamese, Filipino, or Laotian. Even though marketers prefer to peg people into specific markets, it can be crucial to understand each group's culture and traditions.

Cross-ethnic food hybrids as well as regional food trends have added new dimensions to the supermarket world. Anyone picking up the latest Pillsbury Bake-off recipe booklet will find that the majority of the winning recipes are combinations of more than one region or culture.

Overall, one could view this book as a compilation of surveys of the public's method of food shopping—with emphasis on eating habits, shopping habits, what people look for in a food store, how people feel about food-related issues, and how people's lifestyles and life cycles influence their food selections for themselves and their families. The statistics are enlightening, but at the same time the writing soon becomes redundant such that the reader tends to begin skimming findings and only attaching importance to those items which show a specific significance to the reader. Care must also be taken to consider the sources used for the survey. Parade Magazine (the Sunday newspaper supplement) and Prevention Magazine are two examples of sources where one might want more details about the specific survey before relying on the results.

Yet, the author does add interest through tables and short stories. Reading about the Mad Dog Super Spew Bubble Chew, a product which causes one to foam at the mouth, and Sherman's Super Nauseating Obnoxious Treats (SNOT), a gel-like candy dispensed from a plastic nose, helps one realize that even with the profit margin to consider, the supermarket vendors do have a sense of humor. Or are they just marketing to the kids?

Joan Kinney, *University of Wisconsin, Madison*

**Kelvin Boston (1996), *Smart Money Moves for African Americans.* New York, NY: G.P. Putnam's Sons, $21.95.**

Does it matter to you that the net worth of African Americans per capita was less than one-fifth that of Whites per capita in the United States in 1995? Are you interested to know that forty-six percent of African-American households are headed by females compared to only fourteen percent of White households? Would you like to better understand how your financial decisions and actions affect your loved ones and future generations of your descendants?

If your answer is yes to any of these questions then you will appreciate reading Smart Money Moves for African Americans by Kelvin Boston. In 1996, our first reaction to a book with such a racially focused title prompts a perturbing curiosity, "What could this book possibly offer that is uniquely germane to African Americans?" Kelvin Boston, an experienced financial advisor and host of the popular television show "The Color of Money," quickly allays the reader's initial skepticism about this publication's import when he draws an analogy between financial freedom and the right to "life, liberty, and the pursuit of happiness" proclaimed in the Declaration of Independence.

Boston's thesis is that, if African Americans are to enjoy the full suffrage of citizenship and liberty which was legislated for the freed slaves after the Civil War, then African Americans will have to establish their own proportionate ownership interest in the U.S. economy.

As with any major trend, Boston points out that this ultimate emancipation will only come to pass once each African American household makes a firm, long range commitment to develop and implement a financial game plan that focuses on building wealth in a patient, systematic way. The key measure of Boston's definition of wealth, which he uses to mean freedom, is net worth.

Accepting Boston's assertion that net worth is the key indicium of personal freedom, quality of life and even racial emancipation, the balance of the book becomes a swift, easy, and enlightening read. Boston incorporates a plethora of Afrocentric analogies to enhance our understanding, such as his reference to bid wist (a card game), and he cites books and business leaders that are relevant to African-Americans. He also dispels myths and misperceptions about investing which are endemic to the African American community.

Boston even makes the effort to compile a selection of quotations from famous African Americans about success, many of which support or amplify his thesis. Three of my favorites are: "We can't live in a capitalist society without capital" (Reverend Jesse Jackson); and "The best you can do for poor folk is not be one"; (Reverend Ike); and "When you can count your money, you ain't got none." (Don King).

Boston's book includes two other groundbreaking sections with messages specially crafted to address the needs of African Americans. He devotes an entire chapter to wealth building strategies for African-American women. While his seven wealth building steps for women are not particularly ethnocentric, he lays a strong statistical foundation documenting a multitude of interrelated facts that have a negative impact on African-American women's lives.

Boston also expands our concept of wealth by explaining that we African Americans should leverage our nonfinancial resources in ways that will create wealth and enhance our quality of life. These resources include our abundance of "human capital," as well as our intellectual, physical, and spiritual capital. Examples include using one's mind and consciousness to increase net worth, an exercise of intellectual capital, and countering the actuarial trend for African-American males to die earlier than their White counterparts through good health maintenance techniques, a form of management of physical capital.

The basic message of Kelvin Boston's book is germane and important for any individual who wants to understand some very simple wealth building principles—such as saving and investing through equity mutual funds, building equity through home ownership (a higher percentage of African Americans rent), understanding the role of life insurance in estate planning, tax-advantaged saving, and so on.

While one could challenge Boston's bias toward recommending investment clubs as a useful tool only for women, or suggest that he has given short shrift to estate planning, these complaints pale in comparison to the myriad positive aspects to the book, not the least of which is his ability to transform what is often a confusing and misunderstood subject into a succinct, understandable message, replete with relevant context and a practical game plan for African Americans' attainment of economic parity in the ensuing generations.

Robert Wynn, *Director, Bureau of Minority Business, Wisconsin Department of Development*

**Carl E. Bock (1994), *Credit—Get It!: How to Get the Credit You Deserve, Handle Debt Wisely and Build a Secure Financial Future.* Monument, CO: Action Publishing, Inc., $29.95.**

It seems that a new personal finance or credit management self-help book is published weekly, promising to "clear up the mystery surrounding consumer credit and personal finance" (p.11); unlock "the 'secrets' of credit 'mechanics', credit 'doctors' and credit 'clinics'" (p.12); and reveal "eleven 'secrets' of acquiring wealth" (p. 262). Bock, a businessman who took early retirement from the corporate world and later formed his own investment company, has written a book for lay audiences that mixes information about consumer credit with a practical guide to basic recordkeeping and budgeting, and laces it with some self-help psychological concepts and a dose of his own opinions. The result is a book that offers useful information, but fails to stand out in the crowd.

Inherently, the books of this genre sound alike because they must touch upon the same topics of establishing credit, dealing with debt problems, setting up a budget, paying yourself first, cutting expenses, and investing to achieve goals. Those that stand apart do so because of their originality, the depth and quality of presentation, or the approach. There is no question that many consumers could benefit from a careful reading of these chapters; however, they will encounter considerable repetition throughout the book and yearn for greater detail in several areas.

Characteristic of the self-help genre, this publication uses the popular format of many (21) short chapters prefaced by the requisite inspirational quotations. Appendices offer a short list of recommended books, newsletters, and other resources, as well as sample consumer redress letters. The book is written in an informal, conversational style and is targeted to consumers with credit problems and/or those wanting to improve their finances.

Bock focuses on credit, devoting the first 18 chapters to the topics of establishing credit, dealing with credit problems, and managing debt. The last three chapters introduce the author's "financial master strategy plan"—a practical presentation of goal setting, budgeting, and savings ideas. The author is at his best in explaining how credit works. For example, his discussion of credit bureaus, which creditors do and do not regularly report to bureaus, the credit approval process, and the operation of credit repair clinics, give the reader a better understanding of how credit granting and debt collection decisions are made. In his discussion of debt collection, however, the legal rights of consumers are glossed over. The author states in the acknowledgements that he has "not attempted to cite in the text all authorities and sources consulted in the preparation of this book" (p. 9). In fact, there are no footnotes or other direct documentation in the publication. This practice reflects the target audience, but will leave consumer educators questioning the source of some assertions.

Under the lofty title of "Your Financial Master Strategy Plan," the final chapters present the familiar prescriptive process for money management, but offer several very practical tips that will appeal to some consumers. For example, Bock suggests creating a "hidden buffer" in one's checking account. This buffer of $25 or $100 does not appear in the check register, but does appear in the bank statement. These funds are analogous to the reserve gasoline tank that provides a backup when the gas indicator points to "empty." The author also suggests setting up three ear-marked savings accounts: the Financial Shock Absorber account (for periodic expenses), the Goal Achievement Account (for specific goals), and the Contingency Reserve Fund (for emergencies). Unfortunately, Bock advises the reader to use a money market fund for short-, medium-, and long-term goals. He acknowledges that a detailed discussion of investments is beyond the scope of this book, but he draws no relationship between his discussion of funding goals and investing to achieve financial independence. The brief discussion of investments seems out of place in a publication that primarily focuses on getting out of debt and back on track with a spending plan.

The author uses several illustrations in the final chapters, but the book is long on text and short on worksheets or activities that would encourage the reader to apply his recommendations for money management. For consumers searching for information to guide them through troubled waters of over-indebtedness, Bock offers some useful insights. For consumers wanting an all-around guide to personal finance, this book falls short. With many competitors on the self-help finance shelf, consumers can do better than *Credit—Get It!*

Cynthia Needles Fletcher,
*Iowa State University*

## AUTOMOBILE WARRANTIES

**Wilbur v. Toyota Motor Sales, U.S.A., Inc., 1996 WL 311971 (2nd Cir., 1996)**

Nicolyn Wilbur bought a Toyota Camry from Tri-Nordic Toyota after the car had been used as a demonstrator by the dealership and had roughly 5,800 miles on its odometer. The bill of sale identified the car as a "New Camry Demo." Before Wilbur bought the car, Tri-Nordic informed her that while the car was used as a demonstrator, it was involved in a rear-end collision but had been fully repaired and had sustained no structural damage. The "New Vehicle Limited Warranty" on the car stated that the warranty went into effect "on the date the vehicle is first delivered or put into use (in-service date)," which Tri-Nordic filled in as the date Wilbur bought the car. The warranty further stated that "repairs and adjustments required as a result of...accident...are not covered."

One month after Wilbur purchased the car, while driving from Vermont to California, she discovered that the Camry's ABS braking system did not work, the trunk had a significant leak, and the rear of the car made a creaking noise. No Toyota dealer in California would fix the repairs because of the exclusion in the warranty concerning structural damage sustained in an accident.

Wilbur filed a lawsuit in Vermont state court against Tri-Nordic and Toyota in February, 1994, alleging, among other things, that Toyota had violated the Magnuson-Moss Warranty Act (MMWA), as well as the Vermont Consumer Fraud Act (VCFA). Toyota removed the case to federal district court. The district court granted summary judgment, holding that because damage from the accident was excluded from coverage under the warranty, Toyota did not violate the MMWA or the VCFA when it refused to repair Wilbur's car. Wilbur then appealed to the United States Court of Appeals for the Second Circuit.

Wilbur's main argument was that Toyota violated the MMWA by refusing to honor the new car warranty. The MMWA—Federal Trade Commission Improvement Act, 15 U.S.C. §§2301-2312 (1994), grants relief to a consumer "who is damaged by the failure of a...warrantor...to comply with any obligation...under a written warranty." 15 U.S.C.§ 2310(d)(1) (1994). When drafting a written warranty, the warrantor must "fully and conspicuously disclose in simple and readily understood language [its] terms and conditions," 15 U.S.C. §2302(a) (1994), including "the point in time or event on which the warranty term commences, if different from the purchase date."

The Court reasoned that the warranty offered by Toyota would cover a defect resulting from an accident that occurred before delivery to Tri-Nordic but would not cover a defect resulting from an accident that occurred after Wilbur bought the car. Thus, the key question in this case was whether the warranty covered an accident that occurred during the period the car was used by Tri-Nordic as a demonstrator.

Although Tri-Nordic signed the in-service date as the date Wilbur purchased the car, Toyota argued that the accident was not covered by warranty. A separate warranty on Wilbur's car, the "California Emission Control Warranty" defines the warranty period as beginning on the date the car is first placed into service if it is first used as a "demonstrator" or "company car." The court was unwilling to treat this warranty as a clear indication of when the warranty period commenced. On the one hand, the conflicting coverage dates in Wilbur's warranty are ambiguous and do not comply with the clear language requirement of the MMWA §2302(a). On the other hand, if Toyota follows the New Vehicle Limited Warranty, it must adhere to the warranty period written in by Tri-Nordic as commencing after the demonstrator period when Wilbur purchased the car. Thus, Toyota violated MMWA §§2301-2312 by refusing to honor the warranty. Since Wilbur's MMWA claim withstood Toyota's motion for summary judgment, the case was reversed and remanded to the district court.

***Torrance v. A S & L Motors, Ltd.*, 459 S.E.2d 67 (N.C. Ct. App. 1995)**

In June 1992, Torrance bought a 1989 BMW from A S & L Motors for $13,181.00. As part of the purchase agreement, Torrance signed a statement acknowledging that the car war being sold "as is," without a warranty. Before buying the car, Torrance asked the defendant's sales manager whether the car had ever been in an accident, and the sales manager told her that it had not.

Three weeks after buying the car, Torrance found red paint on its windshield. This discovery made Torrance suspect that the car had been in an accident. Torrance took the car to an auto body repairman who determined that the car had been damaged on its right side and that it would cost approximately $2,500 to repair the damage. Torrance returned to A S & L and demanded a refund or replacement. After A S & L refused, Torrance filed a lawsuit, alleging fraudulent misrepresentation and unfair and deceptive trade practices in violation of Chapter 75 of the North Carolina General Statutes (Chapter 75).

The trial court found that A S & L's misleading statements constituted an unfair and deceptive trade practice under Chapter 75. However, the court also found that A S & L did not commit fraud. Torrance was awarded three times the amount of the repairs plus attorneys' fees.

On appeal to the Court of Appeals of North Carolina, A S & L argued that oral statements made to Torrance by A S & L's sales manager prior to the signing of the "as is" statement should not have been admitted as evidence. The court agreed that A S & L's statements concerning the condition of the car were parol evidence, i.e. oral statements that were inconsistent with the written contract. As parol evidence, the statements were inadmissible to contradict the terms of the written contract. However, the court found that the statements in this case were not offered to contradict the contract, but rather to prove an unfair or deceptive practice. Therefore, the court held that the parol evidence rule did not make the statements inadmissible.

Second, A S & L argued that the sales manager's statements did not constitute unfair and deceptive practices. The court determined that to prove unfair and deceptive practices, Torrance had to show that A S & L had the "capacity or tendency to deceive and that [Torrance] suffered injury as a proximate result of [A S & L's] statements." The court found that A S & L's statements that the car had not been "wrecked" and was in "good condition" were material because they had a substantial effect on Torrance's decision to purchase the BMW. The sales manager's statements misled Torrance into buying the BMW.

Finally, A S & L argued that attorneys' fees should not have been awarded to Torrance. The court determined that to award attorneys' fees under chapter 75, the plaintiffs must be the prevailing party, the defendant must have willfully engaged in the deceptive act or practice, and the defendant must have made an unwarranted refusal to fully resolve the matter. Because the trial court failed to make these findings, the court of appeals remanded the case to the trial court to resolve this issue.

## UNFAIR DEBT COLLECTION PRACTICES

*Heintz v. Jenkins,* 115 S.Ct. 1489 (1995)

Jenkins sued Heintz, an attorney, for alleged violations of the Fair Debt Collection Practices Act (FDCPA). Heintz represented a bank in a lawsuit attempting to recover the balance due on Jenkins' car loan. Heintz wrote a letter to Jenkins' lawyer claiming that Jenkins owed the bank $4,173 for a substitute insurance policy bought by the bank because Jenkins had not kept her promise to keep the car insured.

Jenkins claimed that she agreed to keep the car insured only for loss or damage. The substitute policy purchased by the bank covered not only loss and damage, but also insured the bank against Jenkins' failure to repay the loan. Jenkins claimed that Heintz's letter violated the FDCPA by attempting to collect money not "authorized by the agreement creating the debt," §1692f(1), and by making a "false representation of...the...amount...of any debt." §1692e(2)(A).

The United States District Court for the Northern District of Illinois held that the FDCPA does not apply to lawyers attempting to collect debts through litigation. The Court of Appeals for the Seventh Circuit reversed, holding that the FDCPA does apply to litigating lawyers. Heintz appealed the decision to the United States Supreme Court.

In reaching its unanimous decision, the Court first looked at the FDCPA's definition of "debt collector." The FDCPA defines a "debt collector" as a person who "regularly collect[s] or attempt[s] to collect, directly or indirectly, [consumer] debts owed or due or asserted to be owed to due another." §15 U.S.C. 1692a(6). The Court determined that a lawyer who regularly attempts to collect consumer debts through litigation meets this definition.

The Court also looked at the 1986 congressional repeal of the FDCPA's exemption for lawyers. Because Congress repealed this exemption in its entirety without creating a new exemption for litigating attorneys, the Court determined that Congress intended lawyers to be subject to the FDCPA whenever they meet the definition of "debt collector."

Heintz argued that there is an implied exemption in the FDCPA for attorneys litigating debt-collection cases because without this exemption, there would be anomalous results that Congress could not have intended. For example, the FDCPA states that debt collectors must comply with debtors' requests to cease further communication. Without the implied exemption, Heintz argued that litigating attorneys would be restricted from filing a lawsuit against a nonconsenting debtor because the process would involve communication. The Court rejected this argument because there is other language in the FDCPA which allows communications notifying the debtor that the collector intends to take further legal action.

Second, Heintz argued that Congressman Frank Annunzio, a sponsor of the 1986 repeal of the lawyer exemption, indicated in a statement to Congress that the FDCPA still would not apply to litigating attorneys. The Court rejected this argument because there is no language in the FDCPA that creates an exemption for litigating attorneys, despite the fact that there was concern about this issue prior to the enactment of the amendment. In addition, the Court reasoned that since Annunzio's statement was made after the repeal of the lawyer exemption, the legislators could not have relied upon the statement when voting for or against the repeal.

Finally, Heintz pointed to a "Commentary" about the FDCPA written by the Federal Trade Commission stating that the FDCPA does not apply to attorneys whose practices are limited to legal activities. The Court found that the Commentary was not "binding on the Commission or the public," and that there was nothing in the FDCPA indicating that Congress intended to authorize the FTC to create an exemption for litigating attorneys. Thus the Court held that the FDCPA applies to attorneys who regularly engage in consumer-debt-collection activity, including litigation.

*Wadlington v. Credit Acceptance Corp.*, 76 F.3d 103 (6th Cir. 1996)

Classic Car Company, a Western Michigan car dealer, assigned many of its installment sales contracts for automobiles to Credit Acceptance Corporation (CAC). CAC alleged that the plaintiffs (numerous Classic Car customers) subsequently defaulted on the loans; CAC sued the plaintiffs in state court to collect the debt. The suits were filed by CAC's attorney George Leikin.

Plaintiffs filed a class action in federal district court against CAC and its attorneys, alleging violations of, among other things, the Fair Debt Collection Practices Act (FDCPA), because Leikin had sued them in a judicial district in which the FDCPA prohibits "debt collectors" from bringing suit. The FDCPA provides that any "debt collector" who sues a consumer on a debt shall bring the action only in the judicial district: "(A) in which such consumer signed the contract sued upon; or (B) in which such consumer resides at the commencement of the action." 15 U.S.C. §1692i(a)(2). Thus, the key issue in the case was whether CAC or its lawyer came within the statutory definition of a "debt collector." The district court granted summary judgment in favor of all defendants as to the federal claims, and dismissed the state claims, but plaintiffs appealed to the United States Court of Appeals for the Sixth Circuit.

As to whether attorney Leikin fell within the definition of "debt collector," the Sixth Circuit followed the recent U.S. Supreme Court opinion in Heintz v. Jenkins, 115 S.Ct. 1489 (1995), which held that an attorney and his law firm were acting as "debt collectors" when they filed lawsuits on behalf of a client to collect debts allegedly owed by consumers. In view of this decision the court of appeals reversed the judgment in favor of Leikin, and remanded to the district court for further proceedings.

In deciding whether CAC itself came within the statutory definition of a "debt collector," the court affirmed the district court decision. The definition set forth in 15 U.S.C. §1692a(6) includes people who collect debts "owed or due or asserted to be owed or due another." Under 15 U.S.C. §§1692a(4) and 1692a(6), a debt collector does not include the consumer's creditors or an assignee of debt, as long as the debt was not in default at the time it was assigned. Plaintiffs' debts were not in default at the time they were assigned. Nonetheless, plaintiffs argued that CAC was still a "debt collector" because of specific language set forth in 15 U.S.C. §1692a(6), which defines the term "debt collector" as including "any creditor who, in the process of collecting its own debts, uses any name other than his own which would indicate that a third person is collecting or attempting to collect such debts." The court determined that since CAC was not collecting its own debts under the name of a third person, this provision did not apply. The court held that it is immaterial whether CAC was attempting to collect debts owed to it or was attempting to collect debts owed to Classic Car. Either way, CAC was simply not a "debt collector" within the meaning of the Act.

Also at issue was whether CAC faced civil liability under 1692k in the event that its attorney Leikin might be considered a "debt collector." The court found that holding CAC vicariously liable for a collection suit filing that violates the FDCPA only because the filing attorney is a "debt collector," would be inconsistent with the legislative intent of Congress.

## TRUTH IN LENDING

*Shields v. Lefta, Inc.*, 888 F. Supp. 894 (N.D.Ill. 1995)

Each of the plaintiffs in this class action purchased a car from the defendant, Lefta, Inc., and financed the transaction through a motor vehicle installment contract. Each class member also bought an extended warranty or service contract from the defendant. The plaintiffs alleged that Lefta inadequately disclosed the costs included in the installment sales contracts for two reasons. First, Lefta listed the entire amount charged to the plaintiffs for a purchased service contract under the category of "amounts paid to others," despite the fact that not all of this money was going to others. Second, Lefta placed the service contract prices with costs itemized as "License, Title, and Taxes," thus causing the service contract prices to appear non-negotiable, which allowed Lefta to overcharge the plaintiffs. The plaintiffs alleged that Lefta violated Regulation Z of the federal Truth In Lending Act (TILA), and the Illinois Consumer Fraud and Deceptive Business Practices Act (CFA).

In considering this case, the federal district court reviewed the purpose of TILA, which is to provide meaningful disclosure of credit terms so that consumers can compare available credit terms, to avoid the uninformed use of credit, and to protect consumers against inaccurate and unfair credit billing. To achieve these goals, the Federal Reserve Board promulgated Regulation Z, a regulation that requires a creditor to itemize the amount a consumer finances for each transaction and also to identify any other person it pays on behalf of the consumer.

Lefta moved to dismiss the case on the grounds that its use of model forms, provided by the Federal Reserve Board, precluded any fraud under TILA. The court denied the motion to dismiss because if the information on the forms was false, the use of the forms would not provide immunity.

The court did, however, dismiss the plaintiffs' claim of misrepresentation of the service contract price as nonnegotiable because there was no other place to put the charges on the form, and the regulations expressly authorized the defendant to list the charges in the "License, Title, and Taxes" category.

Lefta also moved to dismiss the plaintiffs' claim under the CFA. Lefta claimed that overcharging a consumer did not violate the CFA and that its compliance with TILA precluded a finding of a violation of CFA. The court was not persuaded by Lefta's first argument because the plaintiffs claimed misrepresentation of price, not overcharging. The court went on to find that CFA may be broader than TILA, and compliance with Regulation Z does not necessarily ensure compliance with CFA. In this case, however, the plaintiffs' claim of a nonnegotiable term did not violate either TILA or CFA, and was therefore dismissed.

## PRE-EMPTION OF STATE BANKING LAW

***Smiley v. Citibank (South Dakota), N.A.*, 64 USLW 4399 (U.S. Supreme Court 1996)**

Smiley, a resident of California, had two credit cards that were issued by Citibank South Dakota, a national bank. Smiley alleged that the late-payment fees charged by Citibank, although legal under South Dakota law, violated California law. Citibank moved for judgment on the pleadings, claiming that Smiley's state law claims were pre-empted by a provision of the National Bank Act of 1864 that permits a national bank to charge its loan customers "interest at the rate allowed by the laws of the state...where the bank is located." 12 U.S.C.§ 85. The California Superior Court accepted Citibank's argument that credit card late-payment fees constitute "interest" for the purposes of §85, and the court granted Citibank's motion. The State Court of Appeals and State Supreme Court affirmed.

The National Banking Act authorizes a national bank to charge out-of-state credit card customers an interest rate allowed by the bank's home state, even when that rate is higher than the rate permitted by the cardholder's state. The question in this case is whether §85 also authorizes a national bank to charge late-payment fees that are lawful in the bank's home state but prohibited in the cardholder's state.

In determining whether the statutory term "interest" encompasses late-payment fees, the Supreme Court deferred to the judgment of the Comptroller of the Currency, the agency in charge of enforcing the nation's banking laws. On February 9, 1996, the Comptroller of the Currency found that the term "interest" as used in 12 U.S.C. §85 includes late fees. The unanimous Court found it irrelevant that (1) there was a 100-year delay between the enactment of §85 and the agency interpretation, and (2) the regulation was prompted by litigation. The Court went on to find that since payments that compensate the creditor for the extension of credit can be rationally distinguished from all other payments, the Comptroller's interpretation of the term "interest" was consistent with positions taken in the past, and the Comptroller's interpretation pre-empts state law.

The Court found that the Comptroller's interpretation of the regulation was rational because the term "interest" as used in 85 is not limited to payments which vary based on payment owed or length of delay in payment, nor does the term "interest" exclude charges imposed as penalties.

## PUNITIVE DAMAGES

***BMW of North America, Inc. v. Gore*, 116 S.Ct. 1589 (1996)**

Ira Gore purchased a BMW sports sedan for $40,750.88 from an authorized BMW dealer in Birmingham, Alabama. Gore drove the car for about nine months without noticing any flaws in the car's appearance. Gore then discovered that the car had been repainted due to damage in the course of manufacture or transportation. Gore brought suit against BMW of North America (BMW), the American distributor of BMW automobiles, alleging, among other things, that the failure to disclose that the car had been repainted constituted suppression of a material fact.

Alabama law states that suppression of a material fact which the party is under an obligation to communicate constitutes fraud. Ala.Code §6-5-102 (1993). During the course of Gore's lawsuit, BMW acknowledged that it followed a policy of not advising its dealers, and therefore their customers, of pre-delivery damage to new cars when the cost of repair was less than 3 percent of the car's suggested retail price. Since the $601.37 cost of repainting Gore's car was only about one and one half percent of the suggested retail price, BMW did not disclose the damage or repair to the Birmingham dealer. BMW argued that it was under no obligation to disclose repairs of minor damage to new cars and that Gore's car was as good as a car with the original factory finish.

Gore asserted that the value of his repainted car was approximately ten percent less than that of a new car that had not been damaged or repaired. Gore introduced evidence that since 1983 BMW has sold 983 refinished cars as new, including 14 in Alabama, without disclosing that the cars had been repainted before sale at a cost of more than $300 per vehicle. Using the actual damage estimate of $4,000 per vehicle, Gore argued that a punitive award of $4 million would provide an appropriate penalty for selling approximately 1,000 cars for more than they were worth. BMW argued that transactions in jurisdictions other than Alabama had no relevance to Gore's claim.

The jury awarded Gore $4,000 in compensatory damages and $4 million in punitive damages, based on the Alabama Circuit Court for Jefferson County's determination that the nondisclosure policy constituted "gross, oppressive or malicious" fraud. On appeal, the Alabama Supreme court rejected BMW's claim that the award exceeded the constitutionally permissible amount, but reduced the punitive damage award to $2 million. The Supreme Court of the United States granted certiorari to review the standard that identifies constitutionally excessive awards.

The Court reasoned that punitive damages violate due process only when they can fairly be categorized as "grossly excessive" in relation to the State's legitimate interests in punishing unlawful conduct and deterring its repetition. A state may not impose economic sanctions on violators of its laws with the intent of changing the tortfeasor's lawful conduct in other states. The Court said that Alabama may insist that BMW adhere to a particular disclosure policy in that state, but Alabama may not punish BMW for conduct that was lawful in the other states where it occurred, and that had no impact on Alabama or its residents.

The Court's decision was based on four factors. First, the Court reasoned that BMW should have received fair notice not only of the conduct that would subject it to punishment, but also of the severity of the penalty that a state may impose.

Second, the Court explained that exemplary damages imposed on BMW should reflect the enormity of its defense. The harm BMW inflicted on Gore was purely economic, had no effect on the car's performance, safety features, or appearance, and evinced no indifference to or reckless disregard for the health and safety of others. None of the aggravating factors associated with particularly reprehensible conduct was present.

Third, the Court considered the ratio of the punitive damage award to the actual harm inflicted on Gore. The $2 million award for Gore was 500 times the amount of his actual harm as determined by the jury, and there was no suggestion that Dr. Gore or any other BMW purchaser was threatened with any additional potential harm by BMW's nondisclosure policy.

And fourth, the Court compared the punitive damages award and the civil or criminal penalties that could be imposed for comparable misconduct. In this case the $2 million economic sanction imposed on BMW is substantially greater than the statutory fines available in Alabama and elsewhere for similar conduct. The sanction imposed in this case could not be justified on the ground that it was necessary to deter future misconduct without considering whether less drastic remedies could be expected to achieve that goal.

The Court held that BMW's conduct was not sufficiently egregious to justify the grossly excessive punitive sanction imposed against it.

Justices Scalia and Thomas dissented, reasoning that the Constitution does not make the "fairness" of punitive damages any business of the Supreme Court of the United States. Justice Ginsburg and Chief Justice Rehnquist dissented, reasoning that the Court ventured into a territory traditionally in the States' domain.

## ANTI-TRUST

***McCarthy v. Recordex Service, Inc.*, 80 F.3d 842, (3rd Cir. 1996)**

Mary Ruth McCarthy, Guy Colville, Edward Ormsby, Carmen Tomasetti, and Joseph Hoffman (plaintiffs) filed a three-count complaint against five hospitals and five copy-service companies. The complaint alleged violations of the Sherman Antitrust Act, 15 U.S.C. §§1 and 2 (count I); violations of the Racketeering, Influence, and Corrupt Organizations Act (RICO), 18 U.S.C. §§1962 and 1964 (count II); and violations of the civil rights laws, 42 U.S.C. §1983 (count III). The complaint and amended complaint sought, among other things, injunctive relief and money damages for plaintiffs' allegations that the hospital and the copy services conspired to charge excessive prices for photocopies of medical records requested by patients or former patients.

The plaintiffs originally requested their medical records because each plaintiff had retained either Matty & Ferroni, a New Jersey law firm, or Fell & Spalding, a Philadelphia firm, to file a personal injury or medical malpractice claim on his or her behalf, against parties unrelated to this case. Each plaintiff signed a medical consent form authorizing the appropriate hospital to release his or her medical records, and the plaintiff's attorney requested photocopies of the client's hospital records. The copy service company, in each case, billed the attorney directly at one dollar per page plus a retrieval fee, an "administrative" fee, and postage and handling fees.

The federal district court for the Eastern District of Pennsylvania dismissed the plaintiffs' civil rights claims (count III), and granted summary judgment to the defendants on the antitrust claims (count I), holding that plaintiffs lacked standing because they were not "direct purchasers" of hospital records within the meaning of *Illinois Brick Co. v. Illinois,* 431 U.S. 720 (1977). The Court then granted summary judgment to all defendants on the RICO claims (count II), on the theory that antitrust principles applied equally in the RICO context. Plaintiffs appealed to the United States Court of Appeals for the Third Circuit on counts I and II, arguing that they had standing as direct purchasers of the hospital records.

The Court of Appeals analyzed the Supreme Court definition of "direct purchasers" from *Illinois Brick,* which specified that only the purchaser immediately downstream from the alleged monopolist may bring an antitrust action.

Plaintiffs first argued that the direct purchaser rule no longer applies because of the five-part test employed by *Associated General Contractors v. California State Council of Carpenters,* 459 U.S. 519 (1983). The court disagreed, holding that *Associated General Contractors* neither overruled *Illinois Brick* nor limited its application. Nevertheless, the court reasoned that plaintiffs failed part of the test, particularly section (5) which considers the potential for duplicative recovery or complex apportionment of damages. If the defendants in this case were denied the protection of the "direct purchaser" rule, they could potentially be held liable by both the clients and the attorneys representing the clients. In addition, if the attorneys' costs are passed on at all to their clients, on a contingent basis, the federal district court would be faced with complex statistical calculations as to the percentage of photocopying costs borne by attorneys as compared to costs borne by their clients. Likewise, the Court would have to ascertain the degree to which contingent fees charged to successful plaintiffs includes a recoupment of photocopying costs not charged to losing plaintiffs

In their second argument the plaintiffs alleged that they, and not their lawyers, are the direct purchasers of the hospital record photocopies. The Court disagreed, reasoning that the lawyers purchased the photocopies for their own use in representing their clients. As independent contractors and not employees, the attorneys were direct purchasers who did not pass along the "direct purchaser" status to their clients.

In their third and fourth arguments plaintiffs asserted that the *Illinois Brick* case did not apply because they fall within the "co-conspirator" and "pre-existing cost-plus contract" exceptions to the "direct-purchaser" rule. Under the "co-conspirator" exception, indirect buyers have standing to bring an antitrust claim against defendants who are co-conspirators in a vertical antitrust conspiracy. The court rejected this argument, refusing to adopt such an exception where the alleged co-conspirators immediately upstream (plaintiffs' attorneys), were not also joined as codefendants. Under the "pre-existing cost-plus contract" exception, plaintiffs would be direct purchasers if they had a pre-existing agreement to purchase a fixed quantity of photocopies from the attorneys. The court rejected this argument, reasoning that plaintiffs failed to show the existence of a pre-existing agreement. In addition, they failed to demonstrate that they must pay the full cost of the copies since their liability for litigation costs is only contingent in nature.

Plaintiffs argued that even if they lack standing to recover damages, they may still seek injunctive relief under section 16 of the Clayton Act. The Act allows injunctive relief against threatened loss or damage by a violation of the antitrust laws. The Court reasoned that although plaintiffs need not satisfy *Illinois Brick's* "direct purchaser" requirement in order to seek injunctive relief, they must still show: (1) threatened loss or injury cognizable in equity; (2) proximately resulting from the alleged antitrust violation. Because the district court never considered whether plaintiffs would be entitled to injunctive relief, the issue of injunctive relief was remanded to the district court to undertake such an analysis.

Compiled by Stephen Meili
*Center for Public Representation*

with assistance of
Michelle Mann and Karla Zahorik
*University of Wisconsin Law School*

## AMERICAN COUNCIL ON CONSUMER INTERESTS

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

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

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

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

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

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

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

*Consumer Interests Annual.* The proceedings of the ACCI annual conference featuring the keynote and other invited addresses, research and position papers, and abstracts of poster sessions, workshops, and panel discussions.

For additional information contact: Anita Metzen, Executive Director, ACCI, 240 Stanley Hall, University of Missouri, Columbia, MO 65211

The Editors of *ACI* look forward to publishing your reactions to this issue and your suggestions for future issues in our "Letters to the Editors." Please send your communication by email to aci@macc.wisc.edu or by letter to *Advancing the Consumer Interest*, Department of Consumer Science, University of Wisconsin-Madison, 1300 Linden Drive, Madison, WI 53706-1575. We reserve the right to print all or part of such correspondence. Please include your full name, addresss, and phone number. Unsigned letters will not be published.

## ADVANCING THE CONSUMER INTEREST GUIDELINES FOR AUTHORS SUBMITTING ARTICLES

Refereed articles are double-blind reviewed. To expedite the review process, the authors should follow these guidelines.

1. Submissions should be accompanied by a cover letter stating that the material in the manuscript will not infringe upon any statutory copyright and that the paper will not be submitted elsewhere while under *ACI* review. (This review normally takes 6 to 12 weeks for refereed papers.) Cover letters should include author's complete address and telephone number.

2. Submit four copies of the manuscript. Articles typically are no more than 2500 words. Longer articles will be considered for review, though the author may be requested to shorten the paper upon acceptance and before publication.

   With the four manuscript copies, include one title page. This page should specify the author's title and affiliation and the title of the paper.

   Include a headnote not exceeding 75 words. This headnote is for the purpose of review only.

   All papers must be typed or letter-quality printed, double-spaced throughout (including quotations, notes, and references), with 1 1/4-inch margins. Each page of the typescript should be numbered consecutively, including notes and references.

   Each table, graph, figure, and chart should be comprehensible without references to the text and placed on a separate page included at the end of the manuscript. Omit all vertical lines. Use letters for footnotes to tables and asterisks for statistical significance.

3. All notes must be double-spaced and typed separately from the text (i.e., placed at the end of the typescript rather than as footnotes).

   To facilitate our double-blind review process, any reference in the manuscript to other work by the author should be referenced as Author.

   Reference style is as follows:

   Books:
   Leet, D. R. and Driggers, J. (1990). *Economic decisions for consumers* (2nd ed.). New York: Macmillan.

   Journal articles (notice inclusive pages):
   Peltzman, S. (1981). The effects of the FTC advertising regulation. *Journal of Law and Economics, 24*, 403-448.

   For other references see the *Publication Manual of the American Psychological Association* (4th ed.).

4. The processing fee for refereed submissions to *ACI* is $10. This covers postage, copying, and other handling costs associated with the review process.

5. Cover letter, manuscript, and processing fee should be sent to:

   *Advancing the Consumer Interest*
   Editorial Office
   Department of Consumer Science
   University of Wisconsin–Madison
   1300 Linden Drive
   Madison, WI 53706-1575
   USA

Advancing the Consumer Interest

Editorial Office
American Council on Consumer Interests
Department of Consumer Science
University of Wisconsin–Madison
1300 Linden Drive
Madison, WI 53706-1575
USA

Non-Profit Organization
U.S. Postage Paid
Middleton, WI
53562
Permit No. 2778

**ADDRESS CORRECTION REQUESTED**