

such problems, particularly among the educated people who are more prone to try alternative therapies (Robbins 1988; Segal 1987). But the problem of alternative or experimental therapies does not seem to be such a simple black and white issue.

Indeed, the Gay individuals making demands of the FDA (and the National Institutes of Health and other medical institutions, as well) are generally well educated, but in addition, they are doing their homework and making compelling cases for changes in the policies for the testing and application of AIDS therapies. Thus, FDA and other policy makers should understand and respect the nature of science as a socially constructed, cultural product with pluralistic approaches rather than as a rigid, monomethod technology. There may be a multitude of answers and solutions rather than only a few. This view entails a process of opening up the institutions of science to public scrutiny which will not be easy but which is necessary. As the Gay AIDS Movement has illustrated, many, if not all consumers, will demand it, particularly the better educated, more informed and more involved consumers.

It is not unlikely that future developments will include the creation of a consumer bill of rights with respect to both medicine and science which will spell out clearly the rights of consumers to share in policy formulation with respect to scientific decisions which impact on them. Along with this bill of rights, there would also need to be functional government-sanctioned regulation and organizational bodies which see to it that such consumer rights are upheld. Such rights need to extend beyond merely allowing consumers to speak out on proposed rules promulgated by FDA. For example, it may be that consumer and health care provider groups will be able to bring alternative therapies before the Office of Technology Assessment as has been already been done in some cases (Chowka 1987). Only with both stated rights and governmental access (along with adequate monetary and human resource allocation to health care) can many consumers, such as those in the Gay AIDS Movement, be satisfied that all is being done to promote their health and provide the best therapies, possible. Through gaining such access, consumers in general will continue the trend toward more involvement on their part in both their own health care and in health care policy-making.

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## ENHANCING MARKETPLACE LEVERAGE IN THE CONSUMER INTEREST

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Arbitration programs are one form of enhancing consumer leverage in the marketplace. Arbitration offers consumers an alternative form of redress when things go wrong in the marketplace.

Widdow's research is based upon an excellent data base and his findings provide useful contributions to the literature on arbitration. One particular value of the data is the findings on the relative degree of satisfaction-dissatisfaction of consumers participating in the arbitration process regarding certain aspects of the arbitration mechanism as they experienced it.

While it is important that we ascertain a relativity of satisfaction among key features of the arbitration mechanism, what also needs to be emphasized in this research is the large proportion of dissatisfaction. Approximately half of the respondents, as shown in his table 2, were "very dissatisfied." This stands in stark contrast to less than ten percent who were "very satisfied" with aspects of the mechanism. Presumably, there were lots of arbitration participants who were more generally "satisfied" and "dissatisfied," but the point is that using a Likert-type scale revealed that five times as many consumers felt strongly in a negative way (saying they were "very dissatisfied") about participating in a particular arbitration process rather than feeling "very positive."<sup>2</sup> This question may need further analysis.

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<sup>2</sup>It also can be noted that another study found that a minority of consumers who had gone through arbitration who had lost the decision were apt to retain their loyalty toward certain manufacturers but not dealers. See Nancy M. Porter and E. Thomas Garman, "Consumer Satisfaction With the Better Business Bureau of Western Virginia Auto Line Program," Proceedings of the Southeastern Regional Family Economics/Home Management Conference, February 2-4, 1989, pages 172-180.

<sup>3</sup>Recommended reading on the topic of economic ideology and interpretation of consumer issues can be found in E. Thomas Garman, Chapter 5, "Analyzing Today's Consumer Issues," Consumer Economic Issues in America, Boston, MA: Houghton Mifflin Company, 1990 (in press).

<sup>4</sup>"The consumer interest is concerned with securing, protecting, and asserting consumer rights in marketplace transactions in order that consumers receive an acceptable quality of goods and services at fair or low prices." Cited in E. Thomas Garman, "What is the Consumer Interest?", Chapter 1, Consumer Economic Issues in America, Boston, MA: Houghton Mifflin Company, 1990 (in press).

In a broader sense, while it is interesting today to learn more about those consumers who used the arbitration process I also wonder who among us, which researchers, are curious about the perceptions about arbitration held by non-users of arbitration systems? Does the average consumer know about the availability of arbitration? Do consumers perceive arbitration as a meaningful tool of redress or not? Interesting questions.

The Christner paper addresses a topic of crucial importance to consumer educators. She argues that an understanding the four major economic ideological viewpoints held by people shows that each perspective views differently the value of prepurchase information for consumers. I agree, although I wonder why we sometimes spend our time talking about the minority views of radical reformists when what those people really want to do is throw out the market system as we know it and that action is slightly less than realistic.

It is important to underscore that Christner briefly observes in her conclusion that "knowledge of these differences can render consumer advocates' attempts at policy formation and lobbying far more effective." This point can easily be illustrated by recalling the wisdom of the statement that "a lobbyist should know an opponent's arguments as well as his or her own because sometimes areas of commonality will be found where you can work together." What I would like us to focus on in the discussion is how important it is for students to learn about their own economic ideology values and attitudes.<sup>3</sup>

The Gould paper offers a discussion of the progress of a special group of consumers, those with AIDS. The Gay AIDS movement is a special-interest organization intent on challenging the status quo of the medical-government establishment so that the market system is more responsive to their particular medical needs. Gay people are consumers too, and the issue of reasonable prices is clearly in the consumer interest.<sup>4</sup> The galvanizing focus of people with AIDS helps bring refocused attention to the continuing need in the consumer movement to have consumers participate more fully and aggressively in various policy decisions of governments and corporations to be certain the interest of consumers is heard.

## SETTING THE RESEARCH AGENDA FOR THE GLOBAL VILLAGE

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As consumers live in more modern urbanized places, their satisfaction with their own consumption activities depends more and more on the consumption habits of their neighbors. Six major research issues are proposed that involve consumption externalities. They are: the Quantity and Quality of Food, Environmental Pollution, Investment in Human Capital, Limited Institutional Capacity, Income Disparities, and Illegal Drugs. Research questions relating to each issue are posed after a brief discussion of research design.

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The assignment for this forum is to think about and identify research topics relevant to the "Global Village" that affect the well-being of consumers. That is an awesome task. It requires eliminating a lot of good ideas. Having been involved in exercises to set research agendas before, I am painfully aware that it is relatively easy to find a large number of small ideas. Routine activities of scholars and researchers (including myself) leads them to want to test one more hypothesis, to retest an accepted theory, to apply their favorite estimating technique to a new set of data, to refine their favorite model or to update numbers in case behavior has changed in the past five years. All of these activities are the nuts and bolts of good research; they advance science and extend knowledge. But they all occur within relatively narrow fields of inquiry.

For this forum I will attempt to consider a relatively small number of big problems that are shared by consumers around the world. But first, a look at terminology. The phrase "global village" appears to be an oxymoron. "Global" relates to the entire world and to something that embraces virtually all considerations. "Village" is a settlement smaller than a town with a governmental unit. These seemingly incompatible terms may be used, however, as a way to think about all villages and neighborhoods of the world, each with its own set of consumers and unique set of preferences but tied together by common interests and problems relating to health, status and governance. The consumers of these villages are linked together by common air, water, defence mechanisms, religious and political beliefs, economics, and traded goods and services. The spillover effects of private trading and private consumption ultimately force individuals and small villages to consider their interdependencies with a broader community. As strongly as we may defend individual's rights, state's rights and national sovereignty, when the externalities from private consumption threaten our collective livelihood, global governance begins to look attractive. As the spaces between

villages shrink, literally and figuratively, village leaders simply must come to terms with some common rules for the game.

Thinking about villages of consumers as a collection of interdependent economic units as well as individual, sovereign utility maximizers allows me to split the role of consumers into two parts. 1) First and foremost consumers act in their own self interest, maximizing their utility by purchasing goods and services for private consumption. This is the consumer's role as defined in economics textbooks. Most of the past research about consumer issues and behavior has focused on this role. It is the role upon which "consumer rights" are based and the role that consumer education informs. To a large extent it is the role that consumer/citizens play when they purchase public goods and services with their tax dollars. 2) The second role of the consumer is that of being a citizen. Acting in one's own self interest takes on a different dimension when the "activity of consumption" itself becomes a public good (or bad). The positive or negative externalities of consumption (and production) are increasingly important as the world becomes more crowded, more interdependent and more engaged in international trade. It is at this juncture where private consumer's interests and the public interest overlap and where consumer's private choices begin to take account of the social costs of their own and their neighbors's consumption habits.

It is this second role of consumers, on which this forum will focus. Not because research on understanding consumer behavior and how to make markets fairer, more competitive, and responsive to consumer preferences has become unimportant. It is very important. Not because micro data and models do not produce useful results. They do. But because we already know how to do that kind of research and we know what most of those research questions are. And because we are challenged to explore those issues that seem to be important to the well being of large numbers of people in the world. We are challenged to learn more about how consumer's well-being is affected by involuntary consumption and how that affects their private choices. We are challenged to ask how research on public policy issues can help enlighten private and public policy makers who will determine the future well-being of many peoples.

### RESEARCH DESIGN

Before discussing some of the research issues that grow out of the consumer's role as a citizen, let us examine the position of consumer policy research in the larger scheme of research methodology. Most of us probably plunge into our data without thinking a lot about our philosophical orientation much less about how

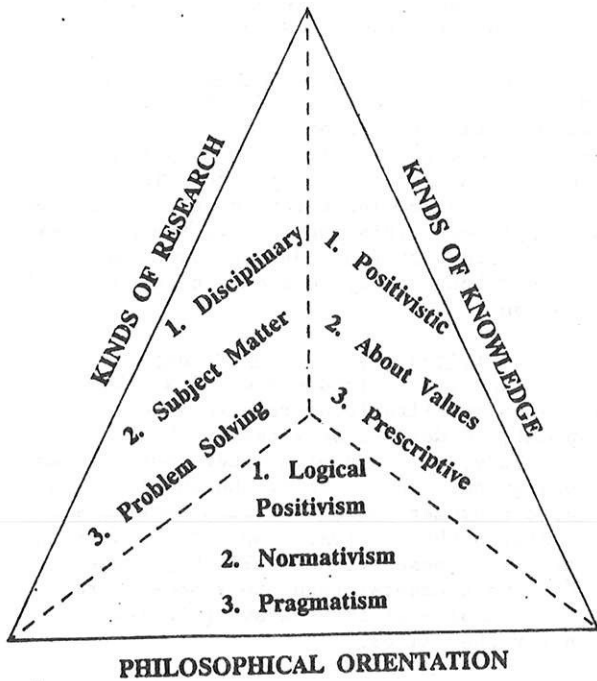
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that fits with the kind of knowledge we want to produce or the kind of research we are likely to conduct. Glenn Johnson (1986) from Michigan State University helps us put this in perspective.

Figure 1

FACETS OF RESEARCH



Source: G. Johnson, 1986.

The three major dimensions of every research activity are 1.) the philosophical orientation, 2.) the kind of knowledge and 3.) the kind of research. Their order of importance may be debatable, but they interact at all stages of research from setting the agenda to publishing the results.

One of three major types of philosophies that shape our research decisions is called logical positivism. This view treats emotions or values as mere figments of the imagination. Data is confined to that which can be experienced with the five senses. Since this philosophy acts as a constraint on research concerned with values--with the welfare and behavior of people--and on consumption economics, we may be happy to learn that it is on the wane in terms of its popularity. The second type of philosophical bent, normativism, deals with questions of right and wrong.<sup>1</sup> Normative philosophy prescribes what "ought to be done." The "Consumer Bill of Rights" for example, is distinctly normative and research that prescribes "what ought to be done"

<sup>1</sup> It is important to distinguish here, between knowledge about values (right and wrong) and knowledge about good and bad, which may be positivistic.

to further its goals is generated by normative philosophy.<sup>2</sup>

Figure 2

THE 8 CONSUMER RIGHTS

- 1 BASIC NEEDS**  
The right to basic goods and services which guarantee survival: adequate food, clothing, shelter, health care, education and sanitation.
- 2 SAFETY**  
The right to be protected against the marketing of goods or the provision of services that are hazardous to health and life.
- 3 INFORMATION**  
The right to be protected against dishonest or misleading advertising or labelling. And the right to be given the facts and information needed to make an informed choice.
- 4 CHOICE**  
The right to choose products and services at competitive prices with an assurance of satisfactory quality.
- 5 REPRESENTATION**  
The right to express consumer interests in the making and execution of government policy.
- 6 REDRESS**  
The right to be compensated for misrepresentation, shoddy goods or unsatisfactory services.
- 7 CONSUMER EDUCATION**  
The right to acquire the knowledge and skills necessary to be an informed consumer.
- 8 HEALTHY ENVIRONMENT**  
The right to live and work in an environment which is neither threatening nor dangerous and which permits a life of dignity and well-being.

Source: Consumer Currents, March 1989.

The third philosophy is pragmatism. This view insists that there is an interdependence between knowledge gained by positivistic, value-free inquiry (for example the supply and demand elasticities of rice in a developing country) and the values implied in the normative use of that knowledge (for example prescribing a government policy to raise the price of rice). The criteria used by the pragmatist to judge the truth or falsity of empirical results depends on whether or not they "work." The truth of beliefs depends on the consequences of acting on them. If the outcome of the raising the price of rice caused the "right" actions to be taken (in this case an increase in the supply of rice), then it would be considered the correct result. This type of philosophy can also be seen in the attitude that says "if it isn't broke, don't fix it." A pragmatist is not likely to conduct research on an issue that is not perceived to be a problem since results calling for a change would contradict the observation that the status quo is already working.

<sup>2</sup> The Consumer Bill of Rights declared by former United States President Kennedy and expanded by former President Nixon, included the rights to Safety, Information, Choice, Voice (Representation and Redress), and Environmental Safety. Consumer Education was added informally as an extension of the right to information. Basic Needs was added by governments of third world countries.

Those of us interested in consumer research carry a mixture of all these philosophies, but I suggest that we are largely normativist. We want our research to help improve the welfare of consumers. We are, therefore, also pragmatists. We want to do the kind of research that influences decision makers (private and public) to make the "right decisions."

What kind of research is that? Of the three kinds of research depicted by Johnson(1986) it is largely that of "problem solving" but in the context of specific "subject matter." Consumer research is usually subject oriented--subjects like consumer credit or food safety. Subject matter research is usually multidisciplinary in nature. It is designed to influence a number of decision makers facing a variety of practical problems. For example food can be made more safe by appropriate actions on the part of consumers or producers or government agencies or all of the above. It involves research in disciplines from chemistry to economics to political science as it tries to solve a problem. "Disciplinary" research is concerned with developing or improving theories, quantitative techniques, or measuring basic phenomena. It is not concerned with practical applications. It has the highest respect in academic circles, and it is an important input into subject matter and problem solving research. The latter is by far the most complex. It requires employing all types of knowledge.

In order to set an agenda for research for the global village, acknowledging its interdependencies, will certainly involve using all kinds of knowledge and all kinds of research. For purposes of this discussion, however, let us adopt the normative philosophy, think in terms of subject matter and problem solving research, and aim to provide the type of knowledge that is useful for prescribing courses of action.

#### MAJOR CONSUMER PROBLEMS: AN AGENDA

Problem solving research begins by asking "what are the problems that need solutions?" Many problems for worldwide consumers today involve international interdependencies. Major new problems are rising on the agenda even as old ones remain. Which are most important will vary by country and culture but there are at least six major issues that impinge on consumers' well-being around the world.

One, is the continuing problem of an adequate quantity of food especially for those in the lowest income countries. In the middle and upper income countries the issue is adequate quality of food as concerns about safety, nutrition and health ratchet upwards.

Two, is the battle to save the planet earth and our environment as we have known it. Pollution of air, soil, and water is so pervasive that consumers of all income levels in all nations are affected one way or another. Consumers have a split personality when it comes to this issue because the solutions may involve giving up some

of the old ways of private consumption. It may involve a decrease in the "standard of consumption" as we know it in the Western world. It may even question some of our individual rights. At best it appears that some of our most convenient products will disappear. On the other hand, we are well aware that a large and growing part of the earth's water supply is unsafe to drink, that the nature of our air and atmosphere is changing for the worse, and that we are producing tons and tons of garbage (toxic and otherwise) that we cannot destroy.

Three is the underinvestment in human capital including "consumer capital" (Kerton, 1981 ). The two most important aspects of this are: 1) universal education to a level of competent literacy and numeracy and 2) progress in improving health and longevity, especially in low income countries. This encompasses the problems associated with vast (un)underemployment and consumer's vulnerability to economic or political exploitation.

Four is the limited institutional capacity in many lower and middle income countries. The inability to mobilize local resources for development, to deliver services and build infrastructure, to trade with other countries and earn foreign currency inhibits the supply of the most basic consumer needs. It also continues to foster markets where "caveat emptor" prevails and consumers are exposed to unusually hazardous products. Governmental regulatory powers are either absent or exploitive leaving individuals to fend for themselves.

Five is an apparent growing disparity in income and other resources between the haves and the have nots both intra and inter country. This includes such issues as the "homeless" in United States as well as the variation in standards of product safety and quality between the West and lower income countries.

Six is the international problem of illegal drug production, transport, sale and use. This is a consumer/citizen problem that vastly diminishes the resources of consumers whether they consume the drugs directly or not. The tax dollars spent on related crimes, the insurance premiums to cover theft and the loss of productive human time is an untold drain on resources and productivity. On the other side, it is a source of income to many consumers in the producing countries. How the benefits of this income are distributed across the population is unknown. How the activity corrupts bureaucracies and exploits farm households is largely undocumented.

#### RESEARCH QUESTIONS: AN AGENDA

Having identified six consumer problems with global ramifications and with public goods dimensions the task now turns to identifying the type of knowledge that research can generate. What is it that we want to know about the interactions of individual consumer's choices and their long term welfare and the welfare of their neighbors? How does the behavior of consumers in

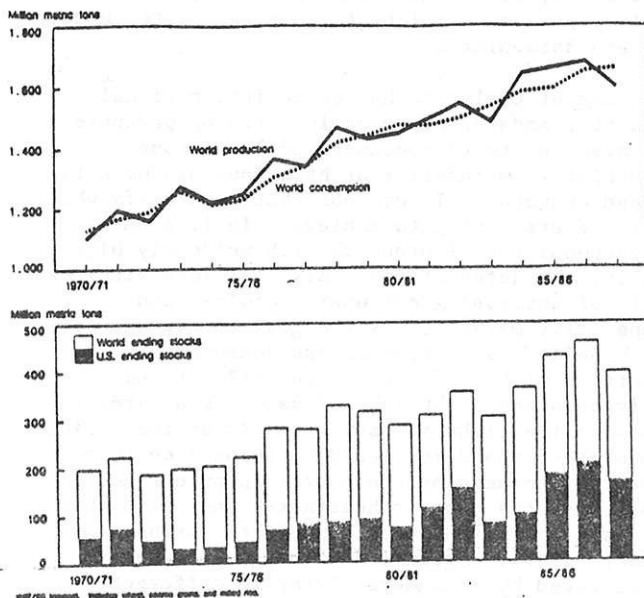
the aggregate affect their collective well-being? How does one design and implement public policy to provide incentives for individual consumers to bear their share of the cost of negative externalities? How does one balance individual's freedom of choice and consumer rights with the collective well-being of all consumers? Every researcher working with their own disciplinary tools will have some knowledge to contribute. The puzzle will have to be solved piece by piece, keeping in mind the overall picture. For each of the six problems identified above, some parts of the picture will be explored and some research questions will be suggested. The reader is challenged to ask, "What can I do in my research program to add to the knowledge needed by decision makers to make public policy that works towards improving the long run well-being of consumers?"

### Quantity and Quality of Food

The problem of having enough food to feed the hungry of the world is anything but new. New methods of solving it are, however, in need of discovery. It is well known that the world as a whole produces more than enough food. Figure 3 illustrates that the world's production and consumption of grains and the amount left over remains positive. For example, even with the drought of 1987/88, close to 400 million tons of grain remained in reserve.

Figure 3

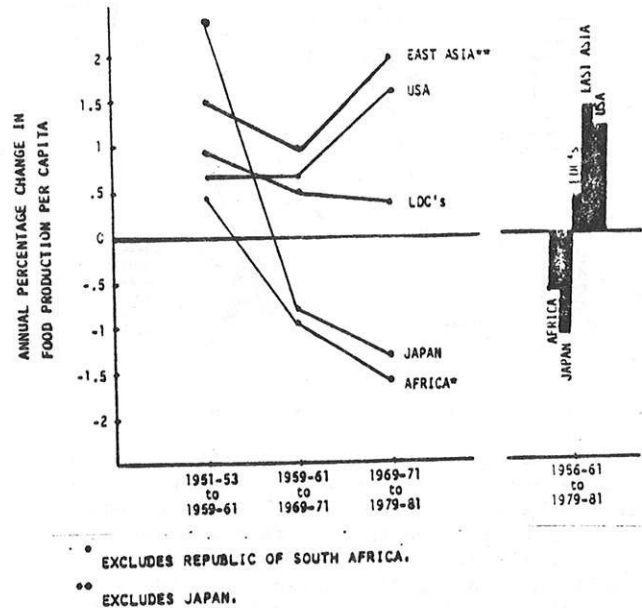
World Grain Production, Consumption, and Ending Stocks



Source: 1988 Agricultural Chartbook, USDA Handbook No. 673, p. 13.

The problem is one of distribution. The source of production must be closer to the place of consumption. Figure 4 shows that the per capita production of food has fallen in Africa and other LDC's since 1951. Increases elsewhere cannot meet these needs.

Figure 4  
PER CAPITA FOOD PRODUCTION



\* EXCLUDES REPUBLIC OF SOUTH AFRICA.

\*\* EXCLUDES JAPAN.

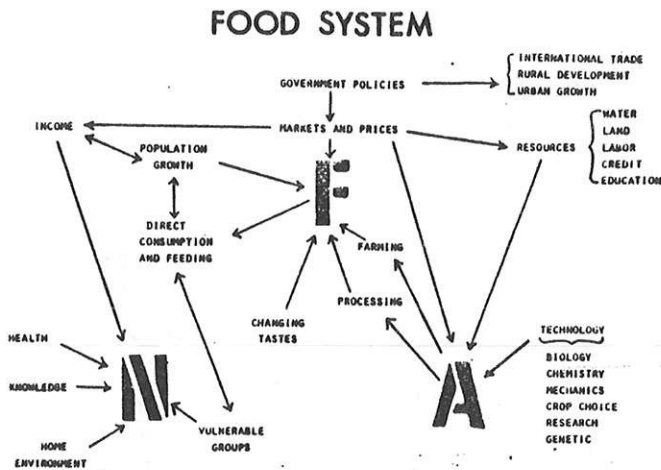
SOURCE: Fox, Glenn and Vernon W. Ruttan, "A Guide to Some Projections of LDC Food Security Toward the End of the Twentieth Century," working Paper, Hubert Humphrey Institute of Public Affairs, University of Minnesota, September 1983, p. 6.

The big question is how to increase agricultural production 3-5% per year over the next quarter century in the poorest countries? The traditional way, by increasing the amount of land used, will not work. Limited water or increasing salinity of soils limits further irrigation of arid land. Furthermore, the contamination of ground water from plant nutrients and pesticides and other environmental concerns decreases the ability to increase agricultural production by using chemicals to increase yields. Sometimes the problem is more political than physical. For instance, the starving of the Sudanese and Ethiopians has more to do with internal wars than anything else.

Most of us in the social sciences may think we have little to contribute to solving these problems. But if we look at the total food system as outlined in Figure 5, we see many pieces that belong squarely in our fields of expertise.

The human nutrition and consumer side of the issues we can handle. One part of the starvation equation is population growth and a lack of human capital. Here, possible research questions include: What are the incentives most likely to slow down population growth? Who performs what tasks in a given society and how can they become more productive? What is the best way to deliver health care and improve longevity? What are the resources these consumers have to work with and

Figure 5



Adapted from Timmer, Falcon & Pearson.

what are some of the simple things that can make their life easier? If there is a reasonably stable and benevolent government in place, what sorts of incentives do they (both the leadership and the bureaucrats) need to ensure consumers some modicum of protection against hazardous conditions? What incentives and help (economic or social) do farm households need to increase food production? Does direct food aid help the hungry? Does it help or hinder the development of local food production? A plethora of household survey data exists from various low income countries. Most of it resides in the Food and Agriculture Organization (FAO) of the United Nations; much of it can be accessed somehow. It provides a wealth of data on which to conduct research that may yield some knowledge that will help solve these problems.

The problems of food quality are more pervasive. They exist on different levels in every country of the world. In the United States for example, food quality includes aesthetics and status as well as ingredients and nutrition that may alter our health and longevity (sodium, cholesterol, saturated fats). It also includes the presence of potentially harmful additives and residues that may be carcinogenic. And, we are still facing the old dangers of microbiological contaminants like salmonella. Our demands for consumer protection and information regarding the safety and quality of our food are ratcheting up with every daily newscast. We desperately need research on the objective relative risks of the various "hazards" and how to articulate those risks in a way that consumers can understand. We need benefit/risk and benefit/cost analyses that help us and our governments decide which risks to downgrade first and at what cost. The U.S. consumer is in danger of demanding lower quality produce in a panic over low risk carcinogens while indiscriminately consuming contaminated poultry and saturated fats. This year congress has renewed interest in mandatory nutritional labeling and we still do not know the most effective way to do that. Some of the data and

methodologies needed for this research lies in food science and chemistry, nutrition and epidemiology. Some of it lies in surveys about food consumption. Some of it lies in our ability to assess the value of lost life years and lost time in work and leisure. Some of it lies in our conducting original surveys to learn consumer attitudes and willingness to pay for particular food characteristics.

Concern with food and other product's quality and safety and its variability across national borders has caused it to enter into current international trade negotiations, specifically in the General Agreement on Tariffs and Trade (GATT) and between the U.S. and Canada. One attempt to deal with these evolving standards is the European Community's (EC) efforts to harmonize its product standards by 1992. It is only a matter of time before the United States and Canada and the EC will join in this effort. There is some fear that harmonization of standards will be used to protect those producers of high quality products preventing trade in other products. Simultaneously, there is a fear that the harmonized standards will gravitate to the lowest common denominator. Whose standards will be adopted is a critical question; there is some evidence that they are generally being set at higher than average levels. Whatever harmonized standards the EC and North America eventually agree upon will undoubtedly be higher than those that most low income countries can afford. The question of who will trade what with the third world remains. The "standards gap" will surely widen and the market for lower quality products will be further segregated under Western harmonization.

The task of trying to harmonize international product standards among active trading partners and also "protect" consumers in low income countries from inferior or hazardous products is indeed enormous. It demands that we clarify what it is we are trying to achieve. Is it a more homogeneous set of products with uniformly higher quality characteristics? This conflicts with the goals of increasing consumer's choices and competitive markets. Is the goal to average out the benefit/risk ratios across consumers in countries with different resources? If one designed a set of health and safety standards to equalize the risks across consumers of the world, the highest standards would be imposed on those products consumed by the poorest people since those with the poorest health are the least able to resist harm from unsafe products (Graham and Reader, 1979). Again identifying the relative risks faced by consumers living in different environments is critical.

Determining how to best reduce those risks involves looking at more than the obvious hazard. It may involve improving health through a variety of means or improving education and literacy so that "informed consent" can operate. It also involves learning about the institutional framework for protecting consumers and what the rules of the game are in various countries.



The Western world stands accused of exporting hazardous foods and drugs to the third world; it is also exporting its hazardous garbage.

Consumer Currents (September, 1988) referred to this as "Toxic Terrorism" a term that may be a bit strong, but it highlights the extremes between the safety standards in the wealthy and the poor nations. The poor sell us space in which to dump our waste materials. It brings them foreign currency that can be used for building local infrastructure and advancing development. It is economics; it is aethical. Or is it? Who is gaining what by this trade and who is exploiting whom? Do we have a long run self interest to protect in this issue? Will storing toxic or nuclear waste in these parts of the world, where proper containment is unlikely, eventually release it into our common atmosphere, water and food chain? This issue leads directly into the second major problem, that of the environment and universal problems of pollution.

#### Environment and Consumption

From the beginning it must be acknowledged that the environmental impacts of consumption patterns, as well as the spill over effects from consumer's individual private choices, are trivial compared to the pollution produced by the production sectors and by macro level forces such as new technology and the drive for economic efficiency. In the aggregate, however, consumers do purchase the final products and vote with their dollars for the product characteristics that please them most. We (economists) identify consumers behavior as being driven by utility maximization which is achieved by consuming as many goods as their budget will allow. They act solely in their own self interest which generally precludes volunteering to pay for anything that they can obtain for "free" i.e., air or water or a variety of public goods. Though technically possible, the utility maximizing paradigm does not generally deal with disutility. Yet, individual and aggregate consumption yields a mix of satisfaction and dissatisfaction. And, in a more crowded, urbanized and modern world the satisfaction of individual needs becomes more dependent on other people's behavior. The negative externalities of consumption tend to congregate and impose themselves upon large groups of people. When this happens, there arises a demand for "collective means" to secure individual's satisfaction. How can this be done? How can individual consumers be enticed into changing their consumption patterns in the interest of improving the well-being of the whole? The typical answer to treating production externalities is to incorporate them into the price of the product so that consumers (or producers) include the social costs of the externality in their evaluation of its worth. This usually involves government policy to impose taxes or subsidies. We do it now by taxing cigarettes, alcohol and gasoline. We subsidize public transportation. But the effect of such a tax/subsidy is spread so thinly over so many consumers that it changes their individual budgets very little. It is not likely to be very

effective in changing consumption patterns. What else might work? Using education and information to try and change preferences through moral suasion is always suggested and notoriously ineffective. Changing property rights has been used effectively to change behavior in some instances, the most well known of which is the right to smoke. When the institutions (rules of the game) assigned the right to use the air to the nonsmoker, the costs of smoking increased; social pressure reinforced the new entitlement.

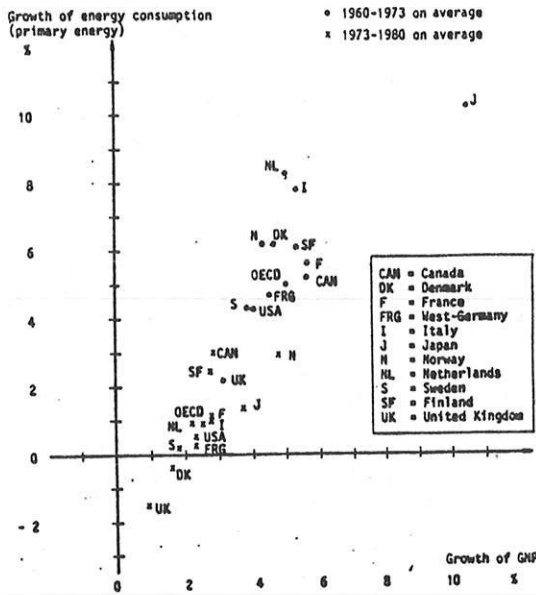
Clean air, like many other "free goods" in this world has been considered common property. As such it is overused because no one pays directly for its use. Furthermore, it is very hard to assess the correct proportion of the cost to any individual user. Some of the research questions that arise in this context have to do with creating markets for the externalities. In other words, how do you assess the cost of the externality to the proper party so that the right result is forthcoming? How do we incorporate other aspects of life's pleasures into the calculus of consumer satisfaction e.g., the use of leisure time, the availability of option goods, the cleanliness of the air and water and safety of food? How do we account for the interdependencies of choices and cultural and social norms in our benefit/cost analyses?

The research in this area to date has used household expenditure and time allocation survey data and has focused on aggregate consumer trends and their correlation with increased pollution and wastes. The trend of "modernism" (the use of processed verses home produced goods), the trend of "enrichment" (the purchase of a large variety of material goods and cultural and recreation services) and the trend of "intensive automobile use" has been correlated with the amount of waste and energy consumed in various Western societies (Uusitalo, 1986). Figure 6 illustrates the relationship found between the rate of growth in OECD countries and the rate of growth in energy consumption. (About 35-45% of all energy is used by households.) There is a positive correlation, even in the era of expensive oil prices (1973-1980).

The striking thing is that rapid increases in aggregate income are accompanied by rapid increases in the use of energy. The message that comes through is that richer counties, those with the highest level of consumption, use the most energy and also produce the most pollution. This should not come as a big surprise, but it poses nothing short of the famous "prisoner's dilemma" for individual consumers. Unless everyone acts in concert to change the polluting activities (and knows that everyone else will cooperate) no one individual has any incentive to do so. The question is what kind and how much government regulation will consumers subject themselves to in their own long term interest? How can we learn consumers preferences for this? What are they willing to pay to save common property for the common good and for their own enjoyment?

Figure 6

Relationship between energy consumption and economic growth in some OECD-countries during the years 1960-73 and 1973-80



Sources: OECD (1980) National Accounts of OECD Countries 1960-1978, Vol. I, Paris.  
 OECD (1982) Economic Outlook, Historical Statistics 1960-1980, Paris.

Uusitalo, Liisa, Environmental Impacts of Consumption Patterns, 1986, p. 107.

### Human Capital

Human capital refers to the durable stock of knowledge, skills, and health that are embodied in individual consumers. In all countries, but especially in developing, low income countries, the need to invest in good nutrition and good health is paramount. This issue is tied closely to the need for adequate food and agricultural development. How can we measure the actual and perceived payoffs to education in various cultures? What is the relationship between health and the acquisition of skills and income? What is the relationship between child and/or adult nutrition, health and lifetime earnings? How does education affect the employment opportunities in different cultures?

Is there a pending global health crisis? We now seem to have less concern about adequate calories per capita, or nutrition as infant mortality and fertility have improved moderately. Infectious diseases have been reduced, but less progress has been made against parasitic diseases. Malaria control is less certain than it once was. The emerging problems of AIDS has high priority; unhealthy effects of agricultural and industrial pollution lurk on the horizon. There are many research challenges here in the examination of clashes between short run private choices and the long run ability to maintain those choices.

### Institutional Capacity

It is well known that many lower income countries lack stable governments and institutions that foster development. There is often no infrastructure of rules that allows government agencies to perform the most rudimentary protective functions like food inspection, labeling or distribution. This again relates back to the problems of quantity and quality of food. But it also relates to the ability to structure markets in such a way that they have credibility. There is a need to identify the most basic elements that need to be "standardized" across a nation like grades and standards for common foods, like appropriate weights and measures, like minimum-standards of safety and quality. There is a need to identify some way to build incentive systems into the bureaucracy so that government officials take seriously the job of protecting consumer's and the public's interest.

Consumer organizations have organized worldwide boycotts to try and improve the safety of food in low income countries. Figure 7 shows a chronology of such activities against the Nestle Company.

Figure 7

### Consumer Boycotts

BOYCOTT CHRONOLOGY 1977-1988	
1977	Start of first Nestle Boycott
1979	WHO/UNICEF Meeting on Infant Feeding
1981	Adoption of WHO/UNICEF Int'l Code of Marketing of Breastmilk Substitutes
1984	End of first Nestle boycott with pledge by Nestle to abide by WHO/UNICEF decision on free/subsidised 'supplies'
1985	WHO Experts meeting on 'supplies'
1986	WHO Resolution, based on Experts' report, bans all free 'supplies' to maternity hospitals
1988	IBFAN monitoring shows continuation of 'supplies' by several companies
Jul:	Ultimatum delivered to Nestle and Wyeth, a subsidiary of American Home Products.
Oct:	Second Nestle Boycott and consumer campaigns against other companies.
* 'Supplies': free or low-price quantities of baby milk to hospitals and clinics. (377/88)	

Source: Consumer Currents, October/November 1988.

There has developed a body of "soft law" comprised of the United Nations' International Code of Consumer Safety (1985), the Codex Alimentarius Code of Ethics for International Trade in Food (1979) and FAO's International Code of Conduct on the Distribution and Use of Pesticides (1985). We are wont to cite violations of the codes and we cling to them with

a great deal of hope, but do we know what their impact has been or is likely to be? The Codex Alimentarius is, I understand, being heavily used as a reference for the EC harmonization efforts. As such, it has a good chance of being quite widely followed. Research on the effectiveness of such codes and Nongovernmental Organizations' activities and boycotts, relative to other means of securing safety and quality, is needed. In another paper (Kinsey, 1988, p. 410), I suggested that a change in the entitlement between international sellers and consumers would change the "hard law" and redistribute the risks of unsafe or low quality products. Research could estimate how much internalizing of transaction costs would change the profits to sellers. How much would it cost local governments to enforce new entitlement and what incentives would they need to do so? Further, documenting the level of risk faced by third world consumers of unsafe products is needed. How do these risks objectively compare with the other risks they face? How does one assess the benefits of decreasing food and product risk in a low wage and largely subsistence economy?

#### Disparate Income Distribution

There seems to be an increasing rift between the wealthy in the West and the poor in developing countries and technological advances make it increasingly difficult to close the gap. Within the U.S., the distribution of income is less equal than it was 10 years ago, though the statistics are less impressive than casual observation. The juxtaposition of streets crowded with BMW's between sidewalks crowded with homeless folk makes one pause and wonder. Whether the middle income group is diminishing in the U.S. or not and if so, how this affects the standards of consumption, is a subject of much debate and analysis. What is readily documented is a slowdown in the rate of growth in incomes for the vast majority of Americans in the last decade (Levy, 1989, pp. 113,124). Do we understand the effect of slow growing incomes on investments in human capital, on working patterns, on the perceptions of relative income and on actual consumption patterns? How will this affect consumer's willingness to share the social costs of their own consumption habits? How will it affect their attitudes towards taxes that serve to redistribute resources?

Redistributing income is a function of government and a delicate balancing act. Do consumers as taxpayers prefer "budget transparency" or are they happier with hidden transfers? One example is the current debate about government subsidies to farmers. Traditionally, these transfers have come out of general revenue as part of the overall congressional budget or off-budget expenditures in the name of food security. A more transparent way to transfer money from consumers to farmers would be to tax food purchases directly. This method is more regressive than using general tax dollars, but it is also more readily identifiable by consumers.

Research on the incidence of the costs and benefits of various taxes and government programs can be useful for designing policy in consumers' interest. We are concerned with the amount of money that leaks out of the bucket that carries funds from the affluent to the poor. Research on how big the leaks are and where they do occur could be helpful. Generally, the more tightly targeted and controlled the program benefits are, the more that leaks into administrative costs. The less well-targeted the program, the more that leaks out to marginally qualified people. But, the bucket will leak--which do consumers prefer?

Though equal income distribution is a national economic goal, no one really wants to reach it. But there is some optimal range where, in the aggregate, consumption and savings balance out to push up per capita incomes, leaving us all better off. What is that range? Does it vary by stage of development?

#### Illegal Drugs

Numerous countries export high value drugs that are illegal in the country of import. This goes on around the world, has forever, and has provided the producers and sellers with good incomes. What are reasonable substitutes for this income source? How evenly is the drug income distributed across the consumers in the exporting country? How important is it to their GNP? How much has it corrupted the governments of the producing countries? What proxy variables can we use to measure some of these effects?

On the demand side, what does the import of these drugs cost in terms of law enforcement, loss in productivity for users, debilitating diseases and poor health. What are the perceived and actual benefits for the millions of (unidentified) casual users? How might we measure this?

Several attempts have been made to estimate the magnitude of the "Underground Economy" in the U.S. and the EC. One such guesstimate shows that the total personal disposable income on a cash basis in the subterranean economy in the U.S. averaged about 5.6 % per year during the seventies based on the National Income and Product Accounts (O'Leary, 1988). This percentage peaked in 1984 at 20.2% and fell to about 5% in 1987. Other estimates have shown that unreported income from drugs alone to be 36% of unreported income from all illegal sources but only 12% of all unreported income (Business Week, 4/5/82). The percent of GDP attributable to the underground economy in the EC and the U.S. ranged from 30% in Italy to 5% in the U.S. in 1978-80 according to The Economist (1987). Clearly gathering data on this topic is problematic. That doesn't mean it doesn't have important sources of costs and benefits of many consumers. We need to find better ways to identify these if we are ever going to design effective policies to deal with this world wide problem.

One possibility is to seriously investigate the ramifications of legalizing those drugs now

traded illegally. Several courts in the U.S. have ruled that tobacco companies may be held liable for health problems or deaths caused by smoking cigarettes even when the packages displayed warning labels. What might happen, for instance, if similar standards were applied to the sale of all addictive (but legalized) substances? This may be considered a flight of fancy, but one worth considering.

#### CONCLUSIONS

The research issues identified herein deal with consumers as citizens of the world. While they are acting in their own self interest as consumers, they are both the recipients and perpetrators of large spill over effects. The research agenda herein makes a few suggestions for identifying those spill over effects and figuring out how to pay for them. The research questions are meant to be mere suggestions of much broader and deeper sets of questions that could be studied under each of the agenda items. The challenge is for each researcher to identify the niche that they can address and to direct their efforts towards helping to solve these global consumer problems.

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COMPUTER-ASSISTED INSTRUCTION: TEACHING STRATEGIES  
FOR CONSUMER EDUCATION AND PERSONAL FINANCE SOFTWARE

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Consumer education and personal financial planning software come in a variety of formats ranging from automated study guides to integrated financial planning packages consisting of many personal recordkeeping and decision-making routines. Each of these programs can be adapted to class settings in an effort to add skills and insight to the learning and decision-making ability of students.

INTRODUCTION

Consumer educators and instructors in the areas of personal financial planning and consumer economics want to include and expand computer-assisted instruction in their teaching situations. While the initial effort may be time consuming, various sources of software and experiences of others can help to make effective use of this instructional strategy.

TYPES OF SOFTWARE

Available personal computer programs for use in consumer education/personal finance courses may be categorized as follows:

- interactive study guide/case applications--designed to test course content and to assess a student's ability to apply consumer and personal finance concepts in hypothetical situations.
- spreadsheet templates, designed to be used with such programs as Lotus 1-2-3 and VP-Planner--these worksheets may be in one of three formats: (a) templates which are ready to use and require students to enter data; (b) templates which are partially complete and require that students insert a formula in effort to get students to understand the relationship of the calculations being done; (c) student created templates in which students must develop the entire worksheet, giving students the experience of thinking through the entire quantitative process.
- integrated financial planning packages--these include a variety of financial planning routines such as recordkeeping, tax calculations, consumer credit calculations, home inventory, and investment analysis.
- single topic financial planning packages--consisting of a specialized aspect of personal finance such as a mortgage calculations or retirement planning.

Information related to existing and new software may be obtained in such publication as PC, PC World, Personal Computing, PC Resource, and Home Office Computing as well as the ACCI Newsletter.

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SOFTWARE INSTRUCTIONAL APPROACHES

Methods which could be used to integrate consumer education/personal finance software into class situations include the following:

- course content check--using software as a method of programmed learning or to administer quizzes or exams with the use on computer software to record and score student responses.
- application exercises/interactive cases--which requires students to make decisions based on applications of course concepts.
- simulated financial planning decisions--actual or teacher-created situations are used, and students must select, enter, calculate, and analyze the appropriate data for such decisions as renting vs. buying one's housing, selection of a credit plan, and determining the amount of life insurance a family or individual should have. These decisions should include both economic (quantitative) factors which are handled by the software, and non-economic (qualitative) factors which students would consider through discussion and written narrative reports.
- personal applications--class exercises, especially in adult and community education programs, may involve a person's own financial situation; creating personal financial statements, developing a budget, and calculating taxes may be combined with goal setting and analysis of various investment alternatives.

FOR FURTHER INFORMATION

A listing of consumer education/personal finance software (with source, cost, and a brief description) is available from the author, along with a comprehensive financial planning project; contact Les Dlabay, Dept. of Economics and Business, Lake Forest College, Lake Forest, IL 60045.

## USING SPREADSHEETS FOR STUDENT PROJECTS ON INFORMATION SEARCH

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Roger Swagler (1979, p. 91) illustrates the concept of the optimal quantity of information with an example of refrigerator shopping. Consumer economics courses cover the economics of information (Eastwood 1985) and projects may be assigned on such topics. Use of spreadsheet templates can result in less time consuming projects and good quality graphical output which can be shared with others. Stigler (1961) developed a simple model for the economics of information, based on the assumption that only price mattered, that each store had one model, and that a consumer knew the essential parameters of the price distribution (e.g., mean and standard deviation for a normal distribution) but not which store had which price. Stigler also assumed that the consumer would determine the number of stores at which to shop before starting shopping. An empirical analysis of shopping for refrigerators using Stigler's model showed that random shopping would not produce large expected benefits even with a large price range (Jung 1979.) Although a sequential strategy would be more efficient (Hey 1979), Stigler's assumption of a predetermined number of stores can give one a rough idea of the "optimal amount of ignorance," and may also be realistic for those who must take time off from work, arrange for a babysitter, etc.

Based on the assumption of a normal distribution of prices, a spreadsheet template was developed in which a student could enter prices of models, the time needed to shop at each store, the hourly value of time (e.g., aftertax wage rate,) and any other search costs (e.g., telephone tolls, transportation.) The computer will calculate the expected lowest price for

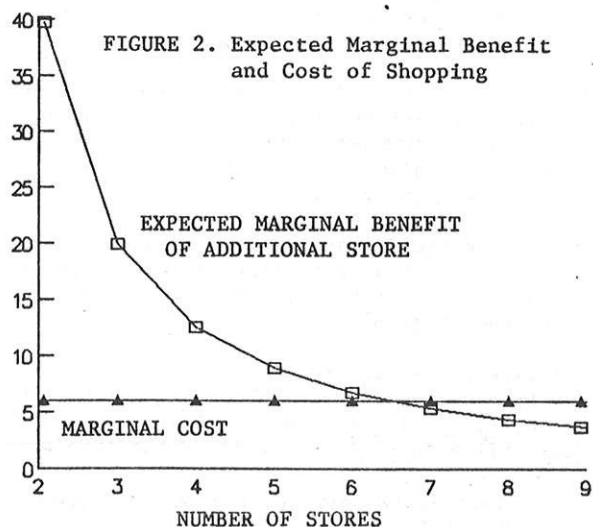
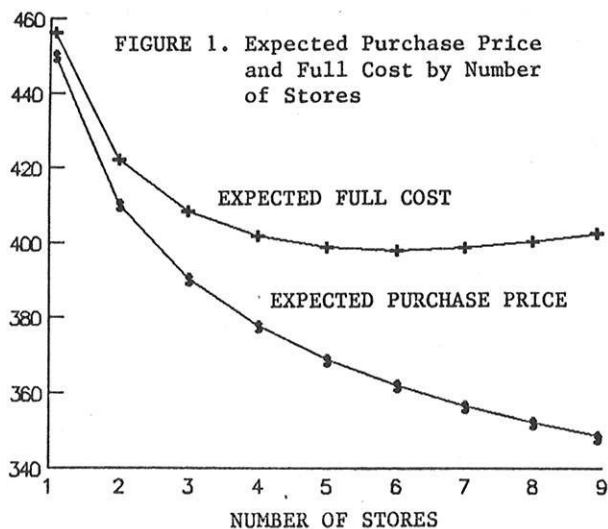
each number of stores and the expected full cost (expected purchase price plus search cost) by number of stores (Figure 1.) Given Stigler's assumptions, a consumer should plan to shop at the number of stores corresponding to the minimum expected full cost. To illustrate an alternative method, the computer also calculates the expected marginal benefit (decrease in expected purchase price) which can be compared to the search cost per store (Figure 2.) The computer will produce each type of graph shown at the bottom of the page. This type of exercise can be used to generate a variety of discussion topics, including the validity of Stigler's assumptions, the idea of rational ignorance, and the benefit of price advertising.

The spreadsheet template for MS-DOS computers can be obtained by sending a stamped, self-addressed disk mailer with a formatted disk (3.5 or 5.25 inch) to the author. Specify LOTUS, QUATTRO, or AsEasyAs spreadsheet.

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DECISION MAKING AND FAMILY WELL BEING:  
ASSESSMENTS THROUGH COMPUTER ASSISTED FINANCIAL ANALYSIS

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Family and economic well-being is a major national initiative of the Cooperative Extension Service. Adequate financial planning and management contributes to well-being. This paper describes how the Texas Agricultural Extension Service has addressed staff development needs in the critical issue area of financial management and computer applications. State specialists developed a 32-hour training workshop to increase the competencies of county Extension home economists in working with clientele to assess and increase family economic well-being.

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#### INTRODUCTION

In 1986, over 12,300 Texans worked together in citizen task forces to determine issues critical to the future of Texas' 254 counties that should be addressed through Extension programming. More than 5,000 diverse issues were identified, but similarities across counties resulted in 12 broad issues currently being addressed through Extension programming.

One of the twelve issues selected for emphasis in Texas was financial planning and management. Through programming in this area, Extension expects clientele to strengthen financial management practices and increase potential for achieving financial goals. A secondary goal is to utilize computer technology in enhancing financial management knowledge and practice.

As a result of this emphasis and because county offices were being equipped with computers, state specialists in consumer and family economics designed an intensive staff development workshop for county Extension home economists.

#### OBJECTIVES OF THE TRAINING WORKSHOP

The objectives of the 32-hour training workshop are to:

1. Relate basic principles of budgeting, credit and risk management, taxation, saving and investing to comprehensive family financial management;

2. Use financial management software programs and templates to monitor family finances and identify problem areas;
3. Evaluate commercial software programs for ease of use, suitability for Extension use, suitability for family financial decision-making, and treatment of the subject matter.
4. Develop a program plan for county Extension work in family financial management.

#### WORKSHOP METHODOLOGY

The 32-hour staff development workshop is taught during an intensive, 5-day period to a maximum of 11 Extension home economists per training. The training is held at the computer laboratory of the Stiles Farm Foundation, a fully-computerized, commercial farm operation that is affiliated with the Texas A&M University System. The location is in a rural area of central Texas near Thrall, approximately 75 miles from the Texas A&M University campus.

A variety of training methods are utilized. At the onset of the workshop, participants are provided with a case study consisting of a narrative description, goal statements and checkbook register detailing three months' transactions. At the end of the week, participants must propose alternative solutions for the case study, indicating both their rationale and choice of computer software to use in reaching their conclusions.

A detailed analysis of the case study family's checkbook register is undertaken using first manual and later computer-assisted methods. The data are used to propose cash flow projections and monthly budgets for the case study family based on their level of resources and goals.

The Texas Agricultural Extension Service has a wide array of Extension-produced and commercially produced financial management software. Workshop participants are asked to review the software, using an evaluation instrument developed for this purpose, in order to assess the usefulness and ease of use of the software programs. Each participant is provided with a copy of an annotated list of available software.

Financial calculators are also utilized during

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the training to calculate time value of money problems. In Extension field work, calculators may be the most portable technology to use in working with clientele. Therefore, workshop participants are provided with an opportunity to solve a variety of common financial problems using financial calculators.

Workshop participants are expected to design an educational program for use in their own county settings that utilizes what they have learned during the training workshop.

#### TRAINING OUTCOMES

To date, six trainings have been held, with three additional workshops scheduled for 1989. Based on preliminary follow-up with individual agents, the several trends appearing to be evident are: 1) increased knowledge of financial management concepts; 2) increased knowledge of financial management software; 3) increased competency to use computers in teaching; 4) increased competency to use financial calculators; and 5) incentive to take control of personal finances. Specifically, participants have enjoyed the small group size, isolation and uninterrupted time for the workshop, the software availability and the case study/checkbook analysis.

Future plans include additional training workshops for professional Extension staff as well as clientele-oriented computer workshops on financial management topics. One training workshop for non-Extension professionals is also scheduled.

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Stewart M. Lee, Geneva College<sup>1</sup>

Thanks Gordon (Bivens) for that kind introduction. If my Dad were here he would have appreciated it, and my Mother would have believed it.

When Roger Swagler, this year's program chair, asked me to be the luncheon speaker, I wondered what I should talk about. Roger suggested I talk about thirty minutes. I thought why not talk about my favorite topic, "Fun and Games in the Marketplace." I could then have a show-and-tell session.

Then I thought, this is a sophisticated audience so, I should talk about my research dealing with the economics of resale price maintenance. Research that I have been doing, on and off, since 1955. But it would take more than thirty minutes to read my dissertation.

So, I thought I should give a moralistic speech and discuss wealth, nealth and illth. One of the charter members of ACCI, Leland Gordon, wrote about these in his college text, Economics for Consumers, which I eventually took over, and which is now in the good hands of Mel Zelenak. Gordon defined these words as Wealth - goods and services that add to the consumer's well being such as food, clothing, shelter; Nealth - goods and services that do not add much or subtract much from the consumer's well being such as a Coke or Pepsi; and Illth - those goods and services that subtract from a consumer's well being like cigarettes. You can imagine that this kind of discussion generates both light and heat in the classroom, especially when I tell about a talk Ralph Nader gave to a college audience. He had given his usual forceful speech on consumerism and many times he was met with a burst of applause. He then shifted to discussing pollution. He told the students that it would be a long, hard fight to clean up air and water pollution, but that they could clean up the pollution in their own lives over night by giving up the products of R. J. Reynolds Tobacco and Schenley Distillers. He was met with a burst of silence. Well, I decided I wouldn't talk on this subject, except it would give me the opportunity to give one of my favorite little readings:

TWELVE JUGS OF HARD CIDER - I had twelve jugs of hard cider in my cellar and was told by my wife to empty the contents down the

drain, or else! So, I said that I would. I pulled the cork from the first jug and poured the contents down the sink, with the exception of one glass which I drank. I pulled the cork from the second jug and did likewise, with the exception of one glass which I drank! I did likewise with the third. Then I pulled the cork from the fourth sink and poured the jug down the glass, which I drank. I pulled the cork from the next jug, drank all but one sink of it, throwing the rest down the glass. I pulled the sink from the next glass and poured the cork from the jug. Then I corked the sink with the glass, jugged the drink and drank the pour. When I had everything emptied I steadied the house with one hand, counted the jugs, corks, glasses and sinks with the other, which were 29, and as the house came by I counted them again, and finally had all the houses in one jug which I drank. I am not under the alcofluence of incohol as some thinkle peep I am, nor are I half so think as they drunk I am, but I fool so felish I don't know who is me and the drinker I stand here the longer I get.

Then, I thought as one of the old guard of the third consumer movement and ACCI, that I would reminisce.

One of the most significant moves I made in my professional career was to write to the program chair, of what ACCI was then called the Council on Consumer Interests, and asked to present a paper on my research. That started it all. That was in 1957. Here is the four-page program from that conference. How times have changed. Now the program is a mini-book. Ed Metzen, Dick Morse and I were at that conference. Ed and I have had the good fortune to be at every annual ACCI conference since then. In 1957 we were the "new guard," and as time has passed we have become the "old guard" who are looking to you, the "new guard" to carry on the grand tradition of ACCI.

That was the beginning of a long and most enjoyable relationship with ACCI. One of the very significant benefits of ACCI to me has been that not only have I made many professional friends, but that my ACCI professional friends have become personal friends over these many years. I have enjoyed and received more benefits from attending ACCI conferences than any other conferences I have attended, and I have attended a lot. I have had the good fortune to be able to attend the past 30 ACCI conferences. I missed the first two.

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Little did I realize when I accepted the editorship of the Newsletter in 1959 that thirty years later I would still be editing it. That is where I got the title, "239 Newsletters Later." In the first six years of ACCI there were seven Newsletter editors. When I took over it was published four times a year. Then it went to five, six and finally to nine issues in 1966.

Here is a copy of my first Newsletter, Volume 7, Number 1, October 1959. At that time it was a little difficult to fill each issue, but as the field grew, more and more material became available. So much has become available that when the May 1989 issue is sent to the printer I will have about five feet of books, pamphlets, leaflets, etc. that will not have made it. That is really no problem because there is so much duplication of materials. What I believe to be the most important materials will have made the May Newsletter.

Anyone who has been reading the Newsletters over the years has certainly become aware of some of my leanings. For example, many items dealing with advertising have been annotated and noted because I believe that what has grown to be a \$118 billion dollar "educational" program should be of great concern to consumer educators. The importance and significance of studying the impact that advertising dollars have on consumers may be reaching a climax with the introduction of "Channel One" by Whittle Communications. It seems to me that there is something radically wrong if "we the people" through our government cannot afford to adequately equip our public schools, but the advertisers' dollars are able to.

Also, I made it a point to never annotate a resource without perusing the resource myself. That doesn't mean that I read every page, listened to all the audio cassettes and viewed every minute of all the films, filmstrips and video cassettes that have been annotated. When records were used I did run 33-1/3 rpm records at 45 rpm to save time, and it was understandable! It doesn't take too long with books to look at the name of the author, title, publisher, table of contents and index, and get a "feel" for the book. What is disturbing is to come across an inexcusable error in a book as I did in a college text which has been annotated in the April Newsletter. The author mentions that Consumer Reports and Consumers' Research Magazine test and rate products. Well, Consumers' Research ceased testing and rating products six years ago. Where has that author been? Some times I included a poor resource because of the publicity given it, but with an annotation which hopefully, indicated its poor quality. One book titled, You Can Get Twenty to Ninety Percent Off Almost Everything, was annotated with the statement that if you could get the book for ninety percent off it just might be worth it. I was amused one time when

an author complained to me that I had not annotated his college text. I showed him an earlier Newsletter where it had been annotated. One publisher said that he would be glad to send me a review copy if I would send what I was planning to write to him for their review before having it published. Well, you can rest assured I did not do that.

Editing the Newslettler has been a real challenge but a pleasant one. I have received much encouragement from many ACCI members over the years. It has been interesting to try and meet the needs and interests of a fairly diverse membership. I hope that has been accomplished.

I would like to share with you two stories about my meetings each year with the ACCI Board of Directors where I would give my annual report. Three years ago when my term was expiring, I explained to the Board that I did not want to happen to me what happened to a man in my local community. He had served for a couple of decades as a Sunday School superintendent and Secretary of the local Rotary Club. When he died both organizations passed a rule that these offices could not be held for more than two years! At another Board meeting I thought that there seemed to be some hesitancy and something strange about my meeting with them. I looked at one of the Board members and said, "You're wondering what would happen to the Newsletter if I dropped dead." And he said, "Yes." Well, for better or worse, I have survived and there is only one Newsletter to go for me, and I think that I will make it.

I really have only one regret in ending my tenure and that is that the Beaver Falls Printing Company will be losing its biggest customer. I should point out to the younger members in the audience that thirty years ago the Newsletter was set with hot-lead type, now it is cold type and offset printing. That is real progress. You can not imagine the wonderful service the men and women at this small print shop have rendered over the past thirty years. Once a month like clockwork the owner would stop at the college on Monday to pick up the rough copy and that evening drop off the galley at my house. Tuesday morning he would pick up the galley at the office and that evening he would drop off the page proof at the house. Wednesday morning he would pick up the page proof at the office, and then when it was run off he would deliver my copies and ship the rest to Missouri. Never once in thirty years did I hear a complaint from anyone at the print shop - a most pleasant group to work with.

I would like to reminisce a little more with you. My Father, after he had retired as president of Geneva College, was my proofreader for twenty-one years. He was a classical

scholar having taught Greek and Latin. It was only when his eyesight weakened that he gave up the job. My sister, Rebecca, who had taught French, English and Latin, then took over as proofreader in 1981, and soon she will be proofreading Newsletter 239.

I would be remiss if I did not acknowledge all the executive directors of ACCI who managed to get the Newsletters to you: Ramon Heimerl, Edward Metzen, Karen Stein, Mel Zelenak, Barbara Slusher and Anita Metzen. They and their staffs have done a great job.

I would also like to acknowledge the support and encouragement that the administration of Geneva College has given me. That has been essential and greatly appreciated.

I am glad that my niece Janet Townsend is able to be here today. She lived with us the four years she attended Geneva, and so lived through thirty-six issues of the Newsletter. I am very happy that our daughter, Dr. Kathy Lee, has been able to fly in from Spokane, Washington, to be here today. She is associate professor of political studies at Whitworth College in Spokane. Kathy was two years old when I took over the Newsletter, so she doesn't remember when I wasn't working on it. I never will forget when Kathy was a little girl, and she and her little cousin were riding in the back seat of our car. Her cousin's parents were very involved in the civil rights movement and she was telling Kathy all about that. Then Kathy said, "Well my dad knows all about Consumer Reports."

Then there is one person I have not mentioned yet, my dear wife, Ann. We have been married forty-one years. She has been most supportive of my ACCI activities including the Newsletter. Once a month, month in and month out, year in and year out, she has read copy to me as we proofread it together. I am sure you know that that is not a very stimulating activity. Ann, I cannot express my thanks enough for your support and help. But now you will have to put up with me being home on Saturdays.

It has been fun to watch the growth of ACCI from a fledgling organization dependent on funding from Consumers Union to keep it alive, to a robust, self-supporting, academically respectable organization that is in the forefront of the professional academic consumer movement.

I am very pleased with the ACCI Board of Directors' appointment of Les Dlabay to take over the editorship of the Newsletter. I have known Les for many years, and I have been very impressed by all that he has accomplished in the consumer area. ACCI members can rest assured that the Newsletter will be in good hands. Les, I congratulate you on this appointment and wish you well.

I appreciate this opportunity of sharing these thoughts with you, and I hope that these remarks might encourage all of you to be action-oriented ACCI members. May the "new guard" carry on!

PRE-RETIREE'S RETIREMENT DECISIONS, ACTIONS, AND PLANS:  
FACTORS WHICH INFLUENCE PLANNERS AND DOERS

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Abstract

The retirement plans of a sample of all university employees over the age of 40 were examined in an effort to understand when retirement planning begins and to determine what factors influence that planning. It was hypothesized that the making of retirement plans would be positively associated with (1) age of the respondent, (2) personal characteristics of income, occupation, and education, and (3) an orientation toward retirement. The first and third hypotheses were strongly supported and mixed support was received for the second. Further analysis showed that significant relationships remained between respondents' personal characteristics, and orientation toward retirement and their pre-retirement plans and actions when age was controlled. Implications for pre-retirement counseling of employees are stated.

INTRODUCTION

The fastest growing segment of the U.S. population is people aged 65 and older. By 2020 one in every five persons will be over age 65 (Fitzpatrick, Mullikin, and Meyer 1980). Among these, a greater proportion than in the past will have higher levels of disposable income, good health, and higher education. These resources and others have the potential to allow individuals to make choices of housing and communities in which to live at retirement.

Nearly all who pass the age of forty begin to think about what their lives will be like when they become older. Some persons plan for their future by thinking ahead to possible choices and by building their financial resources. Some persons delay future decisions until they become present decisions, and the circumstances of declining assets and/or health dictate choices of retirement location and housing. Early planning and decision making for retirement benefits the individual by providing opportunities to compound assets. Information regarding individual's retirement plans and choices can be beneficial to communities, organizations, and retirement planners as they work to meet the needs of citizens.

The purpose of this paper is to examine when retirement plans and actions are taken by pre-retirees, and what factors influence when these plans and actions are taken. By examining the decisions made by a population of employed

the decisions made by a population of employed people over forty years of age, we can learn what decisions are made well before retirement and what decisions are avoided. This knowledge combined with knowledge of when factors influence the timing of these decisions should assist counselors in working with pre-retirees as they make fundamentally, one of the most important consumer decisions of all, when and where to retire.

Background

Studies have been conducted which examine the decisions retired persons have made. Others focus on the current decision-making of the elderly population. However, few provide insight into the decision making of the pre-retiree population.

Some studies have included questions regarding retirement location. Many people change locations for all or part of the year once they are retired (Bradshaw & Blakely 1981). At a national level retirement migration is becoming increasingly more common (Flynn et al 1981). Retirees often find that college towns are well suited as a retirement location because they have stable middle-class populations, low crime rates, and often excellent hospitals (Lyons 1987).

Studies of plans of retirement which focus only upon people at or near retirement, result in very little insight about when and how people prepare for retirement. Gall and Vogel examined the attitudes of a university faculty toward aging and retirement. They found that 50 percent of the respondents--with no significance due to age--were willing to participate in a university sponsored pre-retirement planning program, while 26 percent were opposed to participation, and 24 percent were undecided. Another university which offered pre-retirement planning sessions found that the most interest was expressed in the discussion of investments, budgeting, and pensions. (Cox & Russell 1982). A study done ten years earlier (Rowe 1972) found that pensions and annuities were the most important--issues to faculty considering retirement.

The focus on this study is on the pre-retirement population. Given the facts of our aging population and needed planning for retirement for such a bulging population, there is today a great deal of interest in learning more about the maturing population, that is persons in the middle years for whom retirement may be decade or more away.

Hypothesis

Three hypotheses are tested in this paper, all of which utilize the same dependant variables, i.e.

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## Variables

(1) When and where people plan to retire, and (2) a number of specific pre-retirement actions which people have taken or plan to take.

The first hypothesis is that the making of these decisions or taking of these pre-retirement actions is positively associated with age. In a sense this is the fundamental hypothesis of the study. Conventional wisdom suggests that the closer one gets to retirement the more likely that such decisions will be made. The design of this study, so as to include employees over the age of 40 allows us to empirically observe the magnitude of these differences for a 20 to 30 year age span.

The second hypothesis is that people with greater resources including a higher level of education, a higher occupational level position, and greater income are more likely to have made specific retirement plans than others have done. It is reasoned that these resources would enable decision making of when and where to retire, and the taking of specific pre-retirement actions.

The third hypothesis is that self-perceptions of having planned retirement and looking forward to retirement will be positively related to the making of retirement plans. Our interest here is two-fold. First, we are looking for simple practical indicators of having made pre-retirement plans that will help retirement planners identify the degree of planning completed by various people. This knowledge may indicate a degree of readiness for various types of retirement counseling or other assistance. Secondly, we are seeking to determine whether a positive view of retirement (i.e. looking forward to it) encourages the decision making of when and where to retire and the taking of pre-retirement actions.

## STUDY DESIGN

### Sample

Data were collected from independent age-stratified samples of land grant university employees in Washington and Idaho. The sample was drawn from all currently employed on-and off-campus employees over the age of forty. One-third of the sample represented employees aged forty to forty-nine and two-thirds of the sample was employees aged 50 and older. The sample included 911 employees from Washington State University and 782 from the University of Idaho, which has a somewhat smaller number of employees.

### Data Collection

The data were collected independently in each state during October 1987 following the Dillman Total Design Method (Dillman 1978). A ten page questionnaire booklet was utilized. It contained eight pages of questions common to all states in the study and two pages which were unique to each participating state.

Two questions were utilized to measure the dependent variables, i.e. pre-retiree's decisions of when and/or where to retire, and pre-retirement actions taken or planned to be taken. Nine questions were used to measure independent variables.

Two of the most fundamental retirement decisions are when and where to retire. These decisions were measured by asking the respondents "Which of the following best describes your retirement plans--that is, deciding when you will retire and where you will live?" The responses were (1) I have decided neither when to retire, nor where, (2) I have decided when to retire, but not where, (3) I have decided where to retire, but not when, (4) I have decided both when to retire and where to retire.

It is of particular interest to describe the many retirement decisions that individuals make during the pre-retirement period. This second dependent variable measures pre-retirement actions and plans which affect the "when and/or where to retire" decision. Respondents were presented with a list of 13 pre-retirement planning actions with the request that they indicate for each whether they had done the action, planned to do it before 1990, planned to do it after 1990, or had no plans to take the action. The items ranged from "set up a savings investment plan for retirement income" to "explored a reverse mortgage (RAM)." The proportion of response for "have done," "plan to do," and "no plans to do" for each item are displayed in Figure 1.

For the purpose of this study an Pre-retirement Action Index was created to examine the extent to which respondents have taken or plan to take retirement planning actions. Three points were assigned to each action which had been done, two points for plans to do before 1990, one point for plans to do after 1990, and 0 points for no plans to take the action. The Index point score thus ranged from a possible 0 to 39 points. Actual scores ranged from 0 to 36 points. The 11 persons that scored zero were identified as 'non-planners' and excluded from the analysis. For the statistical analysis, four categories of Index scores were established.

### Treatment of Data

Data were analyzed using the FREQUENCIES and CROSSTABS procedures of the Statistical Package for the Social Sciences (SPSS-x).

As would be expected from the sample design employees over the age of fifty were over-represented, with that centered in the age 51 to 60 category. The proportion of responding employees over the age of 61 was nearly equal to the proportion in the population at each university.

Respondents were representative of the population of university employees by occupational level with the exception of a higher percentage of

administrators and a lower proportion of secretarial and clerical workers in the population. Both are most likely due to age differences inherent in the sampling process.

## FINDINGS

### The Decision of When and/or Where to Retire

Twenty-five percent of the respondents indicated they had decided both when to retire and where to retire (Figure 2). Eighteen percent had decided where to retire, but not when, and 17 percent had decided when to retire, but not where. The remaining 40 percent responded that they had decided neither when to retire, nor where.

The results of Chi Square tests of significance are reported in Table 1 and reveal significant relationships between the decisions of when and/or where to retire and six of the seven independent variables in this study. Overall, a pattern emerges for each variable: if there is an increase or decrease in the percentage of respondents in each category stating they have decided both where and when to retire, then the opposite effect is true for the percentage of those who report they have decided neither where nor when to retire. The percentages of respondents reporting they have decided where but not when to retire or when but not where to retire show no such pattern.

Age. As expected, the age of the respondent is significantly related to the decision of where and/or when to retire. As the age of the respondent increased, so did the likelihood of having decided where and when to retire. Forty-three percent of the group aged 61 to 72 had made both decisions. A similar--but opposite--pattern exists with age and the having decided neither where or when to retire; 62 percent of the youngest respondents, aged 40 to 45 had not made either decision. Perhaps the most surprising finding here is how many of the younger respondents (one-third) rather than how few have one of their key retirement plans. Even in the early 40's important retirement decisions are being made by some employees.

Occupation. The responses when examined in relation to the occupational category of the respondent are particularly interesting. Respondents in the skilled crafts (44.9%) were most likely to have made both decisions, and four-fifths of them indicate they have made one or both decisions. Service and maintenance workers (33.8%) follow closely behind with 34 percent having made both decisions and with 3/4 of all having made one or both decisions. Only 20 to 25 percent of any other worker category had made both decisions. Professional, non faculty employees (47.5%) were most likely to have made neither decision, closely followed by faculty (45.5%), and employees who were executives, administrators or managers.

Education. The lower the educational level of the employee, the more likely he or she had made the decision of where and when to retire.

Persons with a doctoral degree (50.3%) were more likely to have made neither decision. The findings reject the hypothesis that respondents with higher levels of education would be more likely to have made a retirement decision of when and/or where to retire. Perhaps what is more likely to be happening is that persons with higher levels of education may perceive many more alternatives and are less willing to settle on one alternative. An opposite effect may be occurring with persons of lower levels of education. They may be more likely to have made decisions based on a realistic expectation of fewer alternatives.

Income. We often think of current income as being an enabler of decisions or limiting decisions. However, in this analysis income did not exert a significant influence in the decision of where and/or when to retire. A nearly equal proportion of respondents in each income category chose each of the four responses. Decisions of when and/or where to retire can be made with different anticipated levels of living at retirement and the extent to which those decisions are being made appears to be equal for the respondents regardless of their current level of income.

Perception of Planning. Eighty-five percent of the respondents who replied "not at all" in response to the question "...To what extent have you started thinking about retirement" also indicated that they had made neither "where" or "when" decision. As respondents reported more thinking about retirement, the likelihood of having decided where and when to retire increased. Forty-six percent of those who said they had done "a great deal of thinking" had made both decisions.

Planning Compared to Others. Some respondents wrote on the back of the questionnaire that they had no idea whether they were thinking about retirement more or less than other persons of the same age. Although some individuals may have been frustrated by the question, the respondents in total appear to be very perceptive with this comparison. Persons who believed they had done more planning were more likely to have decided where and when to retire (36.8%), to have decided only where to retire (18.9%) or to have decided only when to retire (21.3). As perception of planning decreased, the likelihood of not having made either decision increased.

Attitude Toward Retirement. This question, "How do you feel about retirement from active employment? Is it something you look forward to, feel somewhat neutral about or do not look forward to?", is interesting particularly because of its forthrightness. Overall, university employees look forward to retirement. Fifty-three percent of all employees look forward to retirement. Only nine percent reported they did not look forward to retirement. Thirty-six percent of the respondents who said they look forward to retirement had made both decisions, and sixty-six percent of those who do not look

forward to retirement reported that they had made neither decision.

### Pre-Retirement Action Index

Pre-retirement counseling often emphasizes decisions or actions which would increase assets or other alternative sources of income for retirement. Counselors also may assist the pre-retiree with the identification and implementation of alternatives for conserving current and future assets for retirement. The actions taken which the respondents have done, plan to do before 1990, plan to do after 1990, and those which they have no plans to do are shown in Figure 1.

For the purpose of this study a Pre-retirement Action Index was created, as described previously in this paper. The mean score for all respondents was 12.12 points. Twenty-three percent of the respondents scored one to eight points, 25 percent nine to 11 points, 28 percent 12 to 15 points, and 23 percent scored 16 to 36 points. Significant relationships were found to exist between the Index and each of the seven personal characteristic and orientation to retirement variables (Table 2).

Age. As hypothesized, respondents that are older are expected to have taken more pre-retirement actions, or made plans to take such actions. This was expected as they would have had more time to plan and/or take specific actions. The hypothesis was supported at the .05 probability level. The greatest percentage of respondents over the age of fifty scored 12 to 15 points on the Index. Respondents in the youngest age group were more likely to have scored the fewest points on the Index. Surprisingly, the respondents aged forty-six to fifty ranked the highest in terms of actions taken or planned. This may be attributed to new concerns for the viability of Social Security and consequent recognition of the need to begin saving and investing early to prepare for possible cutbacks in Social Security income available for retirement.

Occupation. Respondents with positions requiring high professional skills (administrators, faculty, and professional non-faculty) were significantly more likely to have scored in the two highest Index point groups. These persons may be more willing to investigate alternative pre-retirement planning actions. Respondents in secretarial and/or clerical positions and service/maintenance positions were likely to score in the lowest category, one to eight Index points.

Education. It was hypothesized that respondents with a higher level of education would score higher on the Index, and significant differences were found among the five levels of education. Holders of bachelor's, master's, and doctoral degrees scored in the twelve to fifteen Index point category, and 35 percent of the respondents with a high school education or less scored between one and eight Index points. Of those respondents with some college or trade school

education, 28 percent scored in the highest Index point category, sharply contrasting with respondents with the lowest level of education.

Income. The hypothesis that income influences the taking of pre-retirement actions is strongly supported and a pattern of response clearly emerges. As the income of the respondent increases so does the likelihood of scoring at the highest Index level. Thirty-six percent of the respondents with incomes greater than \$65,000 compiled Index scores of sixteen to thirty-six points and 33 percent scored twelve to fifteen points. At the lowest income level, less than \$24,999, thirty-seven percent scored in the lowest Index category. Clearly, having income enables an individual to take more actions or to realistically plan to take those actions within the next few years. An interesting finding is that 17 percent of the persons reporting income less than \$24,999 scored in the highest Index category. The pre-retirement actions used for this index include those which could be done at various levels of cost, e.g. buy an acreage or lot to live on, or retrain for new employment.

Perception of Planning. As hypothesized, sixty-eight percent of the respondents who reported that they had done a great deal of planning scored in the two highest Index categories. And, the opposite effect was observed with 74 percent of respondents reporting they had not done any retirement thinking in the two lowest Index point categories. And, within the highest Index category, as the perception of planning increased the percentage of respondents reporting sixteen to thirty-six points also increased. The opposite pattern appears in the lowest Index point category.

Planning Compared to Others. The respondents' perceptions of their level of planning was also significantly related to the overall scores on the Pre-retirement Action Index. As the level of perceived planning increased, the percentage of respondents scoring in the two higher Index point levels also increased. Thirty-nine percent of those reporting they had done more planning for retirement scored in the highest (16 to 36 points) Index category, with 35 percent scoring in the twelve to fifteen point category. Likewise, 42 percent of the persons reporting less planning scored in the lowest Index point category.

Attitude Toward Retirement. Again, a significant relationship was found to exist between a positive attitude toward retirement and the likelihood of scoring on the Index above the mean. The more noticeable finding is that 33 percent of those who stated they did not look forward to retirement scored in the lowest Index point category. Respondents who did not look forward to retirement were doing the least to prepare for retirement.

### DISCUSSION AND IMPLICATIONS

The purpose of this paper was to examine when retirement plans and actions are taken by a group

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of currently employed pre-retirees over the age of forty. In this paper several factors were hypothesized to influence retirement planning--the actual making of retirement plans of when and where to retire, and the taking or planning of a series of specific pre-retirement actions.

First, it was found that age is a very strong predictor of the likelihood that employees would have made the most important retirement decisions of when and/or where to retire. Age is also a strong predictor of the likelihood that employees will have taken more pre-retirement actions or made plans to take those actions.

Second, three other personal characteristics emerged as predictors, but not entirely as expected. A higher occupational level and a higher level of education were found to predict that the employee would be less likely to have made a decision of when and/or when to retire. On the other hand, higher levels of occupational skills and education were associated with the likelihood of taking more pre-retirement actions. Employees were equally likely to have taken or not have taken the decisions of when and or where to retire regardless of their current income level. However, income was strongly a predictor of scores on the Pre-retirement Action Index.

Thirdly, a positive orientation toward retirement is strongly associated with both the likelihood of having made the when and/or where decision, and the likelihood of a higher score on the Pre-Retirement Action Index.

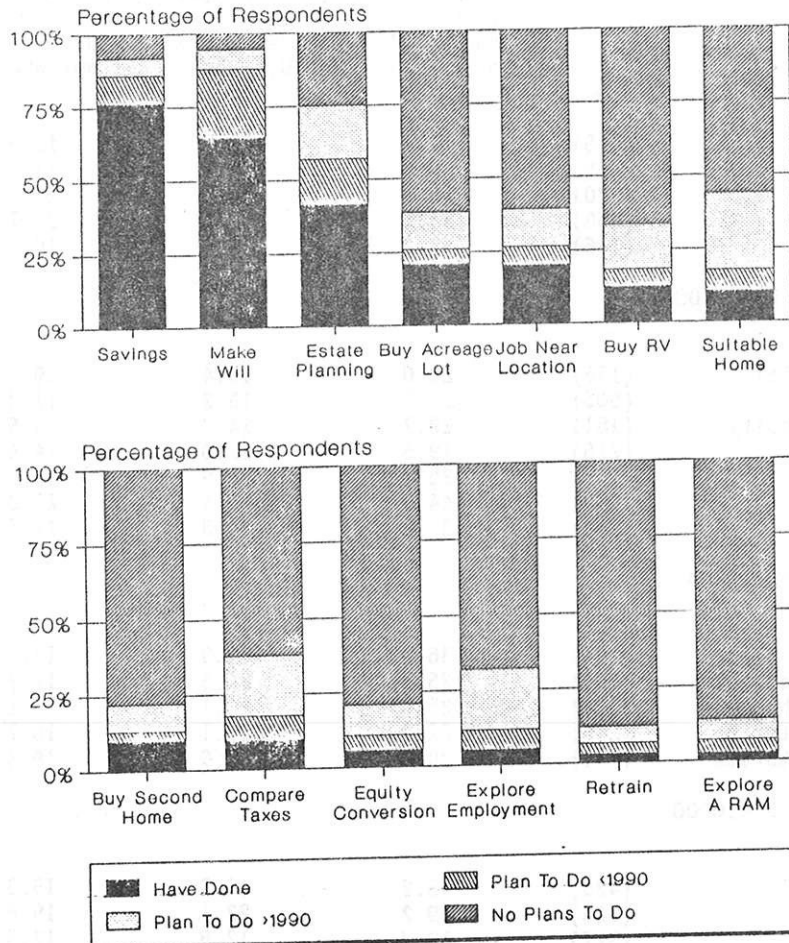
The results of this study offer suggestions for pre-retirement counselors of university employees. The questions which were used in this study to measure the employee's orientation toward retirement or a list of various pre-retirement actions modeled after those used in this study might be used by university pre-retirement counselors. They could be used in promotional materials to encourage employees to begin pre-retirement planning. Comments on the back of returned questionnaires often mentioned that the questionnaire became a basis for discussion, e.g. "Reviewed this with my spouse. An interesting experience. Why not prepare a guide to discussion based on this? More emphasis on continued learning." Other respondents commented that the questionnaire had encouraged them to think of the scope of decisions which may be taken during retirement, e.g. "I have thought mainly about financial matters. The questions herein have opened new vistas of thought which were largely of low priority in my thinking."

### End Note

This research paper is based upon research conducted at Washington State University, Agricultural Research Center Project 0759, and the Idaho Experiment Station. It is part of the Regional project, W-176, Housing and Locational Decisions of the Maturing Population: Opportunities for the Western Region.



**Figure 1. Pre-retirement Actions**



**Figure 2. Retirement Decisions**

