HALL, Ernest Carl, 1934–
SELECTED AREAS OF PERSONAL ECONOMICS
CONCEPTUALLY DEFINED.

The University of Oklahoma, Ed.D., 1964
Economics, general

THE UNIVERSITY OF OKLAHOMA

GRADUATE COLLEGE

SELECTED AREAS OF PERSONAL ECONOMICS CONCEPTUALLY DEFINED

A DISSERTATION

SUBMITTED TO THE GRADUATE FACULTY

in partial fulfillment of the requirements for the

degree of

DOCTOR OF EDUCATION

BY

ERNEST CARL HALL

Norman, Oklahoma

1964

SELECTED AREAS OF PERSONAL ECONOMICS

CONCEPTUALLY DEFINED

APPROVED BY

Gerald A. Porter

P. T. Tesk

Raymond R. White

Lloyd P. Williams

DISSERTATION COMMITTEE

ACKNOWLEDGMENT

It is with sincerity that gratitude is expressed to Dr. Gerald A. Porter, who so graciously served as chairman of the doctoral committee and director of this study. His interest, able assistance, and continual guidance were essential to the development of this research project.

Appreciation is expressed to the members of the doctoral committee who served in an advisory capacity and expended much time and effort in offering constructive criticism as well as encouragement throughout the graduate program. The time Dr. Anthony S. Lis spent in editing this report is also appreciated.

TABLE OF CONTENTS

LIST OF ILLUSTRATIONS

SELECTED AREAS OF PERSONAL ECONOMICS CONCEPTUALLY DEFINED

CHAPTER I

THE PROBLEM

Introduction

Every aspect of modern life has been influenced by new and unique changes which have evolved during recent decades. These changes have unveiled challenging opportunities for man and at the same time confronted him with dilemmas and conflicts. In no small measure this is due to the application of an experimental design for group living usually referred to as the American democracy. Coupled with this unusual overture to self-government has been an almost unbelievable extension of the scientific frontier. These have brought into action many of those elements of economic, political, and social structure which for centuries lay dormant. The age of science and the atom has produced in this country innovations which were undreamed of only a few decades ago. Technological progress has materially changed the socioeconomic patterns of living. The age of science has facilitated communications and transportation through mechanization and automation. Also rapid population growth has added to the complexity of this new era. All of these things tend to increase the involvements and tempo of life. As a result, an individual in this relatively free society must necessarily accept more responsibility if he is to share in it and if the structure is to be maintained and improved. Men today live to survive not only individually but also collectively.

Confronted by new problems of an economic, political, and social nature, individuals must develop an awareness of the broader and more complex dimensions of modern life. Needed today as never before is a better understanding of the world, nation, and community of which all are a part. The components of modern life are too often seemingly unrelated and tend to produce conflicts for those who participate. Problems clothed in opportunity for man's edification or decay have fallen for solution upon the shoulders of the American citizenry. Attempts to solve these problems carry obligations attached to and responsibilities based upon American citizenship. Unless adequate socio-economic understandings are learned in the American school room, they quite possibly will not find the vitality so necessary for their acceptance and application. Therefore, one of the most important dimensions of the education program dedicated to the solution of current problems calls for affirmation of the ideas and ideals which brought this nation into existence.

A concern and a strengthening of interest for the improvement of the economic system are seriously needed. A daring and successful experiment in political science was made possible when the founding fathers attached to the concept of republican government the idea of free enterprise and private economy. The economy has become mixed and has changed in many ways; however, it is still basically private and free enterprise. The structure of political science enhanced by this economic system has provided a people and a nation with standards of living that are the envy of all other people of the world. This may be noted in the frank and open expressions of those who come from nations less privileged. A need to understand better this affluent economic system and the role that each individual plays in it is incumbent upon the educational pattern and design.

Citizens of this country are experiencing anxieties of a unique and an intense type unknown by men of earlier generation. Interwoven with every aspect of modern life are economic elements which are pertinent to and have direct bearing upon the mode of living. Each day millions of Americans make decisions which are directly related to economic and business affairs. By making economic choices, many of which are taken for granted, every participant in this scheme casts his ballots for given products and/or services which he desires and thereby helps to keep the economy dynamic. Not only does each person who casts dollar votes give vent to personal economic desires, but also by exercising his political voting rights as a citizen he helps determine national policy, which to a large degree is economic. The aggregate effect of many simultaneous decisions concerning both the purchase of goods and services and political policies determines the course of this giant economic, political, and social structure called America.

If Americans are to discharge effectively their personal financial responsibilities as individual family members and as members of the socio-economic order, more of them must know more about the economic system and better understand their relation to it. They must learn to think and act on economic issues from a rational and an intelligent point of view.

> Today it must be evident to all that we cannot afford economic illiteracy. In no small measure the continuance of what we refer to as the American Way, which means different things to different people admittedly, is dependent upon the implementation of this conviction.[1]

The economic system is complex and requires much sophistication of each citizen. The social action of the individual determines the tenor of private and public policies. The success or failure of the economic system depends upon the quality of personal and social economic education which youth

---

[1]Herold C. Hunt, "Our Great Need--Economic Literacy," Address delivered before the banquet group of the Workshop on Education in Family Finance, University of Oklahoma, Norman, Oklahoma, June 25, 1963.

receives. The making of decisions, which are primarily based upon ignorance and prejudice, can lead only to economic disaster.

On the premise that Americans need economic literacy to sustain themselves and the economy, then where does the responsibility fall for developing this literacy? With the changing role of the home and other basic institutions in society, it is evident that some organized effort must be designed and utilized to facilitate the dispensing of economic knowledge. Since the inception of what was earlier referred to as the American democracy, the educational system has been called upon to do a variety of things. It has been given impetus and direction by many groups and for varying reasons; however, it has been viewed as the one tool essential to the success of such a dynamic experiment. Education has, throughout the development of this country, played a vital role in accomplishing ends which were proposed as necessary for the betterment of men. Therefore, it is neither unreasonable nor out of line to apportion in large measure to public education the task of promoting economic literacy so vividly perceived as essential.

Many institutions are influencing the lives of people today. However, mass public education is looked upon as the vehicle most appropriate for accomplishing the task of properly educating young people who will be active economic, political, and social units. Values and types of knowledge that build a truly literate citizenry must be conveyed through the educational system. In 1938 the National Education Policies Commission recognized the necessity of improving educational opportunities in economics and money management.

> The citizens of a democracy, therefore, need to acquire the information, the experience, and the willingness to deal constructively with collective economic problems. Each needs also information, experience, and motivation to maintain his own economic contribution to a high level.[1]

As a result of the conviction that understanding of personal economics and social economics is essential and, furthermore, a responsibility at least in a large part of the educational system, a gradual ground swell of enthusiasm has developed for this type of education.

Today, curriculum planners, school people, and the lay public, realize that additional understanding of personal and social economics is vitally important for effective citizenship and economic survival. Social and economic pressures have led to a situation in which young people obtain a great deal of economic information from sources outside the school. Ideas are caught or learned through vicarious experiences which in many instances are inappropriate. Some of these ideas are based upon information that is objective and helpful, while others come from agencies that are narrowly self-seeking. The resulting development of economic misconceptions

---

[1]National Education Association of the United States, Purposes of Education in American Democracy, A Report Prepared by the Education Policies Commission (Washington: National Education Association of the United States, 1938), p. 116.

may lead to daily decision making which is neither beneficial for the individual nor the economy as a whole. Economic literacy will be more effectively propagated in the home and other institutions as it takes on significance and improves in the schools.

For some time now, the public system of education in this country has had effective programs for guiding youth in choosing a vocation, producing goods, and earning a living. It is unfortunate, however, that today millions of Americans spend 30 to 40 hours a week, 50 weeks a year, for a lifetime, earning money, and yet never learn, aside from trial and error, how to manage wisely the use of that money.[1]

This constitutes on the one hand a compliment for the system of education while on the other it slaps at the very thing which makes it worthwhile. Arguments for vocational preparation and personal financial management education cannot be pursued logically without soon arriving at a point of view that supports both. It should be kept in mind that both are essential and cannot be dealt with effectively either in isolation or at the expense of one or the other. Needed also is an identification of economic interest in the total curriculum design of the school program. In organized courses of study at all educational levels and in many subject

---

[1] Education in Personal and Family Finance--Its Place in the Curriculum, Bulletin No. 21, A Handbook for Educators (New York: National Committee for Education in Family Finance, 1960).

matter fields, opportunities abound for such an identification.

Some educators, along with certain local and national interest groups and specially designed organizations, are now diligently at work to effect adequate programs in the schools which will ultimately result in economic literacy of a personal and social nature. Members of the National Task Force on Economic Education[1] have very pointedly placed responsibility for economic education on the schools. This group of dedicated economists and educators feels that, if citizens of tomorrow are to achieve a desired minimum of economic understanding, most of them must obtain it through school experiences which are carefully structured. The National Committee for Education in Family Finance[2] has in the past fifteen years expanded to sizable dimensions its program to educate teachers at all levels and in many subject matter areas, to the responsibilities of the school and the teacher for personal economic education.

If teachers are to be effective in waging a successful campaign against economic illiteracy, well-planned and carefully executed programs of action must be developed,

---

[1] National Task Force on Economic Education, Economic Education in the Schools, A Report Prepared by the National Task Force on Economic Education (New York: The Committee for Economic Development, September, 1961).

[2] National Committee for Education in Family Finance, 488 Madison Avenue, New York 22, New York.

initiated, and carried through to completion. The basic education need of all has as its focus an increasing concern for coherent organizational development and classification of knowledge in the areas of personal and social economics. In this respect it correlates closely with the scientific movement and the systematic approach to acquisition of knowledge. The argument as to which subject matter area is most important for the good school system must give way to a more realistic assessment, interpretation, and development of those things which are fundamental.

One assumption is that money management and economic literacy are basic to individual and social economic success. A second assumption would be that the existing system of public education must be used to facilitate such literacy of present and future generations. If these two assumptions are accepted, then it is reasonable to expect that a carefully structured ideological framework of personal and social economic information must be developed. Such a framework will then provide the basis for analysis and revision of curriculum structures in order that economic literacy may be achieved.

Recent enthusiasm for economic literacy has resulted in concerted study of social economics by the National Task Force on Economic Education.[1] Economics, _per se_, was very carefully defined in its report which represents a thorough

---

[1]National Task Force on Economic Education, _loc. cit_.

treatment of aggregate social economic theory deemed necessary for minimum competence by the senior high school student.[1]

There is currently a need for extensive similar kinds of consideration of those personal elements of economics which relate to money management. This type of study concerning personal economics complements the social economic information so well established by the National Task Force. The broad picture of economics, both personal and social, might then be established so that guidelines may better be developed for the scope and sequence of economic education for grades kindergarten through twelve. Throughout elementary and secondary education, students should be exposed to aspects of social economics. Perhaps even more importantly, they should have a clear understanding of the elements of personal economics.

> . . . American youth and adults need help in developing basic understanding and skills in managing their personal and family finance if they are to measure up to their responsibilities as effective citizens and parents. . . . American Education should aid them in achieving these understandings and skills.[2]

Through this research study of the elements of personal economics, the complete picture of economic responsibility may be made more meaningful for teachers, administrators, and

---

[1]Ibid.

[2]Herold C. Hunt, "Foreword," Education in Family Finance, A Report Prepared by the National Committee for Education in Family Finance (New York: National Committee for Education in Family Finance, 1962).

curriculum planners in schools across the country. A well-defined framework for both personal and social economics used as a point of departure in designing more adequate curriculum patterns can lead ultimately to a truly economically literate American population.

Statement of the Problem

The problem of this study was to isolate and define certain understandings and concepts basic to comprehension of the personal economic elements essential for sound financial management.

This study represents an exploratory attempt to develop conceptually the personal economic elements with which students should be familiar as they complete their public school experience. The major ideas are expressed as concepts of the fundamental elements underlying personal economic activity. The ideological framework resulting from this study should, in part, lay the groundwork for more adequate inclusion in the education of every young person these concepts considered essential as general education.

Delimitations

The purpose of this research study was not to categorize all of the personal economic areas with which a person might or should come into contact. Neither was it to be an attempt to establish where and how such conceptual ideas and relevant understandings should be either adapted to or fused with current curriculum patterns at the various grade levels of kindergarten through grade twelve. The attitudes, concepts, and understandings developed herein present in depth some of the kinds of things from which students may gain a clearer perception of management of personal economic affairs. Ideas are expressed in concrete and absolute form without being complicated by extensive information which might either confuse or reduce the value of the major ideas presented. However, it is recognized that much is left out of this study which might well be organized and developed into research studies of different design and intent.

Definition of Terms

Concept.--A concept is an extension or a generalization of understandings derived from an interpretation of certain facts and knowledges.

Understanding.--An understanding is a broad idea resulting from the organization and interpretation of the apparent facts and knowledges existing in any given situation.

Personal Economics.--Personal economics includes those elements pertaining to money management and financial planning that are basic to individual and family life.

Social Economics.--Social economics includes those elements pertaining to business and government operations and the associated social issues that are involved in the collective endeavors of a nation.

Sources of Data

Data obtained for purposes of conducting this study were derived from two major sources. One important aspect of this study involved a careful analysis of the Workshop Program on Education in Family Finance at the University of Oklahoma. This unique endeavor has for the past six years been concerned with discovering means by which educators may more effectively deal with personal financial management education. During six summer workshops, leading educators and businessmen have delivered lectures on the many and varied aspects of personal financial management. Through established lines of communication and follow-up activities, many ideas have been fed into this workshop program. The design of this Family Finance Program is such that its outline of content was considered as fundamental to the selection of areas of information pertinent to financial management to be treated in this study. As a result of refinement in design and approach used in this program, specific areas have emerged as comprehensive and significant. Likewise, concepts and understandings presented by lecturers and in resource materials were, through the process of extension and refinement, used in the development of this project.

Since 1948, the National Committee for Education in Family Finance[1] has been involved with the promotion of Family

---

[1]National Committee for Education in Family Finance, loc. cit.

Finance Education in this country. Through the programming of workshops and development of materials, areas have been isolated which were felt to be appropriate for emphasis as a part of personal economic education. Content proposals and aids published by the National Committee isolate areas of content, and constitute the second major source of data used to extend ideas of an understanding and conceptual nature developed through this study.

Data from a variety of sources were also analyzed to obtain ideas which led to the development of numerous understandings and concepts for each area selected. Organizations concerned with the promotion of economic education, such as the Institute of Life Insurance, the Joint Council on Economics, the Commercial Credit Corporation, the American Bankers Association, the Insurance Information Institute, the New York Stock Exchange, and various government agencies, have produced for distribution many aids which were quite helpful in gleaning ideas for use in this study. Textual materials, personal financial reports appearing in magazines, and newspaper articles were reviewed for new and relevant information that would make more meaningful the concepts and understandings presented for each area.

Procedure

The first step in this study was the isolation of the broad areas of content which constitute the body of knowledge characterized as family financial management. As the result of researching the sources of data for content, six broad areas were selected as representative of the major content elements of each of these sources.

The second step consisted of synthesizing basic factual types of information for each of the areas isolated. Through the process of sorting and sifting factual types of information, clear perception was gained of pertinent knowledge for each area. Knowledge considered to be significant was used to develop understandings through the process of reasoned judgment.

The third step constituted a development, from the understandings established, of certain conceptual ideas which are relevant and indicative of the kind of reflective thinking essential for genuine comprehension of the personal economic elements and intelligent financial management. Concepts were then correlated in an attempt to word carefully broad attitudes for each area.

The fourth step involved consultation with educational specialists representing each of the personal economic areas treated. Understandings, conceptual statements, and attitudes designed were thus subjected to close scrutiny by one or more authorities in each area. By this means, ideas were tested for accuracy and completeness.

The final step, leading to the completion of this study, was the formal preparation and presentation of this research report, its implications, and pertinent conclusions.

CHAPTER II

BACKGROUND FOR STUDY

Educators, business leaders, public officials, and the lay public agree that some type of education for economic competence is necessary. The point has been made that a minimum level of economic literacy must be attained if this nation is to maintain the type of economic, social, and political structure its citizens desire.

> . . . the consumer is now recognized as the key to our economic system. Most economists now recognize that the loss of a dollar in consumer purchasing power causes much more than a dollar decrease in ability and willingness to consume the products of industry. The extent to which and the manner in which the consumer spends his money is the key to our economic health.[1]

The problem today is not to determine whether economic education is feasible, but rather to develop appropriate techniques useful in the acquisition of economic information. It is recognized that decisions of an economic nature can be no better or more durable than the level of economic understanding held by the great majority of citizens.[2]

---

[1]Herbert A. Tonne, "Too Much Information Would Only Befuddle Them," Journal of Business Education, XXXV, No. 8 (May, 1960), 336-337.

[2]David R. Dilley, "Common Sense Education," Journal of Business Education, XXXVII, No. 5 (February, 1962), 195-199.

Despite the general acceptance by citizens, businessmen, government leaders, and educators of the fact that economic education is necessary, many critical issues remain to be resolved and new ground remains to be broken in the search for appropriate types and means of acquiring economic education. Careful consideration must be given to the development of worthwhile content and method for economic education, in light of objectives conceived as essential for economic survival.

Scope of Economic Education

Economics can be appropriately divided into two distinct yet complementary packages--social economics and personal economics. Social economics is considered to be that portion of economics relating to a somewhat old, well-established framework of theory which has been with man for centuries and has been modified to fit a variety of social and political systems. It constitutes an analytical approach to the study of economics which emphasizes an aggregate or a theoretical view. Theories are in its nature and characterize its make-up. In the American social, economic, and political system, modifications and constant updating have been important to the development of social economic theory. Personal economics relates to those elements of economics pertaining to money management and the problems of personal finance. As personal economic learning progresses, the new comprehension makes more significant not only the financial aspects but also other related elements of life.

There is evidence that social economics must be combined with personal economics in the development of economic literacy.

> It is erroneous to assume that the study of economic theories and systems alone will, in and of itself, produce solid commitments to our own system. Unless the student begins his study of economics in terms of personal possibilities, his approach may be purely academic, his attitudes superficial, and his conclusions unstable.[1]

By including personal economics in the educational design of the school, young people have the opportunity to learn the meaning of money and its uses. Only as young minds experience the excitement and satisfaction of personal planning to achieve worthwhile economic goals and as they come to understand the processes by which individual freedom and responsibility in financial matters may be guaranteed, do they grasp the full importance of an economic system that is responsive to private initiative and protective of personal independence.[2]

The significant contribution that personal economics can make to adequate economic education is recognized by many leading educators and businessmen. In a time of great

---

[1]Lindley J. Stiles, Man, Money, and Meaning, A Special Report Prepared by the National Center for Education in Family Finance (Madison: University of Wisconsin, 1963), p. 3.

[2]Ibid.

national interest in the state of the American economy and in economic education, the rôle and the importance of the individual and family in the successful functioning of the national economy assume new proportions and significance.[1]

In recent years numerous respectable attempts have been made to extend and refine the social and personal phases of economic knowledge and to relate them to education. Of significance to this research study has been the work of two major groups which have attempted to blaze trails through the forests of economic illiteracy. Inasmuch as economics has within its scope both the personal and social facets, the expansion of social economic education in the schools has been encouraged by a group of economists and educators. Similarly, it might have been expected that another group of economists and educators would give encouragement to the expansion of personal economic education.

To expedite the presentation of needed background information and clarify the patterns of content for social and personal economics, the work of each of the two major groups mentioned above is described in the portions of this chapter that follow. The social economics influence as typified in the efforts of the Joint Council on Economic Education[2] is

---

[1]Herold C. Hunt, Man, Money, and Meaning, A Special Report Prepared by the National Center for Education in Family Finance (Madison: University of Wisconsin, 1963), p. i.

[2]Joint Council on Economic Education, 2 West 46 Street, New York 36, New York.

presented first. This is followed by a presentation of the pertinent activities of the National Committee for Education in Family Finance.[1]

Joint Council on Economic Education

The social economic facet of economics has been expanded and refined for public educational purposes by the Joint Council on Economic Education. After many decades of sporadic efforts to include social economic education in the public school curriculum, a concerted drive was launched in 1949 by the Joint Council to help develop in citizens a social economic competency essential for continuance and success of the basic economic system. The basic principles of the Joint Council stress that leadership in social economic education should remain in the hands of the teaching profession and that all programs emphasize objectivity and strive to improve the ability of the teacher to use the tools of economic analysis.[2]

The Joint Council, with 45 affiliated state and regional councils, college and university centers, and regional representatives, is recognized by the American Economic Association as a major agency active in the promotion of social

---

[1] National Committee for Education in Family Finance, 488 Madison Avenue, New York 22, New York.

[2] Clayton Millington, A Survey of High School Economics Courses in Oklahoma, Oklahoma Council on Economic Education, Oklahoma State University (Stillwater: By the author, November 2, 1962), p. 1.

economic education in the schools of this country. Several outstanding educational organizations, such as the American Association of School Administrators, Association for Supervision and Curriculum Development, National Business Education Association, and American Association of Collegiate Schools of Business, are represented on the Joint Council's Board of Trustees. Under the auspices of the Joint Council, an extensive program, aimed at upgrading social economic education, has been developed which includes the direction of workshops and other training programs for teachers, the production of curriculum materials, and the supervision of curriculum experiments.[1]

Two significant national projects have been undertaken with Joint Council sponsorship in recent years. The first of these projects involved a cooperative endeavor with the Committee for Economic Development and the American Economic Association in the establishment of a National Task Force on Economic Education.[2] This group of economists and educators had the primary mission of describing the minimum social economic understandings essential for good citizenship

---

[1] Dorothy Gregg, The "Cutting Edge" of Economic Education, The Harvard-Newton Business Case Study Project, Educational Services, United States Steel Corporation (New York: By the author, 1963), pp. 4-5.

[2] National Task Force on Economic Education, Economic Education in the Schools, A Report of the National Task Force on Economic Education (New York: The Committee for Economic Development, 1961), p. 4.

and attainable by high school students. These understandings were to provide helpful guidelines for secondary school teachers, administrators, and school boards in the development of new curriculum patterns. Economics, per se, was defined in the Report of the National Task Force which represents a thorough treatment of the aggregate elements of social economics. The Task Force placed responsibility for social economic education at the secondary school level and more specifically in the subject matter area of social studies.

> Today we rely primarily on high school teachers in the social studies and American history to develop understanding of the American economy.[1]

The Report of the National Task Force on Economic Education,[2] published in 1961, aroused considerable interest and controversy among educators and the public. Wide use has been made of this report and a companion list of 97 supplementary reading materials pertaining to social economics.

The second major project promoted by the Joint Council on Economic Education involved the production of a national television course, "The American Economy." A series of 180 programs was telecast during the school year, 1962-63, over educational television stations across the country. Its usefulness was extended a second year through the repeat showing of the thirty-minute programs over many of the same educational television stations. This television course had the

---

[1] Ibid., p. 10. [2] Ibid.

largest audience for any such course in the history of educational television.

The Joint Council on Economic Education and its affiliated councils have developed an action program for the school years, 1964-66, designed to achieve significant advances in social economic education. This three-year program has been projected to meet the requests from school systems for guidelines in redesigning their curricula to achieve social economic competency and understanding among high school students. Cooperating in this national effort will be the affiliated councils, school systems in all parts of the country, college and university departments of economics and schools of education, teachers, and young people preparing for teaching.[1]

During the three-year program, intensified resources will be focused upon expanding the major developmental aspects of curriculum, teacher education, and social economic education study materials. The curriculum development aspect of the program will include expanded training programs for teachers and three-year research and development programs of thirty school systems. The teacher-education aspect of the program will include course work for experienced teachers and for students being prepared to teach. It will be carried on through

---

[1]Joint Council on Economic Education, JCEE Program 1964-1966, A Report Prepared by the Joint Council on Economic Education (New York: Joint Council on Economic Education, 1963).

the establishment of broad economic education programs in at least fifty collegiate institutions. The materials development aspect of the program will focus upon the preparation of materials for student use in U. S. history, problems of democracy, general business, and civics courses. The materials will emphasize social economics and economic analysis and will supplement student materials now being used. Textbooks, filmstrips, graphic aids, teacher's guides, and supplementary readings will be included. The magazine titled, _Direction_, emphasizing the use of economic analysis in economic and social affairs, is also being planned for use by senior high school students. Resource tools developed in recent years, such as the National Task Force Report, the American Economy television series, and materials recommended as supplementary sources, will be employed in the development of this three-year program.[1] It is difficult either to measure or to quantify the effect of these projects designed to promote social economic education; however, the Joint Council on Economic Education, on a national basis, probably is the most influential single group that promotes social economic education in the nation today. Its impact, when tallied with the network of affiliated councils, symbolizes a well-organized and carefully administered program for abolishing social economic illiteracy.

---

[1]_Ibid_.

National Committee for Education in Family Finance

The National Committee for Education in Family Finance, made up of a group of prominent educators and life insurance executives, met in New York City, on November 28, 1947, to discuss the need for an educational program to assist young people in acquiring competence for personal and family planning essential for financial security. This initial meeting of educators and businessmen gave impetus to a two-year program of careful study and research. The major purpose was to help schools prepare students to make personal financial decisions by providing suitable experiences. Since 1950, the Program for Education in Family Finance has mushroomed into a national endeavor of nineteen colleges and universities with over 700 teachers and school administrators attending annually specially designed summer workshops and inservice programs. It is even more significant that countless efforts are being made in school systems across the nation to include personal economic education at all grade levels and in a multiplicity of subject matter areas.[1]

The National Committee, since promotion of personal economics was proposed, has been an independent group giving

---

[1]Robert E. Gibson, "The Growth of Family Finance Programs Since 1947," Man, Money, and Meaning, A Special Project Report Prepared by the National Center for Education in Family Finance (Madison: University of Wisconsin, 1963), pp. 40-41.

direction to the Program for Education in Family Finance, and has been supported by the Institute of Life Insurance and co-operating colleges and universities. National Committee members are high caliber educators and businessmen. This is evidenced by the following Committee membership for 1964: Chairman, Herold C. Hunt, Eliot Professor of Education, Graduate School of Education, Harvard University; Vice Chairman, Gordon N. Mackenzie, Department of Curriculum and Teaching, Teachers College, Columbia University; Executive Secretary, Robert E. Gibson, National Committee for Education in Family Finance; Curriculum Consultant, Lacey L. Martin, National Committee for Education in Family Finance; Chester D. Babcock, Assistant Superintendent, Curriculum and Instruction, State Board of Education, Washington; Donald R. Childress, Associate Dean, College of Business Administration, University of Oklahoma; J. Crockett Farnell, Superintendent of Public Instruction, Hillsborough County Schools, Tampa, Florida; Walter H. Huehl, President, Indianapolis Life Insurance Company; Erwin M. Keithley, Assistant Dean, School of Business Administration, University of California; Edwin L. Lamberth, Superintendent of Schools, Norfolk Public Schools, Norfolk, Virginia; Robert L. Maclellan, President, Provident Life and Accident Insurance Company, Chattanooga, Tennessee; James W. Maucker, President, State College of Iowa, Cedar Falls; Charles R. Spain, Superintendent, Albuquerque Public Schools, Albuquerque, New Mexico; Harold S. Vincent, Superintendent of Public

Instruction, Milwaukee Public Schools, Milwaukee, Wisconsin; and Bob G. Woods, Associate Professor of Education, University of Missouri. This group, interested in family finance education, has constantly urged teachers in many subject matter areas and at all elementary grade levels to enrich and extend the total school curriculum by including personal economics.

A major effort to extend personal economic education has been underwritten by the National Committee through its guidance and support of the National Center for Education in Family Finance. Educators gather each summer at the University of Wisconsin, which, with its National Center, is a focal point of year-round activities in school systems from coast to coast. When the National Center was moved in 1960 from the University of Pennsylvania to the University of Wisconsin, a policy change followed. Instead of serving only the individual teachers in attendance, the four-week summer workshop at the National Center was designed to make a system-wide impact on the curriculum of selected pilot school systems. By working closely for three years with teams of teachers and administrators from ten school systems throughout the country, the National Center has helped local educators to spread understanding of personal economics to teachers and to pupils from kindergarten through the twelfth grade. This has been accomplished in Baltimore, Maryland; Chicago, Illinois; Ladue, Missouri; Milwaukee, Wisconsin; Minneapolis, Minnesota; Norfolk, Virginia; Oklahoma City, Oklahoma; San Francisco, California; Tampa, Florida; and West Hartford, Connecticut. A number of unique patterns for combining the human and material resources of these school systems and communities with those of the National Center are currently being utilized to bring about system-wide changes in the curriculum. Workshop attendance has afforded a point of departure for this tremendous endeavor to bring the importance of personal economic education to the attention not only of all teachers but also of students. Suggestions for teacher-orientation programs, curriculum revision, and techniques for initiating study projects are made by teams of educators attending the National Center Workshop and then submitted to local school leadership. Working together throughout the school year, teams, school leaders, and National Center personnel bring the suggestions and plans for personal economic education to life in the educational program.[1]

Another major aspect of this extensive effort by the National Committee, designed to promote personal economic literacy, is vested in the nineteen graduate teacher-training programs in Family Finance Education. The National Committee for Education in Family Finance sponsors the National Center, and supports workshop and follow-up programs on the campuses of these universities throughout the country. For fourteen

---

[1] Dean W. O'Brien, Editor, Man, Money, and Meaning, A Special Project Report Prepared by the National Center for Education in Family Finance (Madison: University of Wisconsin, 1963), pp. 5-39.

consecutive years, summer workshops in family finance have been held under the sponsorship of the National Committee. These workshops and follow-up activities are part of a long-range program to enable young people and adults to receive instruction in the fundamentals of sound personal and family financial management. Each university develops its own program and curriculum and provides its own staff. Each offers lectures and time for discussion on topics of importance to personal economics. Lecturers are specialists from the university's schools of business administration and education. Their presentations are supplemented by visiting experts from business and education. Workshop participants develop special materials and projects for use in their own classrooms and school systems.[1]

Tremendous impact has been made upon curriculum design, teaching practices, and the thinking of educators across the country, through the distribution of numerous published resource aids. For example, handbooks and an annotated bibliography[2] on education in family finance have been

---

[1]National Committee for Education in Family Finance, Education in Family Finance--Summer of 1963, A Brochure Prepared by the National Committee for Education in Family Finance (New York: National Committee for Education in Family Finance, 1963).

[2]Free and Inexpensive Materials for Teaching Family Finance, Bulletin No. 20, An Annotated Bibliography (New York: National Committee for Education in Family Finance, 1960 and 1963).

developed for use by homemaking teachers,[1] social studies teachers,[2] business teachers,[3] elementary teachers,[4] and educators in general,[5] and have been printed and reprinted due to the demand. These special handbooks, designed to help teachers in the various educational areas, have been useful not only in classroom situations but also in developing other teaching aids and extending curriculum patterns to include personal economic education. Other published material relating to almost every area of personal economics has been developed and distributed by the National Committee to promote personal economic education. Constant efforts are being made to develop and update classroom teaching aids and to broaden the background of the teachers so that their effectiveness is increased. During 1963, approximately 30,000 copies of

---

[1] Teaching Family Finance More Effectively, Bulletin No. 15A, A Handbook for Homemaking Teachers (New York: National Committee for Education in Family Finance, 1958).

[2] Developing Economic Competence in Daily Living, Bulletin No. 16, A Handbook for Social Studies Teachers (New York: National Committee for Education in Family Finance, 1958).

[3] Vitalizing Business Education--Through Personal and Family Finance, Bulletin No. 18, A Handbook for Business Teachers (New York: National Committee for Education in Family Finance, 1959).

[4] Using Sense With Your Dollars, Bulletin No. 19, A Handbook for Elementary Teachers (New York: National Committee for Education in Family Finance, 1959).

[5] Education in Personal and Family Finance--Its Place in the Curriculum, Bulletin No. 21, A Handbook for Educators (New York: National Committee for Education in Family Finance, 1960).

National Committee materials were distributed by mail, through the regional workshop programs, the National Center, and other special educational meetings.

One of the major projects currently sponsored by the National Committee for Education in Family Finance is an extensive research study concerning personal economics. Two research specialists from the Institute of Life Insurance, Albert I. Hermalin, Associate Director, Research and Statistics Division of the Institute, and Harriet Presser, Research Associate, undertook, with the help of the National Committee, the National Center, regional program directors, and workshop alumni, a study to determine the impact of the family finance program on education. Four specific aspects were dealt with in the Education in Family Finance Impact Study.[1] The first phase was a questionnaire study designed to measure the influence of workshop experience upon the participants' personal lives and their teaching of personal economics. In connection with this study, a second project was undertaken which involved intensive face-to-face interviews with a sample of workshop alumni and a comparable group of teachers who had not attended an Education in Family Finance workshop. These interviews concerned teaching practices related to

---

[1]Albert I. Hermalin, "Highlights of the Education in Family Finance Impact Study," A Report Presented to the Annual Meeting of the University Program Directors and the National Committee for Education in Family Finance at Madison, Wisconsin, November 23, 1963.

family finance, attitudes toward the teaching of family finance, personal financial practices, appraisal of workshops attended, and educational background and demographic characteristics of the teachers. A third aspect of the Impact Study included completion and analysis of an extensive questionnaire administered to all attendees of 1963 workshops on Education in Family Finance. The fourth phase of this Impact Study dealt with a content analysis of amount and nature of personal economic information in textbooks in subject matter areas relevant to family finance and a comparison of these findings with those reported in a similar study completed during 1949.[1]

This Impact Study, which represents an extensive research effort, is only a part of the research program encouraged by the National Committee in its quest to extend the frontiers of personal economic literacy. Not only have research studies been initiated by the National Committee, but enthusiasm for extension of knowledge has been expressed also through the independent research studies in personal economics completed by doctoral students at universities across the country.

The major proponent of personal economic education has been the National Committee for Education in Family Finance. The Joint Council effort to extend education in social economics has been paralleled by the National Committee

---

[1]<u>Ibid</u>.

drive to initiate and provide extensive support for personal economic education in the schools of this country. It has gained strength in recent years, as it has been not only accepted by educators but also endorsed and supported by business and industry.

The impact of the Program for Education in Family Finance, with its nineteen affiliated centers, is not easy to measure, because a multiplier effect constantly increases the value of the program. This movement designed to strengthen personal economic education, initiated and supported by the National Committee for Education in Family Finance, represents the most aggressive force today in spearheading the drive for economic literacy. Evidence indicates that personal economics can contribute substantially to the well-rounded education that is essential for every young person.

The two major groups active in extending the frontiers of economic literacy, the Joint Council emphasizing social economics and the National Committee stressing personal economics, were neither conceived nor designed to compete with each other. As the result of contributions made by these two impressive and complementary movements, the cry for appropriate education in social and personal economics is being heard in many sectors of society.

Areas of Primary Concern in Personal Economics

In selecting the areas for personal economics which are of primary concern, several sources were reviewed and topical recommendations analyzed. Inasmuch as the National Committee for Education in Family Finance is the major proponent of personal economic education, their publications listing the areas of content for personal economics were considered to be a primary source in isolating the areas treated in this study.

A great deal of effort has gone into the design of the national and regional workshops on education in family finance. Shortly after its inception in 1947, the National Committee undertook the task of defining the content of personal economics. In the first publication of *Topics*, a rather sketchy treatment of areas of content from various subject matter fields was defined for use in the National Workshop on Education in Family Finance which was then centered at the University of Pennsylvania. The following areas were isolated for treatment in that first workshop program:

Life Insurance
General Insurance
Social Security
Commercial Banks and Trust Companies
Savings Programs
Personal Borrowing and Buying on Credit
Home Ownership and Investments
Family Budgeting and Financial Planning[1]

---

[1] *Topics*, "Financial Security Education Program," I, No. 1, A Report Published by the Committee on Family Finance Security Education, Educational Division (New York: Institute of Life Insurance, April, 1950), p. 1.

Through extension and refinement, the Program for Education in Family Finance has been enriched to include a multiplicity of topics about personal economics. By 1960, the range of areas treated by the various regional workshops and the national workshop had grown to such an extent that the National Committee recommended revision of content to include the following areas:

> Budgeting -- budgets for personal use, family budgets, school budgeting, and budgeting of governmental units.
> Investments -- types of investments, and factors influencing investments.
> Credit -- uses of credit, credit sources, and credit plans.
> Insurance -- annuities and pensions, general insurance, life insurance, health and accident insurance, social security, and unemployment insurance.
> Banks -- kinds of banks, and banking services.
> Other Financial Institutions -- savings and loan associations, and credit unions.
> Housing -- ownership, rental housing, and maintenance of housing.
> Intelligent Buying -- consumer protection, standards, and selection of goods.
> Estate Planning -- wills, trusts, and estate control.
> Legal Aspects -- contracts, deeds, mortgages, leases, and promissory notes.
> Taxation -- kinds of taxation, needs for taxation, and benefits from taxation.
> Economic Background -- rights of individuals, income, and the business system.[1]

The suggested coverage of personal economics is so comprehensive that almost every aspect of personal finance is treated in one way or another by the various workshops. Not only are

---

[1] Education in Personal and Family Finance--Its Place in the Curriculum, loc. cit., p. 12.

these areas representative of personal economics, but the content is also designed to help the individual relate himself to those social economic elements with which he should be directly concerned.

The significant elements of content in family finance designed to facilitate effective instruction in money management were classified into four broad fields by Kell[1] through an independent doctoral research study. Four broad classifications were considered to compose the content for family finance, along with certain minor aspects indicated for the purpose of explanation. This content outline was analyzed and compared with the areas suggested by the National Committee. The following content was recommended:

> <u>Basic Principles of Finance</u> -- wealth, production, income; functions of money and credit; establishment of values and prices; effects of business conditions; sharing costs of government services through taxation; relationship of government, business, and the consumer.
>
> <u>Consumer Buying</u> -- general principles of buying; protection agencies--private and government; budgeting and record keeping; advertising; personal business law.
>
> <u>Banking and Consumer Credit</u> -- services of a financial institution; obtaining and using credit; principles of installment buying; obtaining a loan.
>
> <u>Financial Security</u> -- savings; investing in securities; protection through insurance--life, general; social security; pension plans; housing and home ownership; estate planning.[2]

---

[1] Venetta Bynum Kell, "An Instrument for the Evaluation of Understandings in Family Finance" (unpublished Ed. D. dissertation, University of Oklahoma, 1961), p. 51.

[2] <u>Ibid</u>., p. 39.

This content pattern for personal economics differs in organization and categorization from that recommended by the National Committee; however, there is much similarity in topics. Both stress the same basic areas.

A third pattern of content for personal economics was contrasted with those already mentioned, before isolating areas of content that were treated in this study. The content of the University of Oklahoma annual, six-week Workshop on Education in Family Finance has been refined and extended during a period of six years. The following areas of content are included in this program:

<u>Basic Economic Factors Relative to Family Security</u> -- allocation of resources; distribution of income; functions of the monetary system; prices and price determination; the role of money and banking.

<u>The Nature of Credit and Credit Institutions</u> -- the consumer credit industry; use of individual and family credit; social aspects of credit; mathematics of installment buying; legal problems in commercial transactions.

<u>Saving and Investment Institutions and Service</u> -- types and functions of savings and investment institutions; investment principles; nature of the securities market; services and information available to the small investor.

<u>Personal and Social Insurance</u> -- types of insurance carriers; types of life insurance; insurance contract provisions; insurance law; social insurance programs.

<u>General Insurance--Property and Liability</u> -- fire insurance; marine and other property insurance; general liability insurance; automobile insurance.

<u>Insurance Programming for the Family</u> -- principles and functions of insurance; programming life insurance and settlement options; intelligent insurance buying.

<u>Buying and Management of Real Estate</u> -- private and government financing; legal problems of purchasing a home; problems in real estate investment.

Taxation and Economic Well-Being -- financing social projects; taxation as a re-distributor of income; individual tax reports.

Creating and Distributing Family Estates -- purposes, objectives, and tools of estate planning; minimization of taxation and estate conservation.

Family Financial Planning -- better buymanship; regulation of business; administration of family income; values in relation to family income and spending; family spending patterns.[1]

After careful consideration of these patterns of content suggested for personal economics, an analysis was made to determine the areas which seemed to be most frequently mentioned and best represented the core of personal economic education. After analysis was completed, six areas were selected for use in this study. Because in each of the references discussed the content was outlined in a topical manner; therefore, an attempt was not made to outline the areas treated in this study. Instead, areas that could be used in the development of conceptual ideas and substantiating understandings were merely isolated. Discussion of topics under each area was considered to be repetitious in light of the three outlines presented; however, it was important to isolate the broad areas to proceed with the development pattern for designing conceptual statements for each isolated area. The following six areas were isolated for the purposes of completing this study:

---

[1]Workshop on Education in Family Finance, Education in Family Finance, A Notebook Prepared for Participants of the 1963 Workshop on Education in Family Finance (Norman: University of Oklahoma, 1963).

Money -- social aspects; financial planning; banking institutions; economic service.

Credit -- sources; costs; social significance; legal implications; effects upon standards of living and production; distribution.

Insurance -- types and functions; programming; purpose of protection; stability and security; significance of insurance industry.

Saving -- place in financial plan; purposes; institutional services; returns; security.

Taxation -- purposes of taxation; services; responsibilities; functions.

Investment -- securities markets; returns; purposes; social implications; estate development.

Basic elements were developed for each area, not by listing topics of content but by designing understandings and conceptual statements that incorporate multiple ideas concerning the broad aspects of each area. The pattern of concept development, along with substantiating understandings, is treated in a comprehensive manner for each of the six selected areas of personal economics and is presented in detail in Chapter IV.

CHAPTER III

FUNDAMENTAL ELEMENTS IN THIS STUDY

Today, comprehensive textbook coverage and voluminous amounts of material are available for courses in U. S. history, problems of democracy, economics, general business, civics, and home economics. These books and other published materials contain extensive and sometimes detailed descriptions of economic problems and institutions, as well as factual information from which sound social and personal economic understandings and concepts may be developed. However, rarely do they either set forth or define the fundamental understandings from which appropriate concepts may be developed. Thus, students and teachers tend to consider only the more mundane factual types of information relating to social and personal economic issues. Through the process of grading and marking, emphasis is placed upon the ability of the student to repeat bits of factual information. This procedure tends to encourage memorization; therefore, very little real thinking which leads to a more permanent type of learning is stimulated.

Fundamentals of Concept Development

The major way in which personal economic competence may be gained is by structuring concepts that facilitate solution of even the more complex financial problems. Such conceptual development requires the teacher's leadership to guide students in facing and attempting to resolve problems. Success in this venture depends primarily upon helping the student see what phases of economic reality impinge directly upon him. As a dramatist, the teacher helps the student to participate in role-taking and role-playing as a means of problem-solving. The teacher sets the pace of inquiry and helps to select the areas for concentration and the important points of emphasis. The responsible teacher will share with youth the obligation for the development of concepts and will utilize the many seemingly unrelated facts to discover the wholeness in life.

Concept development involves logical simple steps that facilitate the acquisition of important educational goals and extend well beyond the limits of factual and knowledge types of learning. Acquiring appropriate education for life is dependent upon articulate progression through five significant teaching-learning steps. These five teaching-learning steps provide valuable educational experience as the result of (1) gathering facts, (2) sorting facts to gain knowledges, (3) assimilating knowledge relationships to develop understandings, (4) reflecting on understandings to form concepts, and (5) applying those concepts through actions that reflect an attitude.

Education is reflected in behavioral changes that result when these five steps are utilized by the professional educator and by the student. Each of these elements is dependent upon the others if an effective educational pattern is to function. They should be interwoven and related to the extent that students derive sound motivational attitudes that provide a basis for successful living. One of the major weaknesses of educational endeavor is the failure to utilize sufficiently these elements in the teaching-learning process. Perhaps this weakness, at least in part, is the result of poor planning, inappropriate method, and/or inadequate materials. Teaching specific facts without making clear their content in the broader fundamental structure of personal economics makes it exceedingly difficult for a student to conceptualize what he has learned and apply it to situations he will encounter in life. However, through weighing and evaluating facts, the learning process is initiated and students, under the direction of a teacher, engage in the concept development approach to acquire adequate comprehension of personal economic elements essential to sound financial management.[1]

---

[1] Gerald A. Porter, Topics, "The Concept Approach to Education in Personal and Family Finance," Vol. 12, No. 1, A Report Published by the Educational Division (New York: Institute of Life Insurance, Fall, 1962), pp. 2-5.

Techniques Utilized in This Study

The basic pattern of concept development was employed in the process of completing this research study. The problem of this study was to isolate and define certain understandings and concepts basic to comprehension of the personal economic elements essential for sound financial management. The concept approach, used in determining the content for personal economics, was designed to go beyond facts and knowledges to reveal the broader understandings and concepts upon which appropriate attitudes are to be based if economic competence is to be demonstrated. Although different in basic approach, this design coincides with the National Task Force on Economic Education outline of the significant elements of social economics.

From the topical content outlined by the National Committee for Education in Family Finance, the Kell dissertation, and the Workshop on Education in Family Finance held at the University of Oklahoma, the content areas for personal economics were isolated and conceptually defined in this study. Money, credit, insurance, saving, taxation, and investment best incorporate, in a broad sense, the fundamental areas of personal economics. Extensive amounts of factual information were collected and reviewed for each area. Many sources, such as textbooks in social and personal economics, pamphlets, magazine articles, audio-visual aids, and lectures, were utilized in gleaning the factual information pertinent to each area. As the result of acquiring these facts important to personal economics, somewhat larger types of information characterized as knowledges were developed. Through the process of synthesis, facts were sorted and sifted so that clear perception could be gained of the knowledges relevant to personal economics.

Through the process of assimilating much information of a knowledge nature, numerous knowledges were compared and categorized in such a way that understandings could be gained through reflection and reasoned judgment. This process of developing understandings was crucial to defining each of the selected areas of personal economics, in that carefully developed understandings were used in designing conceptual and attitudinal statements. Much time was spent in analyzing the wording, checking for accuracy, and developing continuity in the understanding and concept statements presented.

To facilitate the presentation of material for personal economics developed through this research study, only statements of understandings, concepts, and attitudes were included in the final draft. The many hundreds of pertinent facts collected and the tremendous number of significant knowledge relationships developed are not included in the formal outlines presented in Chapter IV. Comprehensive treatment of personal economic understandings and concepts appear in outline form and constitute the major findings of this study.

Subsequent to the development of understandings, concepts, and an attitude for each content area, it was considered to be of prime importance to consult with specialists in each area. The following professional educators were selected to criticize the statements developed. Area of money, Dr. James M. Murphy, Professor of Finance, Chairman, Department of Finance, College of Business Administration, University of Oklahoma; area of credit, Dr. Marion C. Phillips, Professor of Marketing, Chairman, Department of Marketing, College of Business Administration, University of Oklahoma; area of insurance, Dr. Donald R. Childress, Associate Dean, College of Business Administration, University of Oklahoma; areas of saving and investment, Dr. Robert A. Ford, Associate Professor of Finance, College of Business Administration, University of Oklahoma; and area of taxation, Dr. Jack L. Robinson, Assistant Professor of Economics, College of Business Administration, University of Oklahoma. The opinions of these content specialists were considered to be valuable in establishing accuracy. They not only have extensive educational training and professional experience in the particular areas selected but also are familiar with the concept approach to teaching-learning as it relates to personal economics.

Following the criticism of each area by each specialist, it was necessary to present the total outline, of understandings, concepts, and attitudes developed, for review and analysis by two individuals familiar with the entire program of economic education. Dr. Gerald A. Porter, Professor of Education, College of Education, University of Oklahoma, and Dr. Jim E. Reese, Professor of Economics, College of Business Administration, University of Oklahoma, were selected to serve as critics of the composite outline.

After subjecting materials developed to stringent tests of criticism by the authorities selected, revisions were made and once again attitudes, concepts, and understandings for each of the six areas selected, were extended and refined. Final drafts were then prepared of the attitude, concept, and understanding statements, with reasonable certainty established as to their accuracy, continuity, and completeness.

Illustration of the Basic Technique

So that readers may more clearly visualize the process used in developing the statements presented herein, a pattern of concept development is presented. The area of insurance was selected for use in illustrating concept development through the five teaching-learning steps. The factual and knowledge types of information contained in this illustration could not represent all of the information that either was or should be collected for purposes of either teaching or studying the area of insurance. However, this information does best portray a limited number of facts and knowledges pertinent to the development of understandings, concepts, and an attitude for the area of insurance.

The concept approach to teaching may be initiated by the teacher who clearly perceives the attitude with which a student should be imbued if he is to act rationally in adult life as he develops his insurance program. This insight of the proper attitude toward insurance which is to be gained by the student serves as the objective and guides every aspect of instruction. As indicated by the illustration on page 48, this would involve an appreciation of the attitude that: <u>Insurance is the base upon which individuals and/or families should build to establish the kind of financial security that is essential for personal and social economic growth and stability</u>. Having as his objective the development of this attitude, the teacher finds it necessary first of all to establish many related facts relevant to the area of insurance. Students are then urged to study and to sort bits of factual information and, rather than memorize them, to sift them in an appropriate manner to perceive knowledges. Several pertinent illustrations are given of both factual and knowledge types of information that might be employed in this teaching-learning process as it relates to concept development in the area of insurance.

Students may locate many facts and amass knowledges which can be used in designing understandings. Through various avenues the teacher should encourage students to analyze

ILLUSTRATION OF THE FIVE SIGNIFICANT TEACHING-LEARNIN

Area of Study: Insurance--Items in each of the
illustrative only. In the development c
attitude toward insurance, teachers and
study and analyze a great many more fact
understandings, and concepts than are pr

FACTS	KNOWLEDGES	UI
The population increase from 1950 to 1960 was 150,697,361 to 180,676,083. Less than 60% of the population lived in urban centers in 1950; in 1960 over 80% were urbanized. In 1960 automobile accidents claimed the lives of 38,137 individuals.	Population growth and concentration have increased the risks faced by individuals in society.	As the po social an tions bec lead to r insured i be mainta societal
Life insurance may be purchased in multiples of $1,000. Automobile insurance may be secured for comprehensive, collision, and/or liability risks. Fire insurance provides protection against economic loss on real property.	The function of insurance is protection against economic loss.	
Insurance policies are purchased from agents of insurance companies. A small, regular amount paid for insurance is called a premium. Premiums may be paid monthly, quarterly, semi-annually, or annually.	Through regular premium payments various types of insurance may be acquired.	Social un: security ; individua: the respo nomic ris!
The common risks of loss of life and property are fundamental to man's existence. Through insurance economic risks are shared	Most people face similar risks, any of which may lead to economic loss.	
Insurance may be acquired on life and/or property. Many people are covered by workmen's compensation. Group insurance is purchased through one master policy.	Insurance is available to individuals in many forms.	Through t of many k insurance made poss of Americ ity and b cial and
Money accumulated by insurance companies to pay future claims is known as "reserve." Loss of income insurance may provide up to 75% of the normal earnings of an individual. Life insurance death benefit payments in 1960 reached $3.3 billion.	Insurance benefit payments, made as the result of economic loss, provide funds for continued consumer spending.	
More than one million persons were working in the insurance industry in 1960. Real estate investments, made in 1960 by insurance companies, totaled $3.8 billion.	Insurance companies own property and provide employment for many people.	The insur been able which, th vestment, vide a hi living.
In 1960, $119.6 billion of policyholders' funds were at work through investment. Insurance funds are invested in homes, farms, government, business, and industry.	Investments made by insurance companies promote individual and national economic growth.	

critically the knowledge relationships they develop, and to assimilate these relationships to gain understandings of insurance. The following statements best illustrate the kinds of understandings that students can gain through this assimilation process:

> Social unity and economic security are promoted as individuals assume mutually the responsibility for economic risk.
>
> Through the design and sale of many kinds of protection, insurance companies have made possible for millions of Americans economic stability and benefits of a financial and a social nature.

As students, through assimilation, develop these types of understandings common to insurance, they are equipped to carry the learning process a step further. Through reflection upon understandings gained, somewhat broader ideas should become clear to them. Concepts that should be derived by students following the comprehension of related understandings are essential to intelligent acquisition of insurance protection. Statements best illustrating the type of concepts pertinent to insurance follow:

> Through insurance, fears and anxieties are minimized, and people are able to realize more fully their potential for living.
>
> In both personal and social economic terms, the insurance industry has facilitated the financial growth required by a dynamic economy and has supported economic stability.

The teacher, following this developmental process employed in the concept approach to teaching-learning, should help students discern the proper attitude toward insurance.

This attitude should be a guide, directing every experience students encounter whether with facts, knowledges, understandings, or concepts. It should be understood that a sequence designed to take young minds beyond the factual level of learning could follow a similar pattern regardless of subject matter.

CHAPTER IV

ELEMENTS OF PERSONAL ECONOMICS CONCEPTUALLY DEVELOPED THROUGH THIS STUDY

The concept approach described in Chapter III of this study was utilized to develop the significant elements in selected areas in personal economics. Because of the necessity for control and limited space assigned to the presentation of findings, it was considered appropriate to include only statements of an understanding, concept, and attitude nature in the final draft of this study. All ideas presented are based upon a multitude of facts and numerous knowledges that were developed prior to the designing of the materials presented herein.

If depth in comprehension of personal economic elements developed in this study is to be gained, classroom activities and new experiences with factual information, knowledge relationships, understandings, conceptual ideas, and attitudinal statements are essential. Attitudes relating to the personal economic elements of life are not developed through some mysterious, uneventful process that eludes both teacher and student, but rather through conscious progression through the significant teaching-learning steps instrumental in concept development. Experiences should be so designed that learning takes place in a coherent manner pursuant to well-defined conceptual ideas fundamental in the development of personal economic competence.

The material outlined in this chapter, consisting of concepts supported by substantiating understandings, is indicative of the broad ideas underlying the content for personal economics with which students should become knowledgeable as they progress through the educational system. Upon completion of the formal educational pattern, culminating with high school, students should possess the ideas presented herein, and be so thoroughly imbued with the attitudes expressed that appropriate personal economic action will make possible a more satisfying and successful life. It is essential that such content be made available to each student before graduation from high school, at which point many of them will discontinue their formal learning activities.

The attitudes and the supporting concepts and understandings developed as the result of this study do not represent the entire picture of personal economics. Study of a great deal of factual information and many knowledge relationships should necessarily precede the development of the broad ideas presented in this report. However, the material presented does represent a major portion of the personal economic ideas with which a student must be familiar if he is to be an intelligent citizen active in the socio-economic structure of this nation.

Outlines containing conceptual ideas and supporting understandings for six selected areas of personal economics are presented in the following portions of this chapter. To add meaning and significance to the ideas advanced, it was considered important to preface each concept outline with a succinct background statement. These statements are designed to lend cohesiveness and continuity to the outlines of conceptual ideas and substantiating understandings. Each statement concludes with the attitude pertinent to the particular area being treated.

Money

Money has occupied the attention of man and influenced his activities for centuries. It deserves to be ranked among the outstanding inventions of the entire history of mankind. By overcoming the problems of barter, money has made possible tremendous savings of time and trouble in the marshalling of productive resources, and in distribution of goods and services to consumers.

> . . . the use of money makes for ease and simplicity in bringing together the factors of production and in organizing markets through which goods may be distributed for consumption.[1]

Rapid technological progress, specialization in industry and labor, and establishment of large trade centers during the

---

[1]Raymond P. Kent, <u>Money and Banking</u> (New York: Rinehart and Company, Inc., 1956), p. 3.

past two centuries would have been virtually impossible without the impetus provided through monetary facilities.

Possibly the most surprising thing that is revealed through a study of the history of money is the fact that men have used a bewildering variety of commodities as money. The items chosen to be used as money were those that best facilitated the transaction of business affairs and the exchange of goods. The interests of man relative to his cultural patterns, geographic location, and stage of technological advancement have all played a part in determining what would best serve him as money. After much effort to adapt various commodities to the money function, man discovered the properties of metals and thus paved the way for tremendous technological progress and ultimately the development of a superior kind of monetary medium. Money has done much to facilitate man's progress toward an advanced civilization.

A discussion of money cannot proceed far without recognizing the importance of certain financial institutions in the community. Many such institutions are operative in the economic system; however, banks represent the basic set of institutions which provide the machinery for the monetary system. Efficient coordination of individual and business financial activities by banking institutions makes possible a smoother flow of goods and services throughout the economic system.[1]

---

[1] *Ibid.*, pp. 102-107.

Banks, through the money system, serve as allocating mechanisms for financial resources in order that stability and growth may be accomplished by the individual and the nation. Bankers are businessmen who offer a service and provide the adhesive that holds the business community together. It should be recognized that many financial institutions other than banks perform financial services in the community. These institutions are discussed in more detail under the section on Credit.

In historical retrospect, the development and influence of money can be seen in every avenue of life. It has become a vital part of modern life. Today more and more values are being expressed in terms of money and what it will provide. In modern families, money plays a vital role in helping acquire the things which they want most from life. A large part of wholesome family living grows out of the wise management of money income, and provides an opportunity for the development of the virtues of cooperation, fairness, and unselfishness.

Family stability and happiness are facilitated through the wise allocation of money resources. Financial management is neither a process of bookkeeping nor an inflexible adherance to a given pattern of spending, but it is essentially a matter of planning.[1] Through the process of intelligent

---

[1]Jerome B. Cohen and Arthur W. Hanson, Personal Finance (Homewood: Richard D. Irwin, Inc., 1958), p. 38.

financial planning family ties are strengthened and a sense of accomplishment is gained. Such planning leads to the establishment of family financial goals which over a period of years provide the family with those things which contribute to peace of mind, stability, and security. Family money plans should be extended and refined periodically to adjust goals and analyze accomplishments according to changing demands and situations.

Money and the way it is used affect the attitudes and value systems of the individual family members. As an understanding is gained of money and its purposes, proper attitudes evolve which affect family relationships and activities and promote economic and social development. Money requires careful handling, regardless of the size of the income, if goals are to be reached and satisfaction is to be gained as the result of family spending.[1] Family income does not really represent the important aspect of financial happiness. The big difference between happiness and discord is the way in which money is handled and what is done with it. Through harmonious family relations in discharging money matters wisely, experience is gained that gives depth to all other aspects of living. Financial independence is attained only when the family utilizes its collective efforts in planning and controlling money resources.

---

[1]Price A. Patton and Martha Patton, Money in Your Pocket (New York: David McKay Company, Inc., 1959), p. 4-5.

Just as family unity and progress are facilitated through careful financial planning, problems and conflicts may arise because of money mismanagement that is characterized by poor allocation of money resources. Many complex problems are either causative or symptomatic of economic and social pressures that develop in tight money situations and may cause uneasiness and family problems.

> If money isn't the cause for quarrels it is a cause for anxiety. In either role, worry over money matters impairs the efficiency of the bread-winner and can be the source of family strife.[1]

Personality differences may be magnified and social problems compounded as the result of poor financial management and the lack of an adequate, operative money plan. Strengthening the family unit is predicated upon a thorough understanding of money matters. If problems originating from poor money management continue the ultimate result is economic and social destruction of the family unit. Whenever a family is destroyed, it not only hurts the adult members directly involved but may also cause serious psychological and emotional problems for children. Cooperative, intelligent financial planning is one of the major ways in which family differences may be resolved.

Money cannot by itself represent the fruits of individual effort; however, it does make possible those goods and

---

[1]The Royal Bank of Canada, Planning Family Finances, Vol. 43, No. 5, A Monthly Letter Prepared by the Head Office (Montreal: The Royal Bank of Canada, May, 1962), p. 1.

services that individuals desire and seek as the result of their labor. Money, if it is to be an effective tool, must be a serviceable means for providing more efficiently those things that are produced in the economic system.

> Money generalizes purchasing power and thereby facilitates exchange. In facilitating exchange it helps in the work of distributing the product of the economy.[1]

A higher degree of industrialization and specialization has been made possible as the result of intelligent use of money and has led to greater national income and a higher standard of living for the members of society.

In accordance with the concept approach to the study of money and the role it plays in personal economics, an attitude such as the following may be gained by students: <u>Intelligent use of money, a tool for exchange, is essential to the expedient disposition of family financial affairs, and facilitates happiness and security while promoting economic growth for both the individual and nation</u>. This attitude is basic to the family financial planning process so that appropriate use may be made of money resources. The development of this attitude should result from a careful analysis by youth of the following conceptual ideas and substantiating understandings.

---

[1] W. Nelson Peach, *Principles of Economics* (Homewood: Richard D. Irwin, Inc., 1955), pp. 180-181.

Concept Outline for Money

I. Wise allocation of money resources has the potential for family peace of mind, stability, and happiness, as a result of visualizing and attaining goals of a financial nature.

A. The spending of money is a matter of controlling and diverting money resources in such a way that money goes where it is scheduled on the basis of the desires of the family.

B. Analysis of money uses and the formation of financial goals provide a family the opportunity for concentrating on the acquisition of those things that the members want most in life, and at the same time stimulate a congenial, cooperative atmosphere of unity.

C. Wise financial planning makes possible the basic necessities, both current and future, essential for the acquisition of comforts which make daily living more enjoyable and also provides protection against the possibility of making costly financial mistakes.

D. Proficiency in money skills is necessary for attainment of financial goals and maintenance of family financial equilibrium.

E. Financial plans should be extended and refined periodically in light of changing family needs and new money situations.

F. Ready access to family money resources, in case of either loss of life or disability, is of prime importance to a surviving spouse, in reconstructing a financial plan that will assure future financial stability and peace of mind.

II. Sound attitudes and values toward money, if held by each member of the family, facilitate valuable relationships and activities that promote economic and social development.

A. It is imperative to wise allocation of money income that family members develop a sense of appreciation and respect for the problems of family income management.

B. The utilization of family money resources and the value which is placed on it affect in large measure the entire family value system with respect to not only economic issues but also social and political problems.

C. Relative financial independence is attainable only as the family utilizes its collective efforts in planning and controlling family income through savings and expenditures.

III. Many family problems, from the simple to the complex, are either causative or symptomatic of economic and social pressures that arise as the result of inappropriate understanding and poor practices in managing money and may lead eventually to destruction of the family unit.

A. Through the mechanical processes involved in acquiring and disposing of money, personality conflicts are magnified, social maladjustments develop, and unwholesome relations arise as the result of money mismanagement.

B. Planning is a means of resolving family differences, which exist due to personal differences, in favor of whatever is best for the economic and social good of all the family.

C. A seemingly adequate income does not necessarily make a good financial life.

D. Money leaks due to poor financial planning and unwise use of money are essentially losses of family income.

E. Poor money management can lead ultimately to breakup of the family unit and over a period of time not only may have far reaching effects on adult members but also may cause serious psychological and emotional problems for children as well as weaken the entire economic and social system.

F. A thorough understanding of money matters by each family member strengthens the family unit as the basic cultural institution.

IV. By providing the basis for efficient coordination of financial activities, and making possible a smoother flow of goods and services through the economic system, banks function in a major way to facilitate operation of the money system.

A. Commercial banks play an important role in economic affairs by facilitating exchange through the use of checking accounts that provide the means by which most money payments in the economy are made.

B. The business of banking provides the service of collecting and resourcefully utilizing savings, much of which would otherwise lay idle, of both the family and entire economy.

C. A major goal of banks is to make available, on a loan basis, financial resources to consumers for certain types of consumer goods, to businesses for inventories and so forth, and to government for public functions.

D. Banks strongly influence the financial and economic activities of this nation and its individual citizens by exercising the powers of money "creation" and "destruction."

E. The individual banker is a businessman who directs an institution which is at the center of the financial community and who deals in money lending and service for a profit rather than in selling goods for a profit.

F. Banks serve as allocating mechanisms of financial resources through the money system in order that stability and growth may be achieved by the individual and the nation.

V. Money in and of itself does not represent the goal of either personal or social economic activity, but rather it is a serviceable means to the end of producing and distributing more efficiently these products of the economic system.

A. The development of an effective money system makes possible a higher degree of industrialization and job specialization and leads to greater national income and a higher standard of living for the members of society.

B. The use of money facilitates the distribution of goods and services to the members of society.

C. Provisions of the "system for the use of money" must effectively do the job of facilitating and coordinating the economic functions of production, distribution, and consumption if the economy is to grow and prosper.

D. Money has absolutely no value for emitting satisfaction, except as it represents a claim against goods and services, and becomes flexible in its application to help man secure those things that he needs and wants.

E. The value of money depends upon the total quantity of money in the system and the variable stability and growth factors working in the economy and is measured by what it will buy rather than by some predetermined, absolute value.

Credit

Although debt is almost as old as the human race itself, many people in the past have looked with disdain upon the use of consumer credit as a means of acquiring goods and services. It was believed that credit should be used only for business and government purposes. Today, however, most Americans utilize consumer credit in one form or another. Its intelligent use is no longer considered immoral or unethical.[1]

The business or commercial lending of money to consumers began in this country during the middle of the nineteenth century. This was due largely to the development of and transition in the economy. Bartering, with increased business activity and industrial development, proved to be impractical and difficult. A more mature, vibrant economy demanded that purchase of consumer goods and services be met by payment in either cash or credit. A new category of work was created in

---

[1]Elvin P. Donaldson and John K. Pfahl, Personal Finance (New York: The Ronald Press Company, Third Edition, 1961), pp. 53-55.

which many people had nothing to sell except their daily labor. Therefore, the solution to the problem of exchanging commodities was greatly facilitated through the use of credit, as well as money.[1] The use of credit became a stabilizing force in family financial activities.

One of the most vital aspects of credit is that it can be adjusted to meet the changing needs and economic conditions of a particular period. By the late 1930's consumer finance began to assume a position of prominence on the American economic scene. To the socially acceptable value of providing money to meet consumer emergency needs was added the knowledge that credit could be used for another equally important purpose--that of improving family living standards. The intelligent use of personal credit prompted thrift, increased self-respect, and stimulated self-reliance. A sense of consumer integrity has emerged to form the basis of a respectable, sound, legal framework that regulates activity in credit transactions.

The creation and the wise use of credit have promoted financial growth for the family and, consequently, stimulated total economic prosperity. Through its use, productive power has been increased, more goods and services have appeared on the market, and consumers have established greater and more

---

[1]Ernest H. Crabbe, Herman G. Enterline, and S. Joseph Debrum, General Business for Economic Understanding (Cincinnati: South-Western Publishing Company, 1961), pp. 167-168.

extensive powers to consume. America's entire production and distribution system is paid for by the consumer. Dollars spent by Americans for goods and services provide raw materials, processing, advertising, transportation, management, salaries, and even government revenue.[1] Because of this vital role that the consumer plays in the economy, his attitude toward the use of credit is of major importance. Use of consumer credit grows out of the realization that a family unit is in fact a small business. Sound credit principles are as applicable to family business affairs as they are to the operations of large business organizations established for purposes of making profit. In reality the American consumer is the littlest but the most powerful "giant" in the economic system.[2]

Rising incomes, urbanization, and specialization through socio-economic advancement have motivated the desire for a wider range of goods and services. Today, demands are being made for economic goods such as furniture, appliances, automobiles, mobile homes, clothing in great array, a host of personal accessories, supplies for the home, and items yielding either pleasure, relaxation, or stimulation. All of

---

[1] Cohen and Hanson, loc. cit., pp. 114-125.

[2] National Consumer Finance Association, The Littlest Giant, A Teacher's Study Guide Prepared for Use with a Sound Film (Washington: National Consumer Finance Association).

these are provided in infinite variety in endless numbers and types of merchandising outlets. Also, personal economic services such as education, insurance, legal advice, health, utility, repair, and so forth, are being sought by the consumer. Consequently, credit has developed as a means through which millions of Americans can buy goods and services as needs arise and pay for them out of future income.

Not only has the use of credit by individuals promoted growth, but also participation in the American system has forced these persons to save as a result of using credit. When credit is available, durable articles are purchased with lives extending well beyond the time required to pay for them. This means that the purchase of durable goods on credit constitutes a type of forced saving.

In terms of social and economic status, the use of credit has helped to bring closer together the many and varied income groups. Social and economic barriers have been partially destroyed, in large measure due to the availability of credit to virtually all income groups.[1] This availability does not supersede differences, however, in sources and costs of credit when it is utilized by those within the various income brackets. Although credit provides people with a commonality in social and economic terms, its use should not imply either that consumer credit has done away with poverty

---

[1]John L. Springer, Make the Most of Your Income (Englewood Cliffs: Prentice-Hall, Inc., 1961), pp. 34-38.

or that all those who use it do so intelligently. Consumers must learn to use credit wisely and as an effective tool in money management, lest it become the source of family financial decay. An understanding of credit reduces the possibility of having it used as a narcotic for family financial problems. The use of credit as a substitute for financial planning brings about serious economic and social problems for the family.

The importance of sagacious use of consumer credit is emphasized by Phelps.

> Instalment credit is used by most American families at one time or another. Whether it is used wisely, is obviously of considerable importance to consumers, to the business and financing institutions involved, and to society in general.[1]

Thorough understanding is basic to the prudent use of almost anything, and the use of credit is not an exception. Only as individuals gain adequate comprehension of credit, can it be used as an effective management tool.

In view of the importance of personal credit to both the individual and the economy as a whole, it is imperative that students gain the attitude that: <u>Consumer credit, a tool for financial management, be utilized to enhance the welfare of the individual American family and, at the same time, to upgrade the overall economy of the nation</u>. This attitude

---

[1] Clyde William Phelps, "Using Instalment Credit," Commercial Credit Company, Education Division (Baltimore: Commercial Credit Company, 1962), p. iii.

should be comprehended and used as a basis for learned action by the consumer as he purchases goods and services on credit. The development of this attitude should result if the following conceptual ideas and succinct understandings are carefully analyzed.

Concept Outline for Credit

I. Wise use of credit promotes personal and social economic stability and the democratization process by which the gap between economic and social extremes in society is narrowed.

A. Intelligent use of credit aids in the development of a sense of confidence and accomplishment that stabilizes and insures continuance of the family unit as the basic economic institution.

B. The use of credit involves obligations and fixed payment plans that are conducive to controlled spending and the development of responsible financial attitudes.

C. As a house and other durable goods are obtained by a family through the use of credit, a sense of stability and security is developed.

D. Based on faith, credit is accessible to individuals in almost all income categories and, therefore, tends to compensate for inequalities arising from the maldistribution of income.

E. No stigma should be attached to the wise use of credit because goods, through use, carry implied identification of ownership.

F. Through repayment of consumer debts, a kind of regularity is established which makes it easier, upon completion of debt payment to continue to put similar amounts aside for future purchases and savings.

G. Forced saving, as evidenced by an increase in family net worth, is implemented, as durable goods are purchased on credit which have a life extending beyond the time required to pay for them.

II. Assiduous use of credit requires moral responsibility and an awareness of the sources and costs of credit available in the money market place.

A. The cost of credit is a relative thing measurable both in terms of dollar costs and psychic satisfaction.

B. Through analysis of costs and comparison of the services provided by institutional lenders, individuals seeking credit should search for an arrangement which blends best with their total financial plan.

C. Each credit transaction involves legal responsibilities and repayment obligations that are peculiar to the particular kind of financial need.

D. Reasoned judgment and honesty are the qualities which should guide individuals in the use of credit so that maximum moral responsibility may prevail in a moneyminded society.

E. A good credit rating must be earned and maintained if credit is to become a valuable asset which leads to the acquisition of family financial independence.

F. Individual financial integrity and a sense of business responsibility are readily recognized in the market place, whether a person proffers his credit card or cash.

III. The successful use of credit necessitates comprehension of the legal framework surrounding the negotiation and completion of credit transactions.

A. Rights of ownership, use, and disposition of goods purchased on credit are controlled by a network of regulations, carefully designed to promote the extensive distribution of goods and services.

B. Although usually in standardized printed form, credit instruments involve a variety of obligations and responsibilities which specify alternative courses of action for almost any situation that may arise during the life of the contract.

C. Thorough understanding of the credit instrument is essential to peace of mind, security, and a gratifying experience in the fulfillment of contractual obligations.

D. If circumstances make it impossible for an individual to meet his obligations, prompt action should be taken to notify creditors and establish an adjusted payment schedule that can be met.

IV. The unwise use of credit may produce a "narcotic" effect that may lead to seemingly insurmountable money problems and perhaps even to family bankruptcy.

A. Consumer credit and the convenience it offers, if used without understanding and foresight, may lead to the misconception that credit provides added income.

B. Credit used as a substitute for financial planning may give temporary psychic satisfaction, just as a narcotic gives temporary relief from physical pain, but it does not justify excessive usage.

C. When credit is used to purchase goods or services, a lien is automatically attached to income not yet earned, thus, perhaps jeopardizing the acquisition of future necessities.

D. When overextension of his credit forces an individual to declare bankruptcy, there is an inevitable weakening of the economic and social structure, as well as the emergence of an unfavorable image of credit that may result in restrictive control of credit.

E. In combating money illness resulting from the unwise use of credit, an individual or a family should seek a remedy through the financial counseling services now available or being developed by either financial or governmental agencies.

V. Use of credit tends to stimulate buying and supports continued increases in the production and the use of goods and services.

A. As buying, through the use of credit, is made easier and more convenient, possession of goods and services is accelerated and the flow of products to consumers is stimulated.

B. Through credit usage financial resources are provided for production of new and varied products and services, which, when purchased by consumers, upgrade their standard of living.

C. Credit links mass production, mass distribution, and mass consumption, so that the flow of goods and services through the economy is facilitated and coordinated.

VI. Productive power is increased, not only for the individual but also collectively for the nation, as the use of credit provides the fuel for economic growth and a higher standard of living.

A. By borrowing an individual may possibly enhance his earning power either through acquisition of an education or through borrowing at a cost less than the rate of return on his own investment of the borrowed money.

B. Credit creates new spending power and a greater capacity for consumption, which, in turn, increases production in response to the demand for goods and services.

C. As credit increases productive power a dynamic, cyclical economic process is initiated that creates new jobs, more income for consumers, higher returns for the owners of business, and a continually growing gross national product.

Insurance

As the socio-economic activities of men have increased in complexity, more and more need has evolved for the sharing of financial risks. People today, as they work in various trades and occupations and even in their leisure time, find that they constantly face many risks that could mean financial loss.[1] All people, regardless of where they live or what they do, face certain risks of property loss, loss due to liability, loss of income, or loss of life. Insurance provides a means

---

[1]Wilfred Kelsey and Arthur C. Daniels, Handbook of Life Insurance (New York: Institute of Life Insurance, 1960), p. 7.

by which one shares the possibility of loss from these perils with others who face similar types of risks.[1] A single loss could be catastrophic if the resulting financial burden fell only upon one individual in the family. However, when many individuals share the cost of an economic loss, no one person is subjected to complete financial disaster. This sharing of risks is accomplished when individuals acquire adequate insurance protection from the economic perils which they face.

The uncertainty of the future has inhibited man's work for centuries. A sense of insecurity and, therefore, instability has plagued and jeopardized the effectiveness of individuals as they have attempted to live fruitful lives. Uncertainty and perils of various types have motivated people to try to achieve a measure of security and protection, to gain greater freedom to go about their normal activities without a sense of fear.

It is interesting to note in historical retrospect that the financial aspects of losses of life and property were reduced to some degree by people many centuries ago. In early Chinese history, for example, the rapids of the Yangtze River presented a risk of loss to Chinese merchants and their goods and led to financial ruin for many. Eventually, however, a plan was developed by which risk of financial loss

---

[1] Charles R. Walker, "Business and Economics in the General Education Program of Colleges and Universities" (unpublished Ed. D. dissertation, University of Oklahoma, 1961), p. 138.

could be minimized or at least reduced. As cargo was loaded for shipment on the river, it was divided among the various carriers, and if any of the ships were lost, each merchant would lose only a portion of his goods and thus avoid catastrophic financial loss. This same principle is applicable today in modern insurance coverage.[1]

Another plan was developed several centuries later in England, which made it possible for shippers to reduce their risks of economic loss. Professional risk sharers were engaged, through the payment of fees, to assure that if cargo did not reach its destination, its value would be paid the shipper who suffered the loss. When ships sank, several risk sharers or underwriters, as they were later called, paid their assigned shares of the loss. They did so from the funds they had accumulated from payments for the protection service which they offered.

These two brief stories of risk sharing illustrate the manner in which the possibilities of economic loss have been minimized for those who mutually shared similar risks. Many of these early attempts to insure against financial loss were based upon poor judgment; however, the basic principles guilding the early underwriters have been refined and are now applied more effectively to the risks that modern man faces.

---

[1]Institute of Life Insurance, "How Life Insurance Began," A Teachers Guide for the Filmstrip Prepared by the Education Division (New York: The Institute of Life Insurance).

The need for protection has been extended until today there exists a vast insurance industry that is motivated by both individual and national economic activities. Enhanced by this industry, economic stability, a higher standard of living, and financial growth have been influential in making the economy the most dynamic in history. Insurance companies, through the design and sale of a variety of insurance policies, have made possible financial security and economic stability for millions of Americans. Financial reimbursement for losses due to death, property damage or loss, and/or loss of income has provided continued support for consumer spending. Insurance has enabled enhancement of the family as the basic social and economic unit in society.

Indirectly, and in corollary ways, the insurance industry aids the individual and the national economy. For example, through research supported by the industry a better and longer life has been made possible. In 1850 life expectancy in the United States was only about 40 years. However, as a result of a century of scientific, social, and economic progress, which probably has no counterpart in all human history, the baby born today can be expected to live, on the average, more than 70 years.[1] Much phenomenal social and economic growth has been made possible through the pooling of resources of people from every walk of life who seek protection

---

[1]Cohen and Hanson, loc. cit., pp. 241-245.

against economic risks. Prudent utilization of these resources has meant substantial contributions not only to consumer spending but also to business development and expansion and, in turn, higher standards of living. The insurance industry endeavors to serve the members of society and to regulate itself in such a way that it retains the confidence of those it serves and the business sector with which it works.

Within this dynamic system, an individual, through the administration of a carefully designed insurance program, may maximize the benefits of his insurance dollar and, at the same time create a sizeable estate for himself and/or his family. As permanent types of life insurance are purchased and premiums are paid, forced type of savings develops concurrently with the receipt of protection.

Appropriate individual and family insurance programming is essential for the most intelligent buying of insurance, and also for more effective use of the various types of protection available. Familiarity with the various types of insurance, purposes of protection, and sources of valid information, and an acquaintance with the legal structure of the insurance business are necessary for adequate utilization of services offered by the insurance industry. Every individual should become familiar with the services available and plan carefully the protection of his financial future.

As young people study facts and knowledges and reflect on the understandings and conceptual ideas pertinent to insurance, the following attitude should evolve: Insurance is the base upon which individuals and/or families should build to establish the kind of financial security that is essential for personal and social economic growth and stability. This attitude should help individuals to act intelligently when, as adults, they plan for the safety of their financial future through insurance.

Concept Outline for Insurance

I. Through insurance, fears and anxieties are minimized, and people are able to realize more fully their potential for living.

   A. The catastrophic nature of risks in life makes mutual sharing of risks necessary for survival.

   B. As the population increases, social and economic interactions become more complex and lead to risks which must be insured if the family is to be enhanced as the basic societal institution.

   C. Social unity and economic security are promoted as individuals mutually assume the responsibility for financial loss due to economic risk.

II. In both personal and social economic terms, the insurance industry has facilitated the financial growth required by a dynamic economy and has supported economic stability.

   A. Through the design and sale of many kinds of protection, insurance companies have made possible for millions of Americans economic stability and benefits of a financial and a social nature.

   B. Financially, through benefit payments, insurance provides funds for continued support of consumer spending in terms of replacement for the economic loss of life, property, or income so that the family unit may continue to function.

   C. Socially, insurance helps the family by promoting self-reliance and respect, as policyholders gain protection that provides stability, and as savings accumulate which are required for more adequate financial planning.

D. Physically, the family is stabilized by insurance through medical examinations that indicate the state of health and medical research that gives to everyone a better chance for a longer and more comfortable life.

E. The insurance industry has been able to pool resources which, through prudent investment, have helped provide a higher standard of living.

F. Industrial and technological developments have been facilitated by the use of pooled funds that provide substantial, continued support for the initiation and expansion of business enterprises and thus to the employment of large numbers of people and, consequently, more family income with which a greater number of consumer products and services may be purchased.

G. The standard of living has been enhanced through the provision of insurance funds for construction and purchase of residential dwellings that contribute to family and community social and economic stability.

H. Expenditure of funds by the insurance industry for research and education has resulted in better health, longer life, and, consequently, a higher standard of living.

I. The net effect of the substantial contributions of the insurance industry, in both personal and social economic terms, has been overall economic growth.

III. Well-planned and carefully administered insurance programs are essential for maximum utilization of the insurance dollar and for the creation of individual estates.

A. Proper programming of insurance involves consideration of the economic risks and arranging coverage for these risks in order of their importance to family financial security.

B. Through the purchase of permanent types of life insurance, an individual is protected and, at the same time, is forced to save as cash values build up and become available.

C. Getting the most adequate protection possible from each insurance dollar results from thoughtful analysis and intelligent programming of every phase of the family insurance program.

D. An individual may assure the creation of an estate and pay for it on an installment basis through the purchase of life insurance.

E. Careful consideration should be given the insurance settlement option most appropriate for the family financial structure, before an estate plan becomes operative.

IV. Intelligent application of insurance coverage to the individual family's situation, requires a familiarity with the purposes of protection, types of insurance, and sources of valid information, as well as an acquaintance with the legal structure of the insurance industry.

A. Many varieties of coverage are available within the major forms of personal, social, property, and liability insurance, and may be acquired by almost anyone for protection for almost any situation.

B. The insurance counselor provides the most reliable source of insurance information on coverage needed by the family and is interested in serving clients in such a way that the members receive the best possible protection.

C. Initial planning of the insurance program is not enough; there must be serious consideration given, with help of the insurance counselor, to changing patterns which demand periodic review of insurance programs in order that the family may, at all times, maintain adequate coverage for financial exposures.

D. Individuals who purchase insurance should expect to gain, through the services of a professional counselor, an understanding of the contractual obligations and legal responsibilities of the parties to insurance contracts.

E. Insurance programming involves consideration of the various forms of social insurance provided by government and business that contribute to protection and the development of an adequate family insurance plan.

F. The misconception that insurance companies have large amounts of money with which to pay claims is detrimental to the economic security of both the insurer and the insured.

V. By exercising "corporate citizenship," the insurance industry endeavors to serve families and to regulate itself in such a way that it retains the confidence of those it serves, those in its employ, and the business sector with which it deals, by providing continued support to the development of a dynamic, competitive economic system.

A. The services of insurance companies provided the individual and community, tend to promote legal action, and therefore, quicker and more equitable settlement for those experiencing economic loss.

B. Not only are insurance companies regulated by state laws but they also perform service through self-regulation and, therefore, are developing within individuals, a sense of confidence in the service they sell.

C. The insurance industry plays a significant role in the economic pattern as it helps to provide the fuel that keeps the economic system competitive, progressive, and healthy.

Saving

American history is filled with traumatic events marking economic progress. To a large measure, this progress has been made possible by millions of Americans who have consistently adhered to the habits of thrift suggested and practiced by their ancestors. Consequently enormous capital accumulations were channeled into productive facilities and have made the United States the most advanced industrial country in the world, with a citizenry enjoying the many benefits of money put to work through saving.[1]

Benjamin Franklin provided one of the most vivid examples of the ability of money to multiply itself for useful ends. In 1791 he bequeathed the sum of $5,000 to the inhabitants of Boston with the proviso that the sum be allowed to accumulate for 100 years. By 1891 the fund had grown to $322,000. From it the Franklin Union Building for a technical school in Boston was paid for and $92,000 was set aside for a second hundred years of accumulation. By 1958 the second century fund had reached a total of $1.4 million.[2]

There is realization by leaders in industry, government, and education that saving is a vital economic aspect of education essential for continued growth and prosperity, not only for the family but also for the nation. A nation is not merely a geographical designation, nor just a government, but the sum of all its people. A financially sound people make an economically sound nation.

Saving means many things to many people. Regardless of its meaning to the family, clear-cut objectives for saving must be established. These objectives for saving relate to the accumulation of a fund that may be used for the attainment of family financial goals. A reserve fund may be

---

[1]Cohen and Hanson, loc. cit., p. 191.

[2]*The New York Times*, February 2, 1958, p. 45.

established for use in time of family financial stress, or money saved may be used to take advantage of opportunities for personal and/or family advancement. Objectives for saving will vary not only with income but also with the family value system. The saving plan must be tailored to the needs and the desires of the individual family if progress toward financial goals is to be made.

Another important factor in the success of the family saving plan is the placement of money where it will be safe and accumulate so that objectives for saving may be realized.[1] Saving and ultimately using money intelligently is important to both personal and national financial growth and security. Today, many institutions and instruments are designed to meet the financial objectives which are established by either the individual or the family for saving. However, saving may be approached in a variety of patterns ranging from haphazardly putting aside any surplus that may be left over after essential expenditures have been made to a well-drawn and carefully executed savings plan. Regardless of either the institution or the instrument selected for saving, the latter approach of regular saving results in more coherent, systematic, and, therefore, larger accumulations. Saving is made more effective by utilization of a plan just as spending is made more efficient by the use of a plan. It is essential that

---

[1]Springer, loc. cit., p. 56.

knowledge of the various techniques and outlets for saving be a basic part of everyone's education.[1]

Another facet of saving involves the realization that goals, once established, must be reviewed periodically in light of changes in the income, the need for saving, and the ability to save. Each major change in the family life cycle, creates new situations that may require adjustments in the plan for saving.[2]

Families benefit not only by carefully planning and making a savings program an operative part of the total family financial plan but also by making it an integral part of family living. The value system and attitudes of appreciation for the better things in life can be measured, at least in part, by the family's "saving sense." A wholesome type of discipline develops as the result of a functional program of saving. Among the many values that are derived from saving is the psychic income that is received as the result of intelligent action concerning the use of money saved. A sense of pride and accomplishment is a natural consequence of the functional saving plan. Will power, patience, perseverance, and in some cases self-denial will be present in either the individual or the family which saves. The level of income is not the most significant determinant of successful family saving.

---

[1] Springer, loc. cit., pp. 55-57.

[2] Leone Ann Heuer and Verna S. Goessl, "Money Management, Your Savings and Investment Dollar" (Chicago: Household Finance Corporation, 1959), pp. 1-5.

The demonstration of desirable traits in saving is fundamental to the success of the family savings plan.[1]

Through this overview of the functions and place of saving in the family financial plan it should be clear, to even the casual observer, that its relevance and importance to the conceptual treatment of personal economics are significant. Therefore, the following concepts and understandings should be useful in developing educational patterns beneficial for young people as they progress from one grade level to another.

As the result of providing students with the appropriate background, the following attitude toward saving should develop: <u>Family peace of mind, satisfaction, security, and stability, as well as national progress, are influenced greatly by the realization that many of the good things in life are available only as the result of a systematic, carefully executed savings plan</u>. This kind of attitude should become a part of the thinking of every young person before he leaves high school. The acquisition of this attitude will make it possible for individuals to plan intelligently the various courses of action that might be taken to establish and maintain a successful saving program. The establishment of this attitude in the minds of young people should be

---

[1] Crabbe, Enterline, and DeBrum, <u>loc. cit.</u>, p. 286.

accomplished while the following conceptual ideas and substantiating understandings are developed by students as they progress through the educational system.

Concept Outline for Saving

I. A well-defined and cautiously administered saving program, developed as an integral part of the total family financial plan, facilitates acquisition of financial goals and bolsters individual and national economic progress and security.

   A. Prior to the selection of a savings plan, determination must be made of the amount of the family income, over that required for necessities, that can be allocated to saving.

   B. The savings plan should be tailored to the needs and desires of the family and stimulated by the drive to build something of value for the future.

   C. The value of saving can be realized only as objectives of the savings program are designed and achieved through regularity.

   D. It is far more essential for the family to have a modest savings plan that is successful than an overly ambitious one that fails and causes a feeling of futility.

   E. Through the process of consistently setting aside small amounts of income, which accumulate into a substantial surplus, a sense of pride and a feeling of accomplishment are nurtured to contribute to economic well-being.

   F. The human qualities of will power, self-denial, patience, and perseverance are more important to saving successfully than the size of the family income.

   G. The process of saving, with its success established through analysis of predetermined goals, relates to and correlates with the careful spending of all income, and through continued effort, reinforces the feeling of financial security.

H. The family value system, to a large measure, is evidenced by the types of goals established, the amounts set aside, and the way in which the savings program is administered.

I. When either the individual or the family refuses to save some portion of income, times of economic strain result in financial and emotional upheaval and are apt to bring economic and/or social disaster.

II. Accumulated savings facilitate the meeting of family financial emergencies and provide more effectively for utilization of opportunities, as well as lead to the development and maintenance of personal and social economic stability.

A. Problems arising as a result of either illness, injury, or other economic complexities of life are met with less financial and psychological strain if a well-coordinated family savings plan is operative.

B. Opportunities for personal advancement and family business success are enhanced considerably by a functional savings program.

C. A sense of financial discipline conducive to economic growth and stability is developed as a concerted effort is made through saving to accumulate and utilize intelligently financial resources.

D. Through saving, individuals gain and maintain economic stability as well as help provide the funds which foster national economic growth.

E. Higher economic and social status may be facilitated through the process of using wisely the financial resources accumulated through saving.

III. As changes occur in the family financial life cycle, the changes should stimulate careful analysis, reappraisal, and appropriate adjustment of objectives and plans for saving.

A. Newly organized families may be able to save only a small portion of earnings; however, future needs should be considered in financial planning and appropriate saving habits should be established.

B. The expanding family with its increasing needs, responsibilities, and expenditures will, depending upon the size of the income, continue to find the amount for saving somewhat limited but, nevertheless, essential for future financial well-being.

C. The contracting family has a greater opportunity to save for the fulfillment of future needs and wants by increasing the amount set aside for retirement years.

D. Retirement years are directly influenced by the quality of financial planning and the savings program established and maintained throughout all preceding stages of the family financial life cycle.

IV. There are variegated types of saving institutions and instruments that are designed to meet the numerous types of objectives established by families for saving.

A. A significant principle of saving involves an understanding that, as the yield or return on the principal amount saved rises, the relative safety of the principal itself tends to decrease.

B. When safety of principal is considered to be of primary importance to the person saving, little provision can be made for losses in principal due to inflation.

C. A guarantee of continued income from saving usually does not lead to the possibility of a high yield and, as liquidity of saving becomes greater, the advantages for long-term financial growth diminish.

D. No one financial institution or instrument combines all of the positive aspects of saving.

E. Inasmuch as a family may establish several objectives in planning its savings program, it may be necessary to utilize a combination of institutions and/or instruments.

F. The elements of safety, availability, earning, and service, relative to saving must be considered carefully when initiating a savings plan of any type.

G. The disadvantages of accumulating and holding cash as a form of saving may be readily recognized when possibilities of loss through either theft, destruction, or loss of return are understood.

Taxation

Biblical history records the fact that men found it necessary to establish some means of collecting revenue to support functions of government. As people have organized themselves into groups, they have found it expedient to develop some type of central unit responsible for the total welfare of those in the group. This central unit has been, and is today, commonly referred to as government. Government, which has been defined in various societies as having a great many roles, could not function without some financial support. Therefore, it is essential for the individuals under governmental administration to contribute materially whatever is necessary to establish and maintain it.

Throughout the history, as societies have adapted to many varied types of social, economic, and political forms of organization, taxation has been accomplished in various ways, for many diverse reasons, and under widely varying circumstances. However, of primary concern in this study is the reason and the method by which taxes are siphoned from the participants in the American economic system. One basic premise supports the ideological framework that undergirds government activities in this economy. Taxes, collected by governmental units from a variety of sources, furnish the means of accumulating large sums of money to provide public facilities and services that either are not adequately provided or cannot economically be provided privately.[1]

All tax revenue is made available for government expenditures through the assessment and collection of taxes from the private sector of the economy. A major portion of the tax is taken from current personal income, and the remainder, paid out of disposable income, is imposed on such things as property, sales, gifts, and estates. Inasmuch as consumers shoulder the compulsory responsibilities for revenue payments to the government, they have the right to expect government to provide services and facilities that will promote the welfare of citizens.[2] As the result of these monies paid to local, state, and national governments, individuals in the system receive many benefits of protection and service.

According to a famous anecdote, the late Justice Holmes was once asked by a young lawyer, "Don't you hate to pay taxes, Mr. Justice Holmes?" The answer came back, "No, young man, I like to pay taxes. With taxes I buy civilization."[3] The cost of civilization, including the price it

---

[1] National Task Force on Economic Education, Economic Education in the Schools, A Report of the National Task Force on Economic Education (New York: The Committee for Economic Development, 1961), pp. 37-39.

[2] W. Harmon Wilson and Elvin S. Eyster, Consumer Economic Problems (Cincinnati: South-Western Publishing Company, 1961), pp. 566-570.

[3] Joseph F. Bradley and Ralph H. Wherry, Personal and Family Finance (New York: Rinehart and Company, Inc., 1957), pp. 447-449.

takes to defend it, continues to grow in the complex world of the twentieth century. It would be financially impossible for each citizen to maintain an adequate defense force designed to protect himself and his family from internal and external injustices. The tax burden in the United States is lighter than in other heavily industrialized countries; however, it is a serious consideration for every individual and family. It affects significantly the individual not only by reducing his income but also by redistributing the income received by the entire population.

Every individual in the socio-economic structure has responsibility for payment of taxes. The well-being of each American is materially affected by the manner in which he executes the duties and assumes the responsibilities placed upon him by federal, state, and local tax laws. Sole responsibility for payment of taxes is assumed by the individual, regardless of whoever may help him compute his tax liability. Likewise, although each person is eligible to take advantage of tax concessions, the responsibility for doing so is placed squarely upon his shoulders and the government has no obligation either to figure or even to indicate in individual cases the acceptable deductions.

> Every taxpayer owes it to his government and to himself to understand the broad outlines of the federal income tax so that he will pay his fair share and no more. The government encourages citizens to find legitimate ways to keep their taxes at a

> minimum while obeying the letter and the spirit of the law.[1]

Certainly any individual who takes the time and effort to familiarize himself with the tax laws should be able, over a period of years, to achieve considerable savings in his tax payments. However, these savings depend upon his desire and ability to keep accurate records. Specific income tax advantages may be gained when careful consideration is given to complete records, the type of form used to file the tax report, and the method of filing. Individuals should be alert to the many and varied legitimate ways to minimize their tax liability.

Americans are not only responsible for the revenue provided government but also exercise both direct and indirect controls over the total government system including its collection of tax, allocation of income, and economic activities, as they cast their votes as citizens. Voter control may either inhibit or facilitate economic development and industrial growth as it relates to the political issues and candidates elected.[2] The tax structure is also affected by the way in which individuals voice their opinions at the polls. When analyzing political issues, it is perhaps as important to consider the way in which the tax load is spread as it is to consider its size. Another significant problem

---

[1] Ibid., p. 449.

[2] Peach, loc. cit., pp. 154-158.

that confronts voters is the method in which government spending is conducted. Almost everyone in the economy is affected by government action, in either a positive or a negative way. However, it must be recognized that economic growth carries a price that must be paid with funds from various sources and that these funds must come ultimately from individual members of the socio-economic structure.

After applying the concept approach to the study of taxation and its role in personal economics, the following attitude should be developed: <u>Taxation, a device to provide government revenue, is an essential ingredient necessary for the promotion of mass economic and social benefits that are designed to facilitate living</u>. This attitude should prompt appropriate action with respect to individual tax problems and intelligent analysis of government revenue and allocation policies as they relate to the nation and the individual. The formulation of this attitude should result if the following conceptual ideas and substantiating understandings are carefully analyzed by young people in the public educational system.

Concept Outline for Taxation

I. Taxes, collected from a variety of sources, furnish the means of accumulating large aggregates of money useful in providing public facilities and services which either are not adequately or cannot economically be provided privately.

    A. A major portion of funds is raised from taxation of current personal income; however, the remainder of the taxes collected by government, are paid out of disposable personal income even though they may be imposed on such things as property, sales, gifts, and estates.

B. As consumers pay sales and excise taxes on their purchases of goods and services, they contribute to the support of government services that have value individually and collectively.

C. Public facilities, regardless of location and level of government support, are made possible initially and are maintained through expenditures of money received in the form of taxes.

D. Social goods and services at the local, state, and national levels are more economically acquired and adequately provided, as the result of governmental action in the levying of taxes and the expending of funds for public purposes.

II. Financial well-being is materially affected by the manner in which individuals execute the duties and assume the responsibilities placed upon them by federal, state, and local tax laws.

A. The individual is solely responsible for either learning and resourcefully utilizing the many legitimate tax savings to which he is entitled or securing competent tax counsel and providing such counsel with accurate and complete financial information.

B. Legal responsibility for proving that tax information is accurate and complete falls upon the person filing the return, regardless of whoever prepares the return.

C. Many tax savings are provided through tax laws; however, neither the Internal Revenue Service nor other governmental agencies are obligated to indicate legitimate deductions and exemptions that an individual fails to take.

D. Particular tax advantage may be gained when careful consideration is given to accurate and complete records, the type of form used to file the tax report, and the method selected for filing.

E. Tax minimization may effectively be accomplished through legal aid in designing and executing an estate and gift plan that fulfills family financial objectives.

F. Through taxation, government exercises a direct daily impact on the consumer as he sells his services, purchases goods, and goes about the routine activities of living.

III. The tax structure and allocation of revenue by governmental agencies may either facilitate or inhibit economic development and industrial growth, subject, however, to voter control.

A. The role of government is to control, promote, and encourage economic activities so that individuals realize their full socio-economic potential for living.

B. Lack of understanding of the tax structure and the benefits derived from taxation gives rise to reluctance to pay taxes.

C. Government spending promotes long-term growth by supporting projects in defense, basic research, general education, and urban renewal, while at the same time it contributes to maintenance of economic stability.

D. Economic growth carries a price that must be paid by individuals willing to solve the problems of acquiring revenue and allocating it wherever needs exist.

E. Tax changes may either stimulate or slow down economic development and growth by either increasing or decreasing incentives of production and investment in growth-creating enterprises, and assuming continued federal budget expenditures, may increase consumer and business demand for goods and services.

F. Deficit government spending may facilitate periods of economic progress; however, such spending automatically places a tax burden on future generations.

Investment

Investment is treated in this study as a financial element apart from saving. Separation is intended to facilitate clarity in presentation, although obviously the necessity to accumulate funds to invest does make the areas of saving and investing inseparable. The treatment of investment is further limited here in that it is related to consideration only of investments arising from the purchase of securities of various types.

Investment in stocks and bonds is commonly thought of as an attempt to employ one's money surpluses gainfully by dealing in marketable securities.[1] The exchange of stocks and bonds is one of the major ways in which individuals and families seek to utilize effectively their surplus funds. Investing surplus money in securities carries a certain amount of risk that is compensated for by many economic and social benefits, including the possibility of financial gain.[2] Through investment, the economic system is provided a stimulus for growth and development that is advantageous to the individual investor, as well as the entire nation. The significance of aggregate amounts of money to national economic development cannot be denied. It is impressive to note the way in which millions of Americans have enthusiastically shared the financial and psychological benefits of tremendous economic expansion.

---

[1] J. K. Lasser and Sylvia F. Porter, Managing Your Money (New York: Holt, Rinehart and Winston, 1961), pp. 292-293.

[2] Benjamin Graham, The Intelligent Investor (New York: Harper & Brothers Publishers, 1959), pp. xi-xiv.

Some individuals are encouraged, because of the structure of the economic system, to invest in ways other than the purchase of securities.[1] Investments may involve such things as acquiring real property with the desire to gain financially as the result of renting the property or in the hope that its value will increase so that profit may be made through a future sale. A person may invest surplus monies at interest in an account in either a savings and loan association or another similar institution offering such opportunities. Such an investment should be above the amount set aside for emergencies by the family in a regular savings account. The area of saving is treated in depth in a preceding section of this chapter.

Other opportunities also exist for investment, such as acquisition of education above that currently demanded by one's occupation or profession. Such additional education can lead to increased personal satisfaction and also facilitate the possibility of financial gain. Development of extensive investments in hobbies, the purchase and enjoyment of either rare art pieces or other similar items might also be considered investments of a kind. However, these types of investments are not commonly considered as investments as used in this study. Therefore, only investments relating to the exchange of securities are treated in depth through the

---

[1] Ibid., p. 290.

development of concepts and understandings directly related to marketable securities.

Today, many people invest regularly in various types of securities. Certain fundamental understandings underlie intelligent action in the exchange of securities. Investors must realize that many kinds of securities exist and may be purchased under various circumstances.

> All investors should know the basic characteristics of securities available in the market. The subject of investments is a complex one which requires years to master well.[1]

Leibenderfer succinctly indicates the importance of investing in the following statement:

> The essence of successful family financial planning consists of the ability to build up a capital fund and at the same time provide adequate protection.[2]

Throughout his book, Leibenderfer emphasized the possibilities for the achievement of financial independence by means of capital accumulation through investments, capital gains through growth in value of investments, and interest and dividend returns on those investments.

No infallible guidelines can be developed for establishing investment programs that fit all the needs of different individuals. However, participation in investment

---

[1]George L. Leffler, The Stock Market (New York: The Ronald Press Company, Second Edition, 1936), p. 13.

[2]John E. Leibenderfer, Planning Your Financial Independence (Norman: University of Oklahoma Press, 1958), p. 3.

activities should be based upon carefully organized concepts and accurate understandings, which are designed to stimulate intelligent action.

If large numbers of individuals are to invest and thus promote their own welfare and that of this nation, they must become knowledgeable about investing and imbued with an attitude such as the following: <u>The accumulation and purposeful use of resources above those commensurate with a given standard of living, is essential to financial independence and security for either the individual or the family</u>. Acquisition of this attitude can result only after careful study of sound conceptual ideas and accurate understandings pertinent to the area of investment.

Concept Outline for Investment

I. Individual and family financial well-being may be enhanced through the purchase of securities under a carefully formulated investment plan that provides fully for both the conservative and the speculative elements that are necessarily involved.

   A. By acquiring securities in either government or well-established business enterprises, the conservative investor insures the safety and liquidity of his funds but receives only a relatively low return on his investment.

   B. As one moves from the conservative to the speculative end of the investment scale, the possibility of either greater return or loss increases; in essence, risks of proportionately greater magnitude are taken.

   C. American business and governmental units need both the conservative investor and the speculator to provide new services and products essential for a dynamic economy.

D. The average investor, busy with activities foreign to investment, should never depend on his own ability and experience to forecast stock price trends.

E. Personal satisfaction from investing is not necessarily correlated with anticipated financial return but may stem from a genuine desire to share the common responsibility for economic progress and from the exercise of courage in so doing.

F. Investment programs should be reappraised periodically in light of personal and family financial goals with careful consideration of tax laws, wills, and/or total estate plans.

G. An individual should invest only the funds that are either in excess of those required for current living expenses, necessary to meet family emergencies, or essential for an adequate insurance program.

II. The extent to which masses of people now invest in American business enterprises reflects the faith that individuals have in the economic future of this country and their willingness and desire to share inherent financial risks and benefits.

A. Security purchases provide funds that enable businesses to produce more with expanded facilities and thus to make available additional goods and services to all people.

B. Funds invested in government securities provide safety and liquidity for the individual investor and also make possible governmental services that benefit all members of society.

C. Business growth resulting from private investment produces increased income and greater tax income through which social good is accomplished.

D. Financial risk and personal concern in buying stocks and/or bonds may be minimized through the study of basic market operations; however, some individuals are of such psychological nature that they should never buy securities.

E. The possibility of financial gain through investment affords a type of hedge against inflation which the individual who hoards his surplus dollars finds unavailable.

III. Today's financial institutions with an array of effective instruments facilitate service to individuals who have surplus dollars to invest in the hope of achieving varied capital accumulation goals.

A. Stock exchanges and "over-the-counter" agencies offer opportunities for the individual and family to acquire securities of various types, ranging from the conservative to the speculative.

B. Exchange organizations facilitate the flow of funds for development of new businesses or the expansion of already going enterprises as they make possible exchange of stocks and bonds to investors.

C. Security brokers fulfill a personal service function as they advise prospective investors so they may achieve more effectively personal investment objectives.

D. The dollar-cost-averaging technique of investing, associated with sound advice about which stocks to purchase, makes it possible for the individual investor to take advantage of long-term growth in an individual business enterprise.

E. The mutual fund approach to investing enables the individual investor to take advantage of the long-term growth of many business enterprises, even though some businesses may have substantial losses.

F. Investments structured to take advantage of the marketability, negotiability, and mobility of securities are attractive to many people who must keep their finances in a fluid state.

IV. A stable, growing, healthy economy is dependent upon the accumulation of large aggregates of money made available, through investment, by a great many people.

A. Indirect ownership of business enterprises, as evidenced by the possession of shares of stock, causes individuals to take pride in and gain satisfaction from helping to provide the tools of production required in the maintenance of a free competitive economy.

B. Many economic factors and the collective expression of individuals who buy and/or sell securities are the determinants that regulate the prices of stocks and bonds.

C. Indirect ownership of the securities of business and government enterprises is accomplished by millions of people through their profit sharing plans, insurance policies, mutual funds, and savings accounts.

D. As a result of tremendous private investment, American workmen have produced more efficiently and acquired higher incomes and better standards of living than those in any other nation.

E. Political, social, and economic variables tend to make the securities market fluctuate; however, the vigor of American enterprise has resulted in consistent long-term growth.

F. Invested funds help make possible expansion and refinement of the economic system so that goods and services are produced and distributed more effectively.

G. Government spending, taxation, and fiscal policy influence investing in industrial expansion and technological progress.

Summary

The entire research report is based on the material in this chapter. Conceptual development is demonstrated in the presentation of understandings, concepts, and attitudes applicable to six important areas of the total field of personal economics. It is apparent that not all of the major ideas pertinent to money, credit, insurance, saving, taxation, and investment have been developed here. It should be noted that integrated elements such as law and mathematics have been touched upon in a limited manner. It was not the intent, however, to delve into either every area of personal economics or all of the specific aspects of each of the six areas that have been included. One of the most important areas of personal economics which was not included is that of buymanship. This area is in itself so large and significant that it is hoped that it may soon be dealt with in another research study such as this.

CHAPTER V

SUMMARY

If there were daily interplanetary space flights, the human aspects of life would still be told in terms of individuals striving to obtain the things that offer security and happiness. Security and happiness are closely related to the economic facets of living that are fundamental to the existence of man. There is growing recognition of the intense need for individuals to gain competence in the personal and social economic elements of life. Acquisition of this competence is essential so that men may deal more adequately with increasingly complex economic forces and problems. Today, among educators and the lay public, there is a growing realization that understanding of personal and social economics is vital to effective citizenship and economic survival. This realization has led to concern for more appropriate education directed toward the improvement of individual abilities to cope successfully with personal economic issues. Efforts, as illustrated by this research study, are being expended to extend economic literacy.

Only as educational opportunities are improved to include more study of personal economic information pertinent to effective living, will individuals attain acceptable sophistication in the fulfillment of their financial responsibilities. Adequate instruction in personal economics is dependent upon not only careful preparation of prospective teachers but also upon continual up-dating of the knowledge of seasoned teachers. There must be instilled in them the desire to extend and refine the concepts and understandings that are inherent in the content of personal economics. It was toward the end of providing a guide to information beyond that characterized as factual content for personal economics that this research study was directed. If the ideas that have been developed should, through application, facilitate the dispensing of useful knowledge to young minds through education, its contribution has been made.

Restatement of the Problem

The problem of this study was to isolate and define certain understandings and concepts basic to comprehension of the personal economic elements essential for sound financial management. Through this study, an attempt was made to develop conceptually some of the personal economic elements with which young people should be familiar as they complete twelve years of school experience. The ideological framework developed through this research study should in part lay the groundwork for more adequate inclusion in the education of every student those concepts considered essential for his general education.

In this study, no attempt was made to categorize all of the personal economic elements with which an individual either might or should be knowledgeable. Nor does it propose where or how such conceptual ideas and related understandings should be utilized to enhance current curriculum patterns. The attitudes, concepts, and understandings presented, represent some of the kinds of things from which young people may gain clear perception of management of personal economic affairs.

Solution of the Problem

Effort toward the solution of this problem was initiated by isolating the broad areas of content that constitute the body of knowledge characterized as personal economics. Detailed analysis of the content pattern used in the Workshop on Education in Family Finance, held annually at the University of Oklahoma, and of published materials distributed by the National Committee for Education in Family Finance, formed the basis on which six broad areas were isolated. Then research studies by others were reviewed, together with textual materials to substantiate the importance of those areas selected. The six areas were then considered to be fundamental and essential for the development of this research study.

Following the isolation of content areas, the process of gathering factual information was pursued as extensive amounts of material were analyzed for those items of information that might be useful in building broader and more comprehensive ideas. The five steps in the teaching-learning process discussed in detail in Chapter III of this study, were followed with careful attention being given to the construction of understandings, concepts, and attitudes pertinent to each of the six selected areas. After much time had been spent in developing these statements, they were submitted to content specialists who possessed much formal education and experience in each area, for purposes of establishing their accuracy and completeness. Revisions were then made and each of the statements designed was subjected to critical analysis a second time. This step involved consultation with two educators knowledgeable in both the areas of personal and social economics. Additional refinement was accomplished as a result of their criticisms, following which reasonable confidence was gained as to the accuracy and completeness of each statement.

The final step involved the preparation and the presentation of this report. The possibilities for utilization of concepts and understandings defined, a composite outline of economics, and concluding statements constitute the summarizing elements of this study.

Utilization of Concepts Defined

The conceptually defined ideas treated in this study emphasize broad elements that are the basis of appropriate education in personal economics. Concepts and substantiating understandings involve a higher level of learning than the level that customarily results from the presentation of factual and knowledge types of information. Thus, students subjected to these broader ideas are encouraged to reach beyond the first and second levels of learning to gain insight that will facilitate their disposition of personal financial affairs in adult life. Through this attempt to develop attitudes, concepts, and understandings for selected areas of personal economics, additional attempts should be encouraged to extend and refine this type of approach to the study of both personal and social economics.

The conceptual statements developed in Chapter IV of this study might well be used as guidelines for curriculum planning that would facilitate the implementation and integration of personal economic instruction into existing educational patterns from kindergarten through grade twelve. The ideas developed in this study should be beneficial in creating an awareness on the part of administrators, curriculum planners, and teachers of the kinds of personal economic information that should be included in the general education of all young people.

The information may be useful in school systems in determining the areas of personal economics with which both teachers and students should be familiar. It should be helpful in indicating significant areas of subject matter that ought to be included in programs of inservice teacher education, as well as programs for the inservice education of teachers already in the profession. This material may also be employed with adult education groups, involving individuals other than teachers, who can benefit from study of the broad elements of personal economics. The concepts and the understandings may also be used to develop more effective evaluation instruments for measuring the higher levels of competence of those receiving instruction in personal economics. Workshops on education in family finance, as well as other educational groups, may find the concepts and understandings suitable for use in taking enrollees beyond the fact and knowledge levels of instruction. Participants in these programs may want to utilize certain ideas presented herein as they select particular concepts and understandings to be developed with students in their own classrooms.

Composite Outline of Economics

One interesting and significant aspect of this study, not visualized at the outset, was the development of a composite outline of both the personal and social aspects of economics. It became apparent that such an outline would lend cohesiveness and continuity to the study; therefore, it is included as a portion of this final chapter. Significant personal economic elements in the outline were taken from the attitude and concept statements defined in this study. The National Task Force Report, Economic Education in the Schools, was used in outlining the elements of social economics. Included in this composite outline of economics are those elements with which all students should be familiar upon graduation from high school.

Composite Outline of Significant
Elements in Economics

I. Elements of Personal Economics

A. How the Individual Uses Money to Facilitate Financial Activities

1. Allocation of family money resources; financial goals and stability
2. Economic and social development
3. Problems arising from money mismanagement
4. Role of banks in coordinating personal financial activities
5. Money as an economic servant

B. Credit as a Tool of Personal Financial Management

1. Personal and social economic stability and financial democratization
2. Sources and costs of credit
3. Legal aspects of transactions
4. Possible "narcotic" effect of credit
5. Flexibility of consumption; stimulation of buying
6. Increasing productive power and economic growth

C. How Insurance Provides Personal and Social Economic Stability

1. Economic security; sharing of economic risks
2. Economic stability, higher standard of living, and financial growth

3. Utilization of insurance dollars; estate creation
4. Types and purposes of insurance; legal structure
5. Support of a dynamic competitive economic system

D. How Saving Facilitates the Acquisition of Goods

1. Administering saving programs
2. Financial emergencies and utilization of opportunities
3. Purposes and patterns of saving
4. Institutions and instruments

E. Taxation as It Affects the Individual

1. Public facilities and services
2. Individual duties and responsibilities under tax laws
3. Tax structure and allocation of revenue

F. How Investments May Be Used to Gain Financial Independence

1. Investment in relation to financial goals
2. Opportunities for investment in private and government securities
3. Ownership of business through securities
4. Technological progress and economic survival
5. Forms and channels of investment

II. Elements of Social Economics

A. How the Economic System Uses Productive Resources in Satisfying Competing Wants

1. Scarcity; the need for economizing
2. Way the system allocates resources
3. Role of incentives, competition, and markets
4. Modern business, economic concentration, and monopoly
5. Government and the allocation of resources; taxes and government spending
6. International allocation of resources; international trade

B. How the Economic System Obtains Reasonable Growth and Stability

1. Importance of economic growth and stability
2. Measures of national income and production
3. Main forces determining national production and income

4. Role of government budgets; expenditures, taxes, and borrowing
5. The banking and monetary system
6. Problem of economic growth
7. Growth and the underdeveloped countries

C. How the Economic System Distributes Income

1. Personal distribution of income in the United States
2. Labor, wages, and labor unions
3. Farm income; the farm problem
4. Desire for economic security

D. Comparative Economic Systems; Communism, Socialism, and Capitalism

Concluding Statements

The nature of this research study was such that the development of conclusions of the type usually found in a doctoral dissertation was not appropriate. On the basis of three years of experience relevant to this study and following eighteen months of concerted effort to develop understandings and concepts for the selected areas of personal economics, the author developed the following generalized statements.

1. In its true breadth, economics has both a "personal" and a "social" complex of information that is significant and of prime importance to those who pass through the many educational systems of this country. These two aspects must be recognized and constantly kept in mind if curriculum planning is to be effective in the area of development of sound economic ideas.

2. The content for both personal and social economics can be so designed that students may, through

generalization processes, crystallize in their thinking the broad ideas that have lasting benefit in application to the financial circumstances of life.

3. This study demonstrates that areas of personal economics can be conceptually developed and presented so that greater depth of meaning may be acquired. In a study of personal economics, understandings, concepts, and attitudes can be developed so that learning goes beyond the fact and knowledge levels into comprehension of broad ideas for a more beneficial and permanent type of learning.

4. The general education curriculum aimed at intellectualizing the study of human behavior may be enhanced by the conceptual approach to the study of personal economics at all educational levels.

SELECTED BIBLIOGRAPHY

Books

Bradley, Joseph F., and Wherry, Ralph H. Personal and Family Finance. New York: Rinehart and Company, Inc., 1957.

Cohen, Jerome B., and Hanson, Arthur W. Personal Finance. Homewood: Richard D. Irwin, Inc., 1958.

Crabbe, Ernest H., Enterline, Herman G., and DeBrum, S. Joseph. General Business for Economic Understanding. Cincinnati: South-Western Publishing Company, 1961.

Donaldson, Elvin P., and Pfahl, John K. Personal Finance. New York: The Ronald Press Company, Third Edition, 1961.

Graham, Benjamin. The Intelligent Investor. New York: Harper and Brothers Publishers, 1959.

Kent, Raymond P. Money and Banking. New York: Rinehart and Company, Inc., 1956.

Lasser, J. K., and Porter, Sylvia F. Managing Your Money. New York: Holt, Rinehart and Winston, 1961.

Leffler, George L. The Stock Market. New York: The Ronald Press Company, Second Edition, 1936.

Leibenderfer, John E. Planning Your Financial Independence. Norman: University of Oklahoma Press, 1958.

Patton, Price A., and Patton, Martha. Money in Your Pocket. New York: David McKay Company, Inc., 1959.

Peach, W. Nelson. Principles of Economics. Homewood: Richard D. Irwin, Inc., 1955.

Springer, John L. Make the Most of Your Income. Englewood Cliffs: Prentice-Hall, Inc., 1961.

Wilson, W. Harmon, and Eyster, Elvin S. Consumer Economic Problems. Cincinnati: South-Western Publishing Company, Sixth Edition, 1961.

Articles

Dilley, David R. "Common Sense Education," Journal of Business Education, XXXVII, No. 5 (February, 1962), 195-99.

Tonne, Herbert A. "Too Much Information Would Only Befuddle Them," Journal of Business Education, XXXV, No. 8 (May, 1960), 336-37.

Booklets

Heuer, Leone Ann, and Goessl, Verna S. "Money Management, Your Savings and Investment Dollar." Chicago: Household Finance Corp., 1959.

Kelsey, Wilfred, and Daniels, Arthur C. Handbook of Life Insurance. New York: Institute of Life Insurance, 1960.

Man, Money, and Meaning. Edited by Dean W. O'Brien. ("Ten School Systems Implement Education in Family Finance"). Madison, Wisc.: National Center for Education in Family Finance, University of Wisconsin, 1963.

National Education Association of the United States. Purposes of Education in American Democracy. A Report Prepared by the Education Policies Commission. Washington: National Education Association of the United States, 1938.

National Task Force on Economic Education. Economic Education in the Schools. A Report Prepared by the National Task Force on Economic Education. New York: The Committee for Economic Development, 1961.

Phelps, Clyde William. Using Instalment Credit. A Report Prepared by the Education Division of the Commercial Credit Company. Baltimore: Commercial Credit Co., 1962.

Unpublished Material

Kell, Venetta Bynum. "An Instrument for the Evaluation of Understandings in Family Finance." Unpublished Ed. D. dissertation, University of Oklahoma, 1961.

Walker, Charles R. "Business and Economics in the General Education Programs of Colleges and Universities." Unpublished Ed. D. dissertation, University of Oklahoma, 1961.


993