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AN INSTRUMENT FOR THE EVALUATION OF

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TABLE OF CONTENTS

Chapter Page

LIST OF TABLES

AN INSTRUMENT FOR THE EVALUATION OF UNDERSTANDINGS IN FAMILY FINANCE

CHAPTER I

THE PROBLEM

Introduction

In recent years educators have evidenced much concern relative to the cultural and vocational goals of American education. Only infrequently, however, have they considered directly the role of education in the adequate preparation of youth for management of personal finance. As this nation has grown phenomenally in size and complexity, the ordinary citizen's need of insight to cope with the financial problems surrounding him has increased proportionately. Information, understanding, responsibility, and intelligent action are imperative if he is to deal effectively with his everyday business problems and is to develop judicious skill in making financial decisions relative to them.

Managing personal finances is an essential element in civic and social citizenship. Since competence in handling financial resources is not likely to be acquired merely through ordinary living, it becomes a formidable challenge to American education to make available to all young people such education as will build an informed and active citizen. As an agent of society, the school must assume its share of the responsibility for providing learning experiences enabling youth to establish a basic set of values which will contribute to the preservation and development of a free society. As early as 1938, the Educational Policies Commission recognized the necessity for improving economic citizenship in its statement of the purposes of education:

> 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]

The increasing complexity of our nation requires a higher degree of education than ever before on the part of members of our society. In recent years the educational system has made great strides which enable certain groups of students to gain vocational competency for earning a living. Only limited attention, however, has been given to improving the general education of all students. Thus, a major concern with education today lies in its failure to

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

supply the general education needed by all young people so that they can live intelligently and happily in an economic world. There is a universal need for increased understandings in personal financial management. The importance of such education as an integral part of general education is expressed in Troelstrup's statement:

> Universities and colleges spend a tremendous amount of time and money in teaching us how to make a good living, but, they have almost neglected teaching us how to live and spend money, time, and energy for maximum happiness and good. There is no kind of education that is more important than that which seeks to make all of us intelligent about our economic problems and which helps us to become more effective consumers.[1]

The industrial growth made by our nation has effected tremendous changes in the lives of our people. These changes have caused today's citizens to be far more dependent on a smoothly-functioning economic system than were their forefathers. The self-sustaining and self-producing family unit of past economic history has been replaced by the suburban type of family in which money is of prime importance as a medium of exchange and a standard of value. Today each family unit is dependent upon its money income for determining the extent of goods and services consumed. Housing, food, clothing, education, and recreation are all determined by the amount of money available. The effectiveness with

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[1] Arch W. Troelstrup, "Consumer Problems--A Basic Course," Business Education Forum, VII, No. 6 (March, 1953), 113.

which money income is managed largely determines the family's standard of living. At any age, money plays an important part in one's living regardless of his social, cultural and economic background. Only through planned spending is maximum satisfaction of wants attained. This is particularly significant when we recognize that one desirable goal in life is the pursuit of happiness.

Financial security for the family has been a perpetual problem of our society. Flood, war, fire, illness, death, and other misfortune have continually plagued the family's security. Though these problems have always existed, it has been only within recent years that educational agencies have assumed responsibility for developing programs for improving family financial security.

During the early years in the development of this nation, individuals were faced with financial problems which, in general, concerned only their immediate family units. Most of the training for solving such problems was received in the home. The effectiveness with which resources were handled by an adult depended largely upon his home experience. As the number of factors to be considered has increased in the sharing of risks, consumer buying, investing, and other areas which affect family living, the financial decisions have become more difficult. The problem of family financial security has increased in significance and in complexity.

Thomas Jefferson[1] was an early educational leader who recognized that all people need specific preparation for handling business problems and activities of a personal nature. He advocated a kind of education which would give every citizen information needed for the transaction of his own business. His recommendation was made at a time when the economy was comparatively simple. The complex nature of our present economy demands increased understanding and greater skill in ordinary business transactions. With mass production, mass advertising, a high standard of living, and wide-spread use of consumer credit, it becomes imperative that young people develop a degree of competence in handling the financial problems which confront them. They must be aided in acquiring attitudes which will ensure their financial well-being. It is essential that all agencies which contribute to the learning experiences of youth endeavor to share in the responsibility of this challenge.

Business is an integrating force in the American economy as it permeates all facets of economic organizations and touches almost every phase of human activity. It not only affects the daily living of each person but also plays a dominant role in local, national, and world affairs.

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[1]National Education Association of the United States, The Unique Function of Education in American Democracy, A Report Prepared by the Educational Policies Commission (Washington: National Education Association of the United States, 1937), p. 22.

Regardless of how one earns his livelihood he must make decisions regarding everyday business activities. Many of the problems faced and many of the mistakes made by individuals are of a business nature. Few people can escape for long the intricacies of installment credit, ownership of property, income taxes, consumer buying, contracts, insurance, or social security. Today's prices, wages, interest rates, fiscal policies, profits, cost of living indices, market quotations, tariffs, and gross national product figures are complicated elements which often cause concern for the average individual.

In a democratic society all individuals must make certain decisions for themselves. They are constantly faced with making decisions relative to economic, political, social, and ethical issues. It is through millions of individual decisions that the American system of enterprise functions. Much of its success depends on the principle that when an individual acts in his own enlightened self-interest he is serving the best interests of the total economy. An individual's decisions in promoting his personal health, happiness, and general welfare, or that of his family, depend in a large measure on his value system and his financial practices. The wisdom, or lack of wisdom, evidenced by his decisions is conditioned by the extent of his understanding of the fundamentals of sound personal and family finance and by the probable outcomes of alternate actions. Manifestly, competence to gain family financial security is indispensable to every alert and responsible citizen.

Further substantiation of this point of view is apparent in the fact that in each day of normal living an individual exercises economic privileges. The decisions he makes in the market play a major role in determining what things will be produced, how they will be produced, and how they will be distributed. With each expenditure he casts an economic vote for a particular product or for a service provided by a business organization. Many of the political issues upon which he has the responsibility of voting pertain to financial problems or have financial implications. If the vote that determines the future of the nation is to be informed, it is essential that each individual vote be cast on the basis of economic intelligence. Wise financial decisions are vital to the maintenance of high levels of efficiency in business and governmental organizations.

The significance of the family as an economic unit is recognized in our highly specialized industrial society. As an economic cooperative unit, each family establishes values which determine the earning, spending, saving, and investing of its money. It is imperative, therefore, that a family plan and evaluate the fundamental needs important to its life. A great challenge lies in establishing values that will endure and enrich the human relationships inherent in the family setting. To attain goals defined by a family's value system, effective money management should be recognized, not as an end in itself, but as one essential in achieving personal and family security.

The requisites for attaining personal and family financial security have been stated as follows:

> An intelligent approach to family financial security requires the ability to clarify values and set goals for present and future financial management. It calls for the knowledge of factors affecting financing, those within the family and those resulting from external influences (wars, depression, inflation). It demands the application of the managerial process to financial problems during all stages of the family cycle.[1]

Technological developments continue to create changes in our economic institutions and to influence modes of living. The materialistic society which has emerged challenges the family's value system and often affects its stability. Many families have not been successful in adjusting their finances to changes in their ways of living. There is evidence that a large number of broken homes are the result of faulty money management. Kelsey points up some of the effects resulting from a lack of financial planning:

> A brief look at some of our nation's most pressing social problems shows clearly the effect of inadequate instruction in personal and family

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[1]Margaret R. Goodyear and Mildred Klohr, Managing for Effective Living (New York: John Wiley & Sons, Inc., 1954), p. 319.

> financial planning by the nation's schools and colleges. Domestic difficulties, juvenile delinquency, and other maladjustments are often firmly rooted in financial insecurity.[1]

Forces which weaken the family structure ultimately weaken the entire economic structure of this country. There must be developed in individuals the understanding which will enable them to utilize their money in achieving well-balanced personal and family goals.

Recognition of the responsibility of public schools for economic education is a relatively new development in the United States. Only within the past decade has attention been focused on the personal and family finance phase of economics. The organization which has contributed most directly to the extension of knowledge concerning personal financial management is the National Committee for Education in Family Finance.[2] Its objective is the development of a universal knowledge of the basic principles of sound personal and family money management.

A perusal of current newspapers and magazines reveals that almost every issue includes articles dealing with the individual and his money. For even casual reading

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[1] R. Wilfred Kelsey, "Teaching Family Finance in the Business Curriculum," Business Education Forum, XIV, No. 4 (January, 1960), 17.

[2] The National Committee for Education in Family Finance, (An organization sponsored by the Institute of Life Insurance to promote and extend education relative to family finance.) 488 Madison Avenue, New York 22, New York.

today, there is great need for understanding the basic elements of personal and family finance. Current economic realities are causing teachers to re-evaluate their roles in teaching money management. Former concepts of thrift and saving-for-a-rainy-day are no longer adequate in this era of mass production and mass consumption.

The need for family finance education is evident. The development of desirable attitudes and financial behavioral patterns of students can be achieved only as the teacher himself becomes better equipped with the information, materials, and methods necessary to teach family finance realistically in meaningful situations. The personal habits and experience of the teacher affect his teaching methods as well as his attitude toward the entire problem of money management. Thus, teachers who offer any kind of instruction dealing with family finance should themselves exhibit financial competence. Such competence is essential and should be evaluated.

Ultimately the most effective means of evaluating personal and family finance knowledge is through observation of the individual's actual financial practices. Accurate evaluation is made complex because attitudes and other difficult-to-measure elements enter into the making of financial decisions. Evaluation is as difficult as it is important. For comprehensive measurement, several devices such as check sheets, observations, opinionnaires, and questionnaires might be used to evaluate attitudes and practices in money management. It is evident that no single measuring instrument will be adequate for evaluating all of the aspects involved.

The need for evaluative instruments in family finance is attested to by Bebell[1] who was authorized by the National Committee for Education in Family Finance to study the influence of its program. He recommends the development of instruments which test knowledge and skills in family finance, scales for measuring family finance attitudes and habits, and criteria for evaluating the effectiveness of family finance materials and projects.

Having worked in a program sponsored by the National Committee for Education in Family Finance for the past two years and having participated in four summer workshops, the writer became interested in the evaluative phase of family finance education. Working with students, teachers, and school administrators indicated further the need for a device which could measure something more than factual information. Available evidence indicated the necessity of broad understandings for competent financial management. The writer, then, desired to construct an instrument which could measure those understandings possessed by teachers.

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[1]Clifford Bebell, A Report on the Questionnaire Study of the National Committee for Education in Family Finance (New York: National Committee for Education in Family Finance, 1957), p. 104.

Statement of Problem

The problem of this study was to develop an evaluating instrument for determining the extent of knowledge and understanding of family finance possessed by teachers.

Specifically the problem involved two significant aspects: (1) determination of the primary phases of family finance about which teachers should be informed, and (2) development of a comprehensive evaluating instrument which would be valid and reliable in its application.

This study was designed to measure, in part, the broad understandings of teachers who might include any facet of family finance in the instruction they offer. Although considerable success has been achieved in educational testing for factual information, very little work has yet been done in testing for understandings particularly with objective-scored tests. This study has been an exploratory attempt to devise and to validate the latter type of instrument.

Through the development of a measuring instrument by which the extent of knowledge in family finance possessed by teachers may be evaluated, it is hoped that further growth and development in family finance education may be promoted. The test results should reveal the teachers' grasp of the subject matter and assess, in part, their financial competency. In the opinion of the author, the test results should also provide a partial indication of teaching competence in the area.

Delimitation

This study does not constitute an attempt to evaluate the effectiveness of instruction in any specific subject area, nor is it an attempt to determine whether or not people will make appropriate use of the knowledge and understanding gained in family finance workshops. The instrument constitutes an experimental approach to testing for understanding. The test was administered to teachers who had attended family finance workshops at the University of Oklahoma. This sample was chosen because of the teachers' experiences in developing understandings from the content material presented in the workshops. The test scores utilized in this study are not indicative of the extent of knowledge and understanding possessed by all teachers who include elements of family finance in the subjects which they teach.

Clarification of Terms

Though there are no technical terms used in the statement of the problem, it seems wise for clarification purposes to define the use of three of the terms.

"Family finance" is that phase of economic competency which enables individuals to manage their money wisely according to their standards of value and to cope successfully with financial problems which confront them. Specifically it prepares one for economic citizenship through a study of such phases of financial management as: principles of wise buying, social significance of consumer decisions, planning family income, principles of investment, significance of saving and its alternative uses, home ownership and home renting, installment buying and consumer credit, insurance, banking, taxation, social security and other pension plans, and wills and estate planning.

The word "family" in this study is an all-inclusive term. It denotes an individual living alone as well as a family unit consisting of several persons.

"Teachers of family finance" are those individuals in any area and at any level of education who include facets of family finance information in the instruction they offer.

Sources of Information and Data

The information and data for this study were obtained primarily from these sources. The material regarding the scope and nature of family finance education which has been developed in recent years through the National Committee for Education in Family Finance was carefully reviewed. In addition, much material, both published and unpublished, prepared at family finance workshops was analyzed to aid in isolating the primary phases of education in family finance about which teachers should be informed. Several research studies pointed up other significant elements in family finance. Textbooks, pamphlets, and brochures were used extensively in gathering material which formed the content of the evaluation instrument. Statistical procedures and educational testing techniques were carefully studied in the attempt to develop a reliable and valid evaluation instrument.

Procedure

The initial step in this study was a careful analysis of the family finance workshop programs sponsored jointly by the National Committee for Education in Family Finance and thirteen cooperating universities. Based upon the recommendations of the National Committee, the Joint Council on Economic Education,[1] and several research studies four broad general areas were isolated which should be included in family finance instruction.

An effort was then made to determine the understandings that should be developed in the various phases of each of the four broad areas. This was done by compiling worksheets which listed facts to be acquired, knowledge to be gained, and understandings to be developed. A great deal

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[1]Joint Council on Economic Education, (An organization which assists public schools and teacher education institutions in raising the level of economic citizenship.) 2 West 46 Street, New York, New York.

of material was studied in the development of the content of the worksheets. The material published by the National Committee and the Joint Council was carefully analyzed. A survey was made of unpublished reports which had been completed in the workshops; these included resource units, teaching units, and other types of materials.

Textbooks in such areas as general business, personal finance, consumer economics, and similar courses were thoroughly examined for content in each of the areas included in the instruction and evaluating of family finance. A comprehensive analysis was made of a large number of newspaper and magazine articles, brochures, pamphlets, and other materials provided by business firms and education associations.

The second step in this study was the extensive study of current literature in educational tests and measurements. Particular emphasis was given to the study of test construction and statistical methods and procedures in establishing reliability and validity.

The third step consisted of developing a comprehensive evaluating instrument which is valid and reliable in its application. This procedure was followed in the development of the test:

1. Items were constructed to measure the extent of knowledge and understanding of each of the four broad areas of family finance. These items attempted to measure highly functional, generalized, and permanent learnings in family finance.

2. For a preliminary trial a test of 100 items was administered to the teachers who attended the Family Finance Workshop at the University of Oklahome in the summer of 1959.

3. After some revision and the addition of fifty items, the test was administered to one hundred teachers who had participated in Family Finance Workshops at the University of Oklahoma.

4. On the basis of an item analysis, sixty items were selected for the final form of the instrument for measuring understandings in family finance.

The fourth, and final, step in this study involved the preparation of this dissertation. It should be noted that Chapter II provides background information in family finance with emphasis on its need, nature, significant elements, evaluation in the area, and the contribution made by the National Committee for Education in Family Finance. Chapter III is a description of the development and administration of the measuring instrument. Chapter IV relates to the statistical handling of the test data. The final chapter of this study is a presentation of the instrument and contains a summary of the information and data presented and the conclusions reached.

CHAPTER II

BACKGROUND FOR THIS STUDY

A review of related research, such as is commonly presented in a doctoral dissertation, could not be developed as a part of this research report. The problem is unique in that it concerns a relatively new kind of evaluative technique in an area or subject matter for which no significant prior research relating directly to the problem has been conducted.

After having exhausted all available sources of reference, the author reached the conclusion that there were no pertinent findings from prior research with which to introduce consideration of the evaluation of understandings possessed by teachers relative to family finance. Therefore, an attempt is made in this chapter not to review past research but rather to present general background information which is pertinent to evaluation of understandings in the area of family finance. This is done so that the reader of this report may more readily analyze the developmental procedure utilized and adequately evaluate the test instrument that has been devised.

The remainder of this chapter is divided into five sections each of which involves an important aspect of the background information. Included in this presentation is material relative to the need for financial competence, the nature of education in this area, the essential elements in the content of family finance, the importance of evaluation, and the work of the National Committee for Education in Family Finance.

Need for Competence in Family Finance

Only thirty or forty years ago, the average family's financial problems were relatively simple. In general, a family was then concerned primarily with the purchase of necessities, the ownership of a home, and perhaps limited investments that presented only minor problems. Today, the average family is confronted with numerous financial pitfalls and hazards incidental to the ownership of a car, ownership of various stocks and securities, life insurance contracts, and other elements relating to modern forms of property. Thus, it is presently true that individuals are almost as much concerned about how to spend money as they are about how to earn it. The significance of money and its management in the lives of individuals is aptly expressed by Donaldson:

> The problem of money is uppermost in the minds of most of us, from the time we assume adult responsibilities until we die. . . As adults, the greater part of our day is devoted to the pursuit

> of some form of work for the purpose of earning money. Much of the remaining time, not consumed by sleeping, is given to the spending of at least part of this money.[1]

As early as 1943, Mendenhall and Harap pointed up the two-pronged approach to economic life with which all normal people are today concerned. In this regard, they stated:

> Our economic life comprises two related activities: production or the creation of utilities in commodities and services so that they can serve human needs; and consumption, or the process of utilizing commodities and services for the satisfaction of needs with the attendant destruction of the utilities involved. Education for production aims at increased efficiency in making ready for use, and education for consumption aims at increased satisfactions in using.[2]

This quotation utilizes economic terminology without specific reference to finance. It is evident, however, that current activities in the consumption of goods and services are always related to the management of money. The production activities of individuals have narrowed, and most people recognize their need of intensive, specialized preparations for occupations. At the same time, consumer activities have expanded by leaps and bounds to the point of extreme variation. Consequently, a need has developed for a broad competence which will enable the individual to plan

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[1]Elvin F. Donaldson, Personal Finance (New York: The Ronald Press Company, 1948), p. 3.

[2]James E. Mendenhall and Henry Harap, Consumer Education (New York: D. Appleton-Century Company, 1943), p. 13.

his program of consumption, to relate quantity to quality in his purchasing, and properly to maintain and use what he buys.

The goal of consumption for the individual family is the achievement of maximum satisfaction from the use of the money it earns. This objective usually can be fulfilled only through intelligent planning and spending of income. Members of a family must be aware, however, that self-satisfaction, important as it is, is not the only goal of consumption. People should be aware of the collective effect of their individual spending activities upon the nation's economy. This idea is substantiated by Price:

> Wise money management is the backbone of economic efficiency. The amount of satisfaction that is derived from one's spending depends on how intelligently he chooses among the multitude of things that bid for his dollars. This concept is brought home to boys and girls when they learn how as consumers they direct business activity and how faulty direction of production energy is detrimental to the consumer, to business, and to society as a whole.[1]

Throughout the Consumer Education Study,[2] there is evidence that the increasing need for competency in managing personal financial affairs is attributable to technological

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[1] Ray G. Price, "Business Education in General Education," The Bulletin of the National Association of Secondary-School Principals, XLI, No. 225 (January, 1957), 19.

[2] Consumer Education Study, The Relation of Business Education to Consumer Education, A Statement Prepared for the Consumer Education Study by the National Council for Business-Education, (Washington, D. C.: The Consumer Education Study, 1945).

and scientific advancement. It appears that this progress has brought numerous changes which make it difficult for individuals to bring their desires and needs into harmony with their earning power. This situation is pointed up succinctly in the following statement:

> In a rapidly changing world, many traditional guides to a philosophy of life have been discarded and no new pattern of values is wholly established as yet to take their place. Surrounded by a tremendous variety of "consumer opportunities" we hardly know which are most worth the expenditure of time, money, and energy, and which are less worthy. The young consumer needs to start thinking his way through to a set of values he can live by.[1]

People today recognize that many different commodities and services are available, that these are constantly changing, and that often the choices to be made are difficult. Too, people are becoming increasingly aware that they are actually buying a living rather than making a living as their ancestors did in years past. Most people are becoming reconciled to the necessity for government participation in economic affairs. There is a heightened alertness regarding family financial matters and their relationship to the total economy. At the same time, individuals are frequently annoyed by the lack of financial understanding and their tendencies toward ineffectual personal and collective money management activities.

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[1] Ibid., p. 28.

A research study by Jelley[1] provides support for the idea that greater efficiency in money management is now required because of mass production and the specialization of labor. He indicates that life is complicated by the fact that consumers no longer produce or help to produce much of what they consume.[2] This is true today because most people obtain the goods and services they require wholly by the expenditure of money. Money, or its substitutes, has become the chief instrument by which human needs and desires are satisfied. The use and the conservation of money have become the primary criteria of success for the consumer.

Kelsey[3] attributes the increased need for understandings in family finance to a slightly different force. He regards the prosperity of the last two decades as an important element which has increased the responsibility for intelligent financial planning and spending. Changes in the spending patterns of American families were brought about by the gradual return of prosperity before World War II, and the expanded production of the postwar economy.

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[1] Herbert M. Jelley, "A Measurement and Interpretation of Money Management Understanding of Twelfth-Grade Students," (unpublished Ed. D. dissertation, University of Cincinnati, 1958).

[2] Ibid., p. 31.

[3] R. Wilfred Kelsey, "Education for Family Financial Security;" Educational Outlook, XXIX, No. 3 (March, 1955), 74-79.

According to Kelsey, ways of family living have been vitally affected by the amount of income which the family now has at its disposal:

> Millions of these families who once had little left after meeting their needs for food, clothing, and shelter now enjoy incomes beyond what is necessary for the basic requirements of living. This discretionary spending power has enabled them to buy homes, furnish them with expensive appliances and furniture, to have vacations away from home, and to afford a multitude of things that used to be classified as luxuries rather than necessities.[1]

Competency in family finance is viewed by Freeman[2] as paramount to effective living. In his study to determine the business activities common to everyone in daily living, he concluded that educating for everyday business competency is one of the most vital and indispensable areas in the education for living of all American youth. He emphasized the disastrous consequences to the individual and the tragic effects upon the family that result from wrong business practices, untrained judgment, and unwise decisions in dealing with the business affairs of a personal and family nature.[3]

According to Leibenderfer[4] financial planning involves thought processes requiring concentration,

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[1] Ibid., p. 76.

[2] M. Herbert Freeman, Basic Business Education for Everyday Living, Monograph 74 (Cincinnati: South-Western Publishing Company, January, 1951).

[3] Ibid., p. 14.

[4] John E. Leibenderfer, Planning Your Financial Independence (Norman: University of Oklahoma Press, 1954).

intelligence, and frequent checking throughout life. He refers to planning as an integral part of American genius resulting in outstanding progress in government, business, and private social organizations. On the other hand, he laments the fact that individual financial planning has been largely neglected in our educational scheme. He states:

> . . . it [individual financial planning] lies at the heart of our well-advertised goals of individual security, welfare, and happiness--to say nothing of an enjoyable old age.[1]

Recognition of the growing complexity of the many financial decisions and judgments which the average individual and family must make during a lifetime is indicated by the number of colleges and universities that have introduced courses in personal and family finance into their curricula. Cohen and Hanson specify that more than 250 such courses have been inaugurated since 1940.[2]

In discussing the characteristics of our society now and in the future Troelstrup stresses the need of financial planning for a longer period of time because of the increased life expectancy. The types of investments people make, the types of homes they build, the types of leisure activities in which they participate, the types of life and

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[1] Ibid., p. 3.

[2] Jerome B. Cohen and Arthur W. Hanson, Personal Finance--Principles and Case Problems (Homewood, Illinois: Richard D. Irwin, Inc., 1958), p. vii.

health insurance they purchase, and the pension plans in which they share are greatly affected by their longevity.[1]

While money in itself does not bring family happiness, its absence or lack of planned use can bring much unhappiness. Several studies have shown that money problems are often the root of marital discord. To find the most frequent causes of disagreement between husbands and wives Adams analyzed selected replies of one hundred admittedly unhappy married couples. His findings revealed that money ranked second as a reason for marriage conflicts.[2]

It is undoubtedly true that variables pertaining to the management of financial affairs are more important in marital adjustment than is generally recognized. The problem of money management is not restricted to lower-level income groups but is prevalent at all levels of income. This is substantiated in Troelstrup's statement:

> . . . money management is the most frequent cause of conflict among couples in the upper third or fourth of the nation's families according to economic status.[3]

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[1] Arch W. Troelstrup, "Recent Developments in Consumer Economics," <u>American Business Education</u>, XV, No. 4, (May, 1959), pp. 222-224.

[2] Clifford R. Adams, "Making Marriage Work," <u>Ladies Home Journal</u>, LXVI (January, 1949), 26.

[3] Arch W. Troelstrup, <u>Consumer Problems and Personal Finance</u> (New York: McGraw-Hill Book Company, Inc., 1957), p. 28.

In summary, there is much evidence to indicate the need for competency in managing family financial affairs. An inseparable relationship exists between the consumer, the business activities he performs in his daily living, and the management of his money. With the pervasiveness of money in most of the aspects of family living, it is essential that it be managed to maximize its utility. Only when money is used to satisfy human wants does it have real value and contribute toward satisfying our goals of security, welfare, and happiness.

Fundamental changes in our society which have created and increased the need for skill in the management of financial affairs are: (1) technological and scientific advancement which challenges our value system, (2) mass production which complicates the choosing, planning, and using of the myriad of goods and services avilable, (3) dependency (with emphasis on the consumptive activities rather than on production) of the family on money income for its existence, and (4) alteration of the family's spending pattern resulting from two decades of prosperity.

Nature of Education Pertaining to Family Finance

In circumstances which involve aspects of education, the term "family finance" generally relates to the money problems of children themselves and proceeds to consideration of concepts of family financial management. Thus, family finance becomes a significant part of the broad field of economics. Education pertaining to family finance, in turn, becomes important in any discussion of the development of economic competence in future citizens.

Family finance education is commonly offered for the purpose of developing understanding of the financial responsibilities connected with citizenship and family living. Its primary objective is the achievement of greater family financial security through improvement in the ability of individuals to deal with their problems of money management. At this point, too, it must be recognized that one's economic well-being is determined by the degree to which he becomes capable of basing his financial decisions on knowledge and understanding which he possesses.

How an individual manages his financial affairs is related directly to his appreciation of the fundamental elements in human life. Thus, there is much more involved in family finance than the mere spending of dollars and cents. Education in family finance should be designed to result in the development of attitudes about money management which are in harmony with a wholesome philosophy of life.

The nature of our economy is such that there is constant need for adaptation to variations in the supply of financial resources and in the demand for them. Education must keep pace with the times and provide learning experiences which enable individuals to make intelligent decisions and adjust the financial aspects of their lives to the total economy in which they live. In this regard, Hunt states that:

> The role of the individual and of the family in financial matters has long been recognized not only as important basically but as a contributing factor to the soundness of our nation's economy.[1]

Stratemeyer indicates that the scope of general education lies in the range of the persistent life situations with which every individual deals in some measure, and in the changing aspects of these persisting situations.[2] It cannot be denied that the managing of family financial affairs is a continuous responsibility. No period of the family life cycle escapes situations involving the management of money.

An explicit relationship exists between family finance and general education. Many of the common learnings essential for all people revolve around their business activities. The making of financial decisions begins early in childhood and continues through adulthood. It is evident that within a very few years many of the boys and girls now enrolled in secondary schools will be husbands

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[1]Herold C. Hunt, "Foreword," Education in Family Finance--The First Ten Years, A Report Prepared by the National Committee for Education in Family Finance (New York: National Committee for Education in Family Finance, 1958), p. 2.

[2]Florence B. Stratemeyer, et. al., Developing a Curriculum for Modern Living (New York: Bureau of Publications, Teachers College, Columbia University, 1947), p. 74.

and wives. As members of family units they will inevaitably assume financial, legal, and moral responsibilities. Variations in the extent to which such responsibilities are fulfilled are dependent upon the maturity of the individual and his application of his knowledge of finance. The ideas expressed here seem to indicate that school offerings in general education must provide learning experiences which will enable individuals to adjust to their economic environment. The following statement adds reinforcement to this point of view:

> Teachers, through continuing observation of young men and women, have found that a large number of their students, at best, are only partly prepared for adult problems in the environment of their homes, particularly in financial matters. This is why many educators have made education in family finance one of their concerns.[1]

Instruction in financial planning is instrumental in creating a philosophy of life and in setting values and goals through intelligent use of money. Only five of every one hundred high school students now take a formal course which enables them to gain understandings necessary for utilizing their resources to obtain the things important and best for them and for the economic society. The need for such instruction is emphasized in the following statement:

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[1]"The What and Why of Education in Family Finance," Topics, VII, No. 3 (March, 1958), 1.

> We place much stress on equipping students with marketable skills--skills that will enable them to earn a good living, but we should also prepare students for the job of living in our business society so they can manage their earnings competently and cope successfully with the personal economics problems that confront them.[1]

Family finance instruction is characteristic of the realism which is emerging in the changing philogophy and goals of American education. The trend to provide an educational pattern which is more meaningful and more directly related to the problems of living is exemplified in family finance. A study of family finance provides a rich source of understandings relative to the fundamentals of managing money and tends to assist the individual in getting maximum satisfaction from its use.

Mismanagement of family income is evident at every economic level. Increases in income do not necessarily allevaite the financial problems of the family. More effective financial practices are needed at all income levels, but particularly at the lower levels. For example, the median income for 55,000,000 American families in 1960 is slightly more than $5000. According to the Bureau of Census[2] more than three fourths of all families earn less

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[1] Let's Educate Youth for Effective Business Life, Monograph 98 (Cincinnati: South-Western Publishing Company), p. 3.

[2] United States Bureau of Census, Statistical Abstract of the United States: 1960, 81st edition, (Washington: 1960).

than $7000 a year. With the cost of living spiraling it is difficult for these families to maintain the living standards they desire. They can ill afford losses from unsound financial practices. Approximately one fourth of all families earn less than $3000 a year. It is this group which has the least financial margin for error. Yet it is the people in this low-income group who most often indulge in unwise spending and are frequently exploited by unethical vendors.

Understanding of family finance must grow as an individual's responsibilities grow toward himself, his family, his community, and his nation. Family finance finds application at all levels of learning but conditions in our educational system dictate its appropriateness at the elementary and secondary levels. It is apparent that instruction must be given to youth before they graduate from high school because only approximately one fourth of them continue in formal education beyond high school. Circumstances which add emphasis to the need for instruction at the elementary and secondary levels are pointed up in Kelsey's statement:

> The increasing number of teen-age marriages and the growing number of young people holding part-time jobs make it mandatory that young men and women develop the knowledge and skills necessary to make sound financial decisions prior to graduation from high school.[1]

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[1]Kelsey, "Teaching Family Finance in the Business Curriculum," op. cit., p. 16.

For several years certain elements of family finance have been offered at the secondary and college levels, but only recently has such study been considered an essential part of the elementary curriculum. Nanassy's viewpoint favors application at the elementary level:

> The secondary school, for too long a time, has been considered the appropriate level where education for business-economic competence should take place. Only recently has increased thought been given to the philosophy that the elementary school can and must be the logical level where this type of education is initiated.[1]

Many current conditions point to the importance of learning money management at an early age. Most children are interested in spending money long before they are sufficiently mature to understand the total financial pattern. Appropriate experiences should be provided in the school program which are suitable to the child's age level to help him gain an understanding of the value of money and familiarize him with family policies in relation to its use. He will have need for understandings in family finance throughout his life span. Simple basic concepts and practices of money management and a core vocabulary pertaining to finances can be acquired in the elementary school. Through an analysis of textbooks and course-of-study outlines, Nanassy identified fifteen topics under "Money Management

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[1]Louis Nanassy, "Education for Business-Economic Concepts in Elementary Schools," (unpublished Ed. D. dissertation, Teachers College, Columbia University, 1952), p. 36.

and Consumer-Business Practices," which should be included in grades one through three. The list was expanded to twenty-one items in the intermediate grades.[1]

Certain elements of family finance have for a number of years been offered by teachers of various subjects in the secondary school in an effort to prepare youth to meet the family financial problems which they will encounter. The subject matter areas which have most often included topics of family finance are home economics, business, social studies, and mathematics.

At the secondary level homemaking programs include instruction in principles of family finance through the topics of budgeting, consumer buying, and the management of money, time, and energy. Basic business subjects supply useful information on budgeting, credit, taxes, banking, investments, home ownership, insurance, and many other topics related to family finance. Social studies often use the economic approach for development of better comprehension of current problems. In mathematics classes students may study material applicable to financial problems such as computing the cost of borrowing, preparing income tax returns, calculating social security benefit payments, and keeping family records. In some schools common learning courses or "core" programs include aspects of money

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[1] *Ibid.*, p. 89.

management. Other subject matter areas contribute directly or indirectly to the financial literacy of young people.

That family finance is pertinent at the college level is evidenced by the increased number of personal finance, or some name variant thereof, courses being offered. Courses in public finance and corporate finance have been prevalent for many years but only within the past few years has the college curriculum assumed any responsibility for providing instruction in managing personal finances. In addition to the courses designed specifically for family financial planning, many personal finance elements are included in such courses as general economics, social fundamentals, and marriage and family relations.

Family finance should be made available to adults through continuing education programs. Actively engaged in the attempt to achieve financial security, adults are often eager to gain additional information which will assist them in a better utilization of their resources. Whatever skill many of them possess in managing their finances has too frequently been acquired through experiences which have proved to be costly.

According to the National Committee for Education in Family Finance[1] the number of adult programs offering

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[1]National Committee for Education in Family Finance, Twelfth Annual Report (New York: National Committee for Education in Family Finance, November, 1959).

family finance instruction has increased substantially. Many of the adult programs are coordinated by teachers and administrators who have attended family finance workshops. Classes are frequently offered through the extension divisions of colleges. In-service training programs for teachers in local school systems are becoming more numerous. Adult programs which present elements of family finance are sponsored by service organizations, parent-teacher associations, church groups, and other study groups. In the field of adult education there has been a dramatic increase in television courses in family finance.

Although many educators are agreed that family finance instruction should be given to all high school youth, the predominant question in many schools becomes when and by whom should it be taught. Some of the basic content is taught in varying degrees by teachers in several departments. There is, however, usually no continuity or coordination of plan among the departments concerned. This results in a small percentage of the students in the school being exposed to instruction in this area in perhaps one or more courses, but a majority of the high school population still has little or no such instruction.

A great deal of research has been conducted to determine elements necessary for successful handling of the affairs of daily living. Since a large segment of these affairs is affected by financial decisions, much study has been devoted not only to content necessary for providing financial instruction but also to the problems of when and where it should be fitted into the curriculum.

Research studies indicate that the necessary familiarity with the basic principles of business and family financial planning for living effectively in our complex society can best be attained through basic business courses. These views are substantiated in Porter's statement of the essence of basic business:

> For the average individual, it is only necessary that he appreciate the elements basic to economic and business operations and that he be familiar with the fundamental principles upon which sound and personal financial planning are founded.
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> . . . basic business must include learning experiences in those phases of business activities in which all persons are engaged.[1]

Recent research supports the premise that basic business information, such as that relating to money management, can be taught most effectively in two courses, one at the ninth or tenth grade level and the other at the eleventh or twelfth grade level.[2] In Freeman's study to determine the business activities common to everyone, it was found that most of the activities contained elements directly related to an individual's finances. As a result of this

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[1]Gerald A. Porter, "Implications of Research in Business Education," National Business Education Quarterly, XXIX, No. 3 (March, 1961), 4.

[2]*Ibid.*, p. 5.

study, Freeman proposed that two basic business courses should be required of all high school students. Provided with elementary and advanced experiences in these courses students would be equipped with knowledges, skills, and abilities necessary for making the financial decisions which are inevitable in an individual's business activities.[1]

Muse concludes in his study that two full years of basic business are justified at the junior and senior high school level. These courses should contribute significantly to the development of an individual's ability to direct those aspects of his business activities which pertain to the management of money.[2]

It seems apparent that basic business is the subject matter area which is comprehensive in the development of the financial competence so vital for successful and happy living. Charged with such forceful responsibility, one or more years of basic business should logically be included in the general education of everyone. Polishook and Rossi[3] made a study to determine whether or not basic

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[1] Freeman, op. cit., p. 22.

[2] Paul F. Muse, "A Study of the Business Activities, Interests, and Understandings of Secondary School Pupils and Adults as a Basis for Determining Subject Matter Content and Grade Placement of Basic Business Education in the Secondary School," (unpublished Ph. D. dissertation, Ohio State University, 1946), p. 189.

[3] William M. Polishook and Carmella M. Rossi, "Economic Education as General Education," American Business Education, XVI, No. 1 (October, 1959), p. 25.

business education should have a definite place in the curriculum of the secondary school as part of the general education of all students. They reported that:

> High school principals, businessmen, and government officials agreed 100 per cent that basic business education should be made a part of general education for all high school students. Businessmen unanimously reported that there is a lack of economic literacy among the average people with whom they come in daily contact.[1]

Basic business subjects are sometimes taught by teachers of social studies or home economics. It is, however, reasonable to assume that business teachers are perhaps better prepared for this instruction than are teachers in other fields. The study of economics that is a required part of their learning better prepares them to analyze economic problems and to assist students in dealing with the responsibilities involved in the financial aspects of their lives. This viewpoint is expressed in a statement made by Bienvenu:

> It is the duty of those best prepared in economics--the business teacher--to so educate the persons in this coming generation that they will be able to cope effectively and intelligently with the new economic world in which they live.[2]

In summary, the nature of family finance education is such that it enables individuals to manage more

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[1] Ibid., p. 30.

[2] Harold Bienvenu, "Economic Change and Basic Business Education," Business Education Forum, XIV, No. 4 (January, 1960), 17.

efficiently the financial affairs involved in carrying on the business activities of daily living. Opportunities are offered for visualizing the underlying forces and relationships which influence the financial decisions of all people. Instruction in family finance should permeate the curriculum of the schools at all levels. It is intimately correlated with qualities ascribed to general education and should be made available to all youth.

A widely-distributed brochure, endorsed by eighteen outstanding leaders in business, succinctly emphasizes the nature of family finance as general education and adds support to the basic ideas developed in this section. Regarding general education, the brochure states:

> We believe it is imperative that every American should have as a part of his general education, regardless of his personal or professional goal, at least a one-year course at the secondary school level that will provide the learner with an opportunity to become competent to deal with everyday business-economic issues and problems.[1]

Regarding the significance of effective management of personal economic affairs the statement is made that:

> Every young person needs to be educated to deal effectively with his personal economic problems so that he will manage his personal business affairs in a manner that will produce the greatest good to him. This means education in better buymanship of

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[1]Policies Commission for Business and Economic Education, A Proposal for Business-Economic Education for American Secondary Schools, A Brochure Prepared by the Policies Commission for Business and Economic Education, (February, 1961).

> all goods and services as well as financial planning for his present and future needs.[1]

The following statement supports the viewpoint that such instruction should be offered by business teachers:

> The course or courses in business-economic understanding should be offered by those teachers, regardless of the areas they represent, who are best qualified. Those teachers who have been business oriented through courses in the field of business and economics and through business experience are most likely to provide the kind of educational program this letter proposes.[2]

Significant Elements in the Content of Family Finance

Family finance is broad in scope and is presented in various ways and to varying degrees among the school systems of the nation. Regardless of its many facets or the level at which it is taught, there are certain elements of content which must be included if instruction is to be effective. Many educators subscribe to the belief that family finance should be introduced in the elementary grades and reviewed and expanded at higher educational levels. Thus, it becomes clear that some elements and certain emphasis are appropriate in the elementary and secondary schools while more advanced study is needed at the college or adult level.

Much research has been conducted which relates both directly and indirectly to elements of content basic to the development of family financial competency. Most of the

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[1] Ibid. [2] Ibid.

research in business and economic education encompasses broad aspects of economics with family finance commonly included as one of the significant phases. Virtually all of the studies point up the necessity for more effective management of financial resources and list content material essential for developing such competency. Several of the studies completed within recent years have dealt with the knowledges, skills, and competencies needed by all citizens. Among these money management and other aspects of family finance rank high.

This section of Chapter II points up certain research findings, whereas the other sections present material developed around the opinions of authorities. A concerted effort is made here to present a composite picture of the appropriate content of family finance as revealed in research studies within the area.

Only one study was found which dealt exclusively with elements of content in family finance. This study was made by Jelley in an effort to evaluate understandings of twelfth grade students in money management. His procedure began with an analysis of business education textbooks published for secondary schools and from these a list of important topics in money management was compiled. When the topics were arranged in the order of their importance, they were evaluated by a jury of experts.

Utilization of statistical techniques enabled Jelley[1] to isolate forty-three topics for study in the area of money management. The ten topics which rated highest in his study were: need for insurance and how it operates, automobile insurance, social insurance (including the Social Security program), computing finance charges, maintaining personal and family financial records, personal liability insurance, accident and health insurance, establishing and protecting a credit rating, sources and types of loans available to consumers, and planning for saving money.[2]

Muse's study,[3] which covered the broad area of basic business, disclosed several topics which are fundamental to family finance. From textbooks he compiled an extensive check list of business activities and topics of business information which are common in daily living. On the basis of his analysis of the business activities performed by students and adults and their opinions in respect to the importance of various business activities, he identified the following topics which relate to family finance: money, banks, credit, finances and investments, record keeping, taxes, insurance and social security, business law, and consumer buying.[4]

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[1]Jelley, _op. cit._ [2]_Ibid._, p. 65.

[3]Muse, _op. cit._ [4]_Ibid._, p. 187.

Price[1] determined appropriate subject matter in consumer education, much of which pertains to family finance. His study was designed to determine trends regarding objectives, learning activities, teaching methods and evaluative procedures as well as content in consumer education. Through an analysis of textbooks at the secondary and college levels, course-of-study outlines, and research studies, he isolated topics for secondary school consumer education which he submitted to a jury of experts for approval. Topics selected by this procedure which have implications for family finance include: general buying procedures, insurance, banking services, savings, budgeting, credit, taxes, and investments.[2]

The National Consumer Education Study[3] was organized for the purpose of determining consumer information needed by all consumers and preparing materials which contain that information. Twelve major divisions were suggested as being highly important in improving an individual consumer's competency. The division which related to the management of personal financial affairs includes: budgeting, money

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[1]Ray G. Price, "Curriculum Practices in Consumer Education," (unpublished Ed. D. dissertation, University of Cincinnati, 1945).

[2]Ibid., p. 159.

[3]Consumer Education Study, Consumer Education in Your School: A Handbook for Teachers and Administrators, (Washington, D. C.: The Consumer Education Study, 1947).

management, the use of consumer credit, planning an insurance program and buying insurance, and investments.[1]

As a result of the National Consumer Education Study, a series of teaching units was developed to help students become more intelligent, more effective, and more conscientious consumers. The units which have a direct relationship to family finance are "The Consumer and the Law," "Buying Insurance," and "Managing Your Money." Topics included in the latter unit include budgeting, saving, credit, transfers of money, securing protection against hazards, and investing.[2]

With the cooperation of several professional groups and a large number of students, Freeman[3] determined the business activities common to all people. He translated these into knowledges, competencies, and understandings needed by all individuals to conduct their business activities more successfully and intelligently. Freeman identified eight instructional units in terms of desirable elementary and advanced outcomes or experiences that should be provided for all youth. Those which apply to family finance are: the financing function which includes banking, credit, insurance, and investments; the recording function

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[1] Ibid., pp. 46-47.

[2] Consumer Education Study, Managing Your Money, A Unit for High School Students, (Washington, D. C.: Consumer Education Study, pp. 1-124.

[3] Freeman, op. cit.

which teaches the student how to prepare and interpret simple financial statements and reports for personal and family use; and the consuming function which includes buying and the legal phases of everyday transactions.[1]

In 1957 Bender[2] completed a study evaluating educators' beliefs relative to basic business education and this disclosed many essential elements in family finance. He extracted the content of professional journals and yearbooks for basic business beliefs which he classified according to definition, objectives, relationship to general education, consumer and vocational business education, and curricular structure.

On the basis of his research he concluded that basic business education relates to the economic and business experiences implicit in each individual's life. Its primary objectives are (1) to achieve consumer-business literacy pertaining to the business activities involving goods and services in which everyone is engaged, and (2) to achieve socio-economic literacy which relates to the individual's personal well-being and the economic welfare of his family and American society. Of the necessary topics which he defined for promoting the growth of

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[1] Ibid., pp. 18-21.

[2] Robert F. Bender, "Basic Business Education in the Secondary School: An Evaluation of Educators' Beliefs and a Statement of Concepts," (unpublished Ed. D. dissertation, University of Denver, 1957).

consumer-business and socio-business literacy, the following are topics which are included in the content of family finance: acquisition, finance, investment, law, management, recording, and risk protection.[1]

McGill[2] completed a research study in 1955 in which he conducted more than 1000 interviews to determine the business knowledges and skills used by business people and those used by non-business people. Results of these interviews revealed the following significant areas which are relevant to family finance and should be included in the education of everyone: consumer buying, money, record keeping, credit, banks and banking services, business mathematics, insurance, finance and investments, taxes, legal aspects of business, management of business affairs, and personal business skills.[3]

Another study to determine the basic business needs of all students was made by Wells[4] in 1947. In addition to the analysis of 28 studies in the field of business education, her study represents the opinions of educators,

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[1] Ibid., pp. 115-127.

[2] E. C. McGill, "A Study of Business Skills and Knowledges Used by Business and Non-Business People," (unpublished Ed. D. dissertation, New York University, 1955).

[3] Ibid., p. 329.

[4] Inez R. Wells, "A Survey of Basic Business Education in Ohio," (unpublished Ed. D. dissertation, Ohio State University, 1947).

students, parents, and businessmen concerning daily activities of adolescents and adults. From Wells' list of topics which should provide for the basic business needs of all students, the following relate to the management of family financial resources: financial planning (or budgeting) for earning, saving, and spending money; money management; personal and social records to aid in wise money management; insurance; investments; consumer credit and borrowing; banking; taxes; housing; price and the consumer; consumer buying problems; legal aspects of everyday living; and structure and operation of the economic system.[1]

In the research study on economic education conducted by the Council for Advancement of Secondary Education,[2] understandings in certain areas were determined essential for responsible participation in everyday business activities. To determine these basic topics a letter of inquiry was sent to selected people who were asked to submit ten topics which, in their judgment, were necessary for economic literacy. The 800 lists were coded and grouped into a composite list of eighty-eight topics which were divided into fourteen major categories. The category directly relating to family finance is listed under

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[1] _Ibid_., pp. 65-76.

[2] Galen Jones and Baldwin Lee, "Requisites for Economic Literacy," _The Bulletin of the National Association of Secondary-School Principals_, XL, no. 217 (February, 1956), pp. 349-375.

consumer economics and includes: budgeting--personal, family; wise buying--consumer protection services, advertising; wise use of goods and time; using banking facilities; consumer credit--proper use, kinds, sources; computation of interest charges, credit rating; thrift--saving and investing; insurance and pensions; housing--owning vs. renting; legal information--property laws, making contracts; understanding tax forms, making tax calculations; vocational information--choosing a vocation, getting and holding a job; adapting to economic change.[1]

The purpose of Crank's study[2] in 1956 was to determine the subject matter facts, principles, and concepts that are of greatest importance in meeting the common business and economic needs of high school pupils. The sources for determining these elements were (1) current high school textbooks in basic business and economic education and (2) an evaluation by business and professional men, students, and parents. The elements were evaluated on the basis of their being essential, desirable, and probably desirable for intelligent participation in the business and economic aspects of society. Though many of the topics were related to family finance, Crank included only three

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[1] _Ibid_., p. 357.

[2] Floyd L. Crank, "A Study of the Subject Matter Content in Basic Business and Economic Education," (unpublished Ed. D. dissertation, Northwestern University, 1956).

under that heading: namely, credit, savings and investment, and insurance.[1]

The studies cited in this section reveal that there is considerable unanimity concerning the broad topics which should form the basis of study in the area of family finance. The recommendations and the reports of the National Committee for Education in Family Finance and the Joint Council on Economic Education corroborate the conclusions reached in the research studies regarding the significant elements of content in financial management. In addition, the current textbooks and many publications of private enterprise point up sharply the major elements of financial information needed by all people for effective living.

All groups seem to agree that the management of money is of vital importance in any comprehensive educational program. Students must be given instruction in the financial aspects of living, and this instruction should include planning their expenditures to get the greatest satisfaction from income and understanding how their lives are influenced by everyday, economic activities.

The significant elements of content in family finance designed for effective money management fall quite naturally into broad-field classifications. It appears to be desirable to consider the content of family finance in

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[1] *Ibid.*, p. 55.

terms of four broad classifications with certain minor aspects indicated for the purpose of explanation. These classifications are:

1. Basic Principles of Finance--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.
2. Consumer Buying--general principles of buying; protection agencies--private and government; budgeting and record keeping; advertising; personal business law.
3. Banking and Consumer Credit--services of a financial institution; obtaining and using credit; principles of installment buying; obtaining a loan.
4. Financial Security--savings; investing in securities; protection through insurance--life, general; social security; pension plans; housing and home ownership; estate planning.

Evaluation in Family Finance

Evaluation of the effectiveness of instruction relative to financial understandings must ultimately be made in terms of the happiness and personal satisfaction an individual gains from the use of his financial resources. The only significance of any learning experience is its relevance to objectives which are defined in terms of human growth and development. Efficiency in making and executing intelligent financial decisions which yield a satisfying way of life is the desired outcome of family finance. The extent to which this goal is realized is determined by the economic activity and behavior of the individual as he assumes his role in the life of his community.

An individual is continually challenged by economic experiences during the total span of his life, all of which are potentially meaningful and in a constant state of change. How these experiences affect his behavior depends upon his ability to utilize knowledge, skill, and understanding. If he becomes competent to evaluate the significance of his own actions, change for him becomes an exciting symptom of a dynamic society instead of a state of bewilderment. If competent, the individual can make intelligent financial decisions for himself and participate actively in his economic society with some feeling of responsibility for improving it.

General Elements in Evaluation

Evaluation is an essential element in any educational endeavor. Its essence is made clear by the functions it performs. The specific purposes of evaluation are:

> The identification and formulation of a comprehensive range of major objectives.
> Their definition in terms of pupil behavior to be realized.
> The selection or construction of valid, reliable, and practical instruments for appraising major objectives of the process or characteristics of personal growth and development.[1]

The recent philosophy of education has emphasized responsibility not only for the development of information, skills, and habits, but for the stimulation of growth in

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[1] J. Wayne Wrightstone, Joseph Justman, Irving Robbins, Evaluation in Modern Education (New York: American Book Company, 1956), p. 4.

broad understandings, attitudes, appreciations, power of thinking, and personal-social adaptability. Along with this trend the modern concept calls for more nearly adequate techniques of assessing growth and development. There is a growing conviction that to assess this development evaluative instruments should emphasize relationships and generalizations rather than isolated information, skills, and abilities. Arny refers to the foregoing philosophy in this manner:

> There is emerging a realization that both instruction and evaluation should be focused upon goals rather than content; upon the use people will make of subject matter rather than upon the subject matter itself.[1]

This view is further supported by Stratemeyer who states:

> Evaluation must be in terms of the goals sought. . . . the real test of growth lies in the quality of thought and action of individuals and groups as they face their problems of everyday living. The demands of our society dictate growth in action based on understanding in ability to use knowledge functionally.[2]

Instruction and evaluation are interrelated aspects of effective learning. Teachers are the interactive force who must provide learning experiences at all levels which are conducive to maturing social concepts. They are charged

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[1]Clara Brown Arny, Evaluation in Home Economics, (New York: Appleton-Century-Crofts, Inc., 1953), p. 13.

[2]Stratemeyer, op. cit., p. 399.

with the responsibility of developing understandings in classroom situations which carry over to everyday living.

Teachers possess, too, the key role in measuring and evaluating. Their increased responsibility and greater latitude in planning educational experiences carries with it the responsibility for appraising the real worth of those experiences. If only facts are presented and measured, students try to learn only the facts. But when applications are demanded, most students try to discover what the applications are. That much evaluation is ineffective is evidenced by Arny's statement:

> Unfortunately most teachers have not been aware of the lack of relationship which may exist between the ability to regurgitate facts and the ability to use them.[1]

Instruction which provides the opportunity to develop broad understandings will enable the individual to apply the tools of analysis in choosing courses of action consistent with his particular set of values.

Evaluation assumes special significance in an instructional pattern which has as its goal the development of broad understandings. Its importance as a key factor in this type of instruction is illustrated by the following statement:

> It is undoubtedly true that evaluation is the key factor in causing students to gain concepts. The specific techniques and methods of evaluation

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[1]Arny, op. cit., p. 8.

> will determine in a large measure whether students will sincerely endeavor to gain broad understandings and concepts or whether they will merely try to learn factual information. Teachers must recognize that students have formed habits of learning facts in preparation for testing and students must be encouraged to change their approach to preparation for tests and to develop their ability to generalize ideas.[1]

Desirable behavioral patterns do not result from mere knowledge of facts. It is recognized that facts change and often become inaccurate. Consequently, the permanent learnings of an individual should constitute more than factual information. The real value lies in how well the individual applies the factual material to his own experience, own thoughts, and own actions. Relatedness, according to Gates,[2] is the central concept in the psychology of learning. It is only through the utilization of related kinds of factual information that individuals develop the technique of critical thinking. That proper usage should be made of facts is attested by Knowles:

> Getting facts is no longer a major undertaking for people who listen to the radio and television and have access to magazines and daily papers. The major problem in our culture is to internalize the many facts we know into our thought processes--to make them usable in terms of our own problems.[3]

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[1]Education Relative to Fundamentals of Economics and Business, Service Bulletin No. 3, Mountain-Plains Business Education Association, (February, 1961), pp. 8-9.

[2]A. I. Gates, et. al. Educational Psychology, Third edition (New York: The Macmillan Company, 1948).

[3]Malcolm Knowles, Informal Adult Education, Portfolio of Teaching Techniques (New London, Connecticut: Arthur C. Crofts Publication), p. 4.

The pursuit of knowledge is an objective of education only to the extent that it supplies the tools which enable the individual to become progressively more able to cope with the conditions of society. With the vast expanse of knowledge in all areas, it is impossible for an individual to possess all learning. To meet the challenge of providing essential understandings Hancher makes the following proposal:

> If we cannot teach all knowledge and obviously we cannot--what shall we do? Shall we not aim to teach enough basic knowledge to provide a foundation for our students' needs in the most common and generalized experiences of life and beyond that to concentrate upon those skills and experiences which will best enable them to continue their education through a lifetime of adult study and education.[1]

The need to provide conditions for the discovery, reconstruction, and appraisal of ideas which reach beyond the usual pattern of thinking is expressed in the following statements:

> We do not want our children merely to know a jumble of ad hoc facts. We want them to grow into intelligent adults who understand, who can test any specific proposal by checking it against basic principles.[2]

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[1]Virgil M. Hancher, "The Challenge We Face," Educational Record, XL (January, 1959), 13.

[2]Fred T. Wilhelms, "The Job Ahead," Educating for Economic Competence, A Report Prepared by the ASCD Commission on Education for Economic Competence (Washington: 1960), p. 3.

> The capacity to judge soundly and deal broadly with facts, especially in their practical relations to life conduct is the essence of true wisdom.[1]

Application in Family Finance

Enterline[2] stresses the importance of teaching and testing for higher level outcomes in business subjects. Only through a higher level of learning do certain changes take place in the thinking of an individual. These changes as related to socio-economic living, should aid the individual in making adjustments in personal abilities, understandings, attitudes, appreciations, and behavior. When measured in individuals, the extent of such outcomes will vary in accordance with their ability to apply facts, skills, and information to problem situations, and to make applications in their own life. No amount of understanding in family finance will be effective unless an individual has the desire to act according to his financial convictions.

To illustrate this point, an individual may possess such factual information in insurance as ninety million people in the United States own life insurance or that insurance is available in different forms. However, this information is of little use to him unless he is able to combine isolated facts into a body of knowledge from which

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[1] Education Relative to the Fundamentals of Economics and Business, op. cit., p. 3.

[2] H. G. Enterline, "Testing for Higher Level Outcomes in Basic Business Courses," Business Education Forum, IX, (March, 1955), pp. 19-21.

he can draw applicable understanding. Through the relating of facts he recognizes that life insurance provides funds for consumer spending in terms of replacement of the economic value of human life lost and he evolves an understanding that insurance is a stabilizing force in the economy. He develops an appreciation of the contribution of insurance to the welfare of the family and the welfare of the nation. Consequently, he has the desire to apply his understandings to planning and adapting the best possible insurance program for his family.

The content of family finance is extensive and includes a myriad of facts to be studied, problems to be solved, decisions to be reached, understandings to be gained, and attitudes to be developed or changed. With the many different aspects of achievement in family finance, a reconciliation of many different judgments is required, and this implies that no single measurement procedure will be adequate. The usual kinds of objective and subjective test instruments are appropriate for measuring certain elements of family finance.

Evaluating broad understandings which produce financial competency is extremely difficult. The learning outcomes are less tangible and less easily measured than specific subject matter facts and skills. Evaluation is made complex because attitudes and other difficult-to-measure elements enter into the making of intelligent financial decisions. Ultimately, the most effective means of evaluating personal and family finance understandings is through observation of the actual financial practices of the individual. Since this is not possible for long-range results, instruments of evaluation must be relied upon to indicate understandings developed in family finance. It is generally agreed that a person's response to a test is essentially a sample of his performance or behavior.[1] It is difficult to construct instruments which emphasize meaningful learnings and stimulate the functional use of facts and generalizations.

It is evident that new and improved evaluation instruments must be developed and used if instruction is modified to emphasize broad understandings as opposed to the mere accumulation of facts. Lindquist recommends the development of new types of instruments for meeting this need:

> The present need for new tests of hitherto unmeasurable objectives far exceeds the need for further refinement and improvement of existing tests.[2]

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[1] Understanding Testing--Its Purposes and Interpretation for Pupil Development, United States Department of Health, Education, and Welfare, (Washington: Office of Education, 1956).

[2] E. F. Lindquist, et al. Educational Measurement, American Council on Education (Menasha, Wisconsin: George Banta Publishing Company, 1951), p. 138.

The ultimate test of achievement in the area of family finance must involve understanding of broad ideas concerning the use of one's financial resources rather than mere knowledge of specific and perhaps unrelated bits of financial information.

Maximum ability in meeting the financial challenges of everyday living demands understandings and application of recognized principles of family finance. If the educational program is to be sound, instruction and evaluation must be based on broad understandings which have permanent value.

The National Committee for Education in Family Finance

To manage money so that it yields maximum current well-being as well as security for the family's future is no easy task, yet youth and adults have been expected to manage the financial aspects of their lives with few instructions in the basic rules. It was recognition of the need for instruction in personal and family finance that resulted in the formation of the National Committee on Family Financial Security Education in 1947. This group later became the National Committee for Education in Family Finance. It has been active in developing a national and international educational program in family finance.

Dr. Herold C. Hunt, who was then superintendent of schools in Kansas City, was instrumental in bringing together a group of educators to consider plans for aiding students in acquiring better understanding of personal money matters and other problems relating to financial security. Other educators who were active in the formation of the National Committee for Education in Family Finance were Thomas Briggs, Hamden Forkner, Benjamin Willis, and David McCahan. R. Wilfred Kelsey, who served as executive secretary of the Committee from its beginning until 1961, has made a vital contribution to the family finance program.

Family finance education as defined by the Committee in 1947 included budgeting, social security, life insurance, general insurance, savings programs, pension plans, investments, and home ownership.[1] In preparation for improving financial competency in these areas a detailed curriculum study was made. The study, which was conducted by Dr. Albert Mossin, Teachers College of Connecticut, served as a basis for the program that was to be initiated. The purpose of the curriculum study was to determine the areas in the secondary school curricula in which the principles of family finance were being taught, how they were being taught, how much time was devoted to the subjects, what textbooks were used, and where emphasis was placed.[2]

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[1]"Financial Security Education Program," Topics, I, No. 1 (April, 1950), 1.

[2]Ibid., p. 4.

Dr. Mossin began the study by analyzing the family finance content of forty-five high school textbooks and twenty-eight course-of-study outlines. He found that only three of the forty-five textbooks treated a substantial proportion of the family finance topics. The larger aspects of family finance and some of the significant topics under them were included in a majority of the consumer education and general business textbooks, but even these failed to treat a number of important topics. Home economics, social problems, and economics textbooks contained very little material on family finance. The course-of-study outlines were lacking in family finance detail.

Questionnaires returned by 388 teachers in Mossin's national study of actual classroom teaching were analyzed. From these questionnaires it was learned that 2.7 per cent of the teacher's classroom time was spent on family finance topics. For the business student about one period in seventy was devoted to those topics, but the non-business student received only a fraction of this amount of instruction. Thus it became apparent that although business students received a limited amount of instruction in this area, the majority of high school students were receiving even less such instruction.

The initial curriculum study revealed that both textbook material and instruction in family finance were inadequate in terms of the real need felt by the Committee.

As a result of this study the Committee reached the following conclusions:

1. A definite need exists for teacher training in family finance workshops.
2. Assistance is needed by teachers in preparing materials in family finance for classroom presentations.
3. Textbooks and course-of-study outlines should include more information on family finance topics.
4. More classroom time should be devoted to family finance topics in non-commercial courses.
5. Business organizations have a responsibility for providing more and better teaching aids.[1]

The primary problem faced by the Committee was one of finding means of assisting teachers in introducing or improving instruction in the management of personal and family finances. With the financial support of the Institute of Life Insurance a program was inaugurated for subsidizing teacher-education workshops in selected universities throughout the country. From the initial workshop in 1950 at the University of Pennsylvania, the program had grown in 1961 to include 13 workshops. In a brief span of one decade, the work of the National Committee has grown from an idea to a widespread network of teacher training centers providing 10,000 educators with a background in family finance.[2]

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[1] Education in Family Finance--The First Ten Years, op. cit., p. 8.

[2] Ibid., p. 3.

The workshops are designed to fulfill specific needs of teachers and are in operation from four to six weeks. Each program enables approximately forty selected teachers, school administrators, and supervisors of instruction to increase their knowledge and understanding of family finance topics. Lecturers from the universities and from the business world, who are specialists in their fields, present various aspects of family finance. Teachers are given an opportunity to organize and produce teaching materials and aids useful in learning activities for which they are responsible in their local school assignments. Extensive work is done in the workshops in exploring methods for presenting and integrating family finance in the classroom. Teachers also become acquainted with a vast amount of resource material which is available for their use in teaching family finance information. With such a comprehensive program teachers are able to achieve greater ranges of efficiency and security in their personal financial management programs. This, in turn, improves their instruction as they are better able to recognize the various opportunities offered for developing within their students more conscientious financial management.

In addition to supporting the workshop phase of the family finance program, the National Committee carries on research activities and prepares, publishes, and distributes materials useful in the teaching of family finance. It also publishes a quarterly bulletin "Topics," which gives emphasis to elements of sound financial management.

In 1956 the National Committee for Education in Family Finance authorized a study[1] to appraise the effectiveness of its program during the preceding seven years. Questionnaires were sent to approximately 1300 educators who had attended 33 workshops which the Committee had co-sponsored with 11 universities during the years of 1950 through 1955.

According to the survey, 85 per cent of the people returning the questionnaire were classroom teachers and the remainder were administrators and other educators. Since the workshops originally were directed toward junior and senior high school teachers, it is not surprising that more than one half of the teachers reporting were junior or senior high school teachers. However, there is a trend toward including more elementary teachers as it has been evidenced that much family finance teaching can be done at the elementary school level. One of the workshops is devoted exclusively to teachers and administrators of the elementary schools. Another indication of this trend was the selection in 1960 of a team of teachers from an elementary school in Oklahoma City to attend the National Family Finance Workshop in Wisconsin. This was followed in 1961

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[1]Bebell, op. cit.

by a team composed of principals of elementary schools in Oklahoma City attending the National workshop.

Bebell's survey disclosed that many of the teachers and administrators who had participated in the workshops were engaged in system-wide curriculum planning activities in the area of education in family finance. Though a limited number of new courses had been created to deal in part or wholly with family finance, 90 per cent of the alumni indicated they were integrating family finance topics into their teaching.[1] The subject matter areas listed in order of frequency and number of family finance topics were: home economics, business education, social studies, mathematics, all subjects (pre-school and elementary), and language arts.[2] The topics to which the most time was devoted in teaching were budgeting, money and income, life insurance, savings, and bank services.[3]

Other information from the survey supported the evidence of students' interest in family finance. Seventy-six per cent of the teachers indicated their classes had been considerably enriched by the active interest on the part of the students. In addition to classroom instruction, many of the teachers reported including family finance in their co-curricular activities. That students had acquired

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[1] Ibid., pp. 62-63. [2] Ibid., pp. 54-56.

[3] Ibid., pp. 61-62.

new understandings in family finance and new abilities to solve their financial management problems was attested by 84 per cent of the alumni.

The appraisal study made by Bebell indicates only a portion of the impact that the National Committee for Education in Family Finance has made on the instruction of family finance for all ages. In reporting on a decade of progress in the area of education in family finance Hunt states:

> Instruction in its many aspects, too long neglected, has during the past ten years assumed a recognized place in the educational curriculum. Significantly, it continues to grow in importance.[1]

The twelfth annual report of the National Committee indicates that instruction in family finance continues to improve:

> The ultimate objective of the National Committee program is to bring about, as nearly as possible, the universal instruction of boys, girls, and adults, too, in the elements of sound personal and family management . . . After twelve years of nationwide activity, there is considerable evidence of substantial progress toward this objective.[2]

Summary

In summary, this chapter has presented general background information pertinent to evaluation of understandings in the area of family finance. A recognition of the growing

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[1]Hunt, op. cit., p. 2.

[2]National Committee for Education in Family Finance, Twelfth Annual Report, op. cit., p. 1.

complexity of the financial decisions an individual must make in his lifetime indicates the need for competency in managing financial resources. The nature of family finance education is such that it should be a part of the general education of every individual and should be made available to all people from kindergarten through adulthood.

The significant elements in family finance as determined in this study include basic principles of family finance, consumer buying, banking and credit, and financial security. A broad understanding in these areas of family finance should contribute much to the happiness of the family and the satisfaction it gains from the intelligent use of financial resources.

Evaluation is a major element in instruction which is based on achieving broad understandings in family finance. It demands an application of learnings in family finance which have lasting values.

The National Committee for Education in Family Finance has been a major influence in the improvement of instruction in family finance in the nation's schools and colleges. Through its program of teacher education and curriculum development the Committee has been instrumental in attaining for family finance a recognized place in educational curricula.

CHAPTER III

THE MEASURING PROCEDURE

An effective evaluative instrument must be developed through several steps or stages which may involve numerous and varied operations. Each stage in the production of a test demands careful planning and execution in terms of its direct relationship to the final form of the instrument. These statements were proved to this author as progress was made through the successive stages required in the development and administration of the measuring instrument presented in this research report.

Development of the Measuring Instrument

Three major problems are involved in the development of any measuring instrument: (1) determination of what to measure, (2) determination of how to measure, and (3) construction of the specific measuring instrument. Discussion of aspects of each of these three problems as they pertain to this study are presented in the following sections of this chapter.

What to Measure

The significant elements which constitute the content of instruction in family finance were developed in Chapter II. The four areas and their subdivisions are restated here as they form the basis for determining what to measure.

> <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 financial institutions; 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 and wills.

After the essential areas were determined, it was necessary to identify broad understandings which should be developed in each of the phases. The preparation of special worksheets provided a means of developing and recording the understandings to be included in the instruction and subsequently to be tested in the instrument.

The worksheets revealed the various levels of learning which result in broad understanding on the part of the learner. The first section of each worksheet was devoted to factual information pertaining to a particular phase of family finance. A great deal of material was accumulated and sifted in the selection of the most important facts. However, it must be recognized that it was not possible to list all of the important facts in any one area and that many more should be brought out in an actual teaching situation.

The second section of each worksheet was composed of statements which resulted from further sorting and sifting of the factual information to gain knowledge of significant elements. The third section indicated the broad understandings which evolve from engaging in problem-solving activities and the establishing of relationships. It is this level of learning which enables one to make application of facts and knowledges through reasoned judgment.

In order that the reader may comprehend the process by which the author arrived at understandings to be developed in family finance instruction and thus evaluated, the worksheets on understandings in credit are presented on pages 72 through 75.

How to Measure

The extensive study, analysis, and interpretation involved in the development of the worksheets for each of the phases of family finance made clear what needed to be measured. Too, the worksheet presentation pointed up in a significant manner the kinds of understandings which should

ILLUSTRATION OF WORKSHEETS FOR USE IN FAMILY FINANCE

TOPIC: Credit

EXPLANATORY COMMENT: Through a process of proceeding from factual information to the development of broad understandings, every individual should know how to use credit intelligently, and should understand the place of credit in our economy. This involves a familiarity with the various forms and sources of credit, a basic knowledge of the cost of credit, and criteria for deciding how much to use and under what circumstances to use it.

FACTS TO BE ACQUIRED	KNOWLEDGE TO BE GAINED	UNDERSTANDINGS TO BE DEVELOPED
Credit involves the use of money or the things which money can buy in exchange for a promise to pay later. The process of exchanging goods and services may be facilitated through the use of credit. Credit is often used by individuals, businesses, and social and governmental agencies. Conditions conducive to the use of credit are: assured regularity of income, existence of financial institutions, a significant margin of income above subsistence requirements, and an appreciation of the benefits of using credit.	Much of the business transacted in our country is on the basis of faith in individuals. A promise to pay creates new spending power	Credit promotes economic growth.
Commercial credit involves a debt incurred by a business for operational activities. Approximately $40,000,000,000 in commercial credit is required annually to produce the goods needed in this country. Consumer credit involves a debt incurred by a person or a family for obtaining goods or services. Extensive consumer financing brings millions of additional buyers into the market. Consumer financing aids in enlarging outlets for production and facilitates distribution. Almost 100 per cent of the people use credit in one form or another. Nine out of ten families in the income bracket of $3,500 to $7,500 use consumer credit. Four fifths of all homes are bought on credit. Three fifths of all automobiles are bought on credit. One half of the refrigerators, television sets, washing machines, etc., are purchased on credit.	The availability of credit has helped to compensate for inequalities in buying power among consumers. Intelligent use of credit enables an individual at any income level to achieve a more satisfactory standard of living. Credit constitutes a vital link between mass production and mass consumption. Credit aids in the establishment and maintenance of homes. Expansion of industry through the use of credit creates jobs and income for American families.	Credit has a democratizing effect which tends to erase barriers among men socially and economically. American productive power is in a large measure built through the use of credit.

FACTS TO BE ACQUIRED	KNOWLEDGE TO BE GAINED	UNDERSTANDINGS TO BE DEVELOPED
Credit enables people in low-income groups to buy goods and services that might otherwise be unavailable to them. Increases in consumer spending keeps factories operating through greater demand for goods produced. Volume production often results in reduced unit costs, lower prices, and better quality.		
Non-installment credit is used in paying doctors and dentists for services rendered or in paying utility bills, etc. Installment credit is often used in purchasing durable items with payments arranged over a specified period of time. A down payment is usually required with installment credit and carrying charges are added to the cost. With installment credit security for the amount of the unpaid balance is usually pledged to the seller. Installment credit involving cash loans is often used for payment of accumulated bills, meeting unexpected emergencies, financing education, etc. A charge account is a form of "gentleman's agreement" and bills are usually paid within 30 days. With a charge account, the consumer assumes title to the goods bought, no security is offered, and goods are not subject to repossession. In a revolving charge account payments may be extended up to six months. A maximum amount is set which can be owed at any one time. Credit bank plans permit banks to pay customers' bills from their checking accounts. A depositor's account permits a customer to deposit money against future purchases.	Merchants sell on credit because customers demand time for making payments. Credit plans are usually geared to the consumer's wishes. Consumer credit facilitates consumption but it is never a substitute for income. Credit purchases should be made in terms of necessity and in direct relation to ability to pay.	Use of credit tends to be convenient and thus is a stimulus to buying. Use of credit must be based on accurate knowledge if it is to foster happiness and upgrade one's standard of living.
Cash loan credit is often used to refinance the payment of existing bills to reduce monthly payments. Commercial banks usually lend on the basis of a promissory note. Credit unions lend only to members. Membership may be acquired by purchasing shares in the credit union.	Various lending agencies are justified in terms of their peculiar functions.	

FACTS TO BE ACQUIRED	KNOWLEDGE TO BE GAINED	UNDERSTANDINGS TO BE DEVELOPED
Life insurance companies may lend money to policy holders equal to the cash value of the policy. Such loans reduce the protection offered by the policy. Life insurance policies may be used as security in borrowing from other sources. Small FHA loans are made for home improvement. Finance companies operate under legal specifications and make small loans. Savings and loan associations are specialized home-owner credit institutions. To be eligible for a loan one must buy shares in the company. Pawnbrokers loans are made on merchandise which is held for security at much less than its value.	Lending institutions tend to promote saving as they facilitate spending through the use of credit. One should "shop" for credit among the various agencies as he would shop in buying a physical product.	No stigma should be attached to the intelligent use of credit. One's income and ability to pay may restrict his sources of credit funds.
The rate one pays for the use of credit may be calculated by the following formula: $R = \frac{2mI}{P(n + 1)}$ m = number of payments in a year I = total amount of financing charge P = net amount of credit advanced less down payment n = number of payments In credit transactions, the seller incurs costs that do not arise with cash or charge sales. Cost factors in providing credit service include maintaining credit information, bookkeeping, collecting payments, and credit losses. The price paid for credit service depends upon the place where the merchandise is purchased, the type of merchandise bought, the amount of the down payment, and the length of time taken to complete payments. The cost of credit may be justified in terms of earlier enjoyment of a product, increased earning power through use of the product, meeting of an emergency, etc. The actual dollar cost of credit is the difference between the cash price and the credit price. Methods used for calculating the cost of cash credit vary according to the type of institution lending the money. A percentage per month on the unpaid balance is computed only on the unpaid balance.	Interest and finance charges are not synonymous. Use of credit invariably increases the cost of the item purchased. When using credit, one should obtain the most favorable rate and make payments over the shortest possible period of time.	The cost of credit may be justified if the use of the thing bought extends well beyond the time required to pay for it.

FACTS TO BE ACQUIRED	KNOWLEDGE TO BE GAINED	UNDERSTANDINGS TO BE DEVELOPED
Advantages of using credit: Greater flexibility is permitted in timing of expenditures. Goods and services can be acquired as opportunity or need dictate without reference to immediate cash position. Credit buying may be more convenient. Thrift may be promoted as payments that otherwise would be spent in a wasteful manner are made for useful purposes. Returns and allowances are often made easier. Credit customers frequently are afforded better service, than those who pay cash. Credit may be used as an alternative to spending liquid assets in emergencies. Credit purchasing facilitates establishment of a credit rating.	Use of credit may accelerate the possession of assets that pay for themselves in use and satisfaction. The discipline of making monthly payments encourages thrift.	A family's net worth may be materially increased through credit purchases of durable goods.
Disadvantages of using credit: Cash prices may be lower than credit prices. Credit customers may over-buy in the direction of extravagance. Easy credit may encourage debt and be detrimental to a family's peace of mind. Payments may continue longer than the use of the product. If the customer cannot make his payments, he may lose the goods purchased as well as previous payments made.	Use of credit places a lien on an individual's future earning power. Credit involves a calculated risk. Use of credit necessitates careful planning and scrutinizing of each credit transaction.	Resistance to the use of credit may at any particular time constitute an economic problem for the nation.
A credit rating is one's own possession; it is something to be earned. An individual's credit rating determines in part his stature in the community. A credit rating may be helpful in making the individual master of his own budget. Discretionary income must be considered along with total income in decisions involving the use of credit. A family must gauge the amount of credit it can safely use by limiting monthly payments to that part of discretionary income not already pledged. The credit capacity of an individual depends upon his character, earning power, and capital. Determination of an individual's credit ability requires appraisal by the potential creditor.	Sound use of consumer credit is conducive to more careful spending and wiser use of family income. Financial planning is essential when credit is to be used. An individual's credit rating is something of value and should be protected through prompt payment of outstanding obligations. A potential buyer offers his credit rating to the seller when trying to buy with time payments.	Intelligent use of credit improves the financial security of the family. A good credit rating has social implications.

by included in the test items. A second major step then became that of determining how to measure the understandings that had been isolated.

From the outset it was apparent that a comprehensive kind of measuring instrument was needed. It was essential that fundamental principles, causal relationships, and extensions of applications of knowledge be measured rather than facts memorized by rote. Thus, the procedure entailed the development of a type of measuring instrument different from others now in existence.

At this point it should be noted that most of the meager number of instruments that have been developed for measuring understandings have been of the subjective nature. In this study, it appeared feasible and desirable to attempt to develop an objective type of measuring device which would lend itself to more extensive usage. It appeared, also that a more comprehensive coverage of understandings in family finance could be achieved with an objective-type instrument. Supporting these assumptions is a statement made by wood:

> What seems to many to be the principal virtue of objective tests . . . is that they can much more adequately sample the universe of subject-matter content and of types of behavior constituting the goals of a particular unit of the curriculum. . . . In most cases, the objective test will clearly provide a distinctly more complete and representative coverage of the universe of

situations that might have been sampled in the testing period.[1]

The primary objective of this study was to measure family finance understandings possessed by teachers. Therefore, it was deemed appropriate to base the measuring instrument on a typical family situation. In order to indicate wise judgment regarding the financial decisions required of the typical family, each testee was required to apply the broad understandings he possessed as he responded to each test item. The circumstances surrounding the fictitious family used in the evaluative instrument were made as nearly as possible in harmony with the most recent and reliable statistics available. The following family situation served as a basis for the evaluating instrument in family finance.

> The Miller family includes Marvin, aged 36; his wife, Jean, 32; and their three children, aged 10, 6, and 2. They live in a suburban community from which Marvin commutes daily to his job. The Millers own their furniture and a three-year old car. They have an equity of $3,000 in their home on which there is an $8,000 mortgage. Marvin has been employed for the past ten years by the Reynolds Manufacturing Company in a semi-skilled position. He earns a salary of $5,470 with a take-home pay of $400 per month. Mr. and Mrs. Miller have outstanding debts amounting to $350.

According to a report issued by the Conference Board in 1960, there were 55.6 million families in the

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[1]Dorothy Atkins Wood, Test Construction--Development and Interpretation of Achievement Tests (Columbus, Ohio: Charles E. Merrill Books, Inc., 1960), p. 22.

United States.[1] Of this number over 23 per cent, or the largest percentage in any income area, earned from $4,000 to $5,999. The income of $5,470 was selected for Mr. Miller since it falls within this category and is the mean salary for skilled and semi-skilled labor.[2] Two fifths or 40.4 per cent of the employed civilian heads are engaged in skilled or semi-skilled work.[3] With only one sixth of the family heads possessing some college education,[4] Marvin Miller was assumed not to have had any college training and was therefore not eligible for a more skilled or a managerial position.

The age of 35 was chosen for the head of the family since 24.1 per cent, or the largest number in any one category, were between the ages of 35 and 44.[5] The size of the family is not congruous with the statistics indicating that one third of the families contain only two members. Five members were chosen for this family to give a more realistic situation for family finance.

Nearly two thirds of the American families live in urban areas;[6] thus the Millers were placed in a suburban

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[1] The Conference Board, Road Maps of Industry, No. 1193, (New York: National Industrial Conference Board, Inc., November 7, 1960).

[2] United States Bureau of Census, op. cit., p. 43.

[3] The Conference Board, op. cit. [4] Ibid.

[5] United States Bureau of Census, op. cit., p. 243.

[6] The Conference Board, op. cit.

community. The owning of a home seemed feasible for Mr. and Mrs. Miller since more than 60 per cent of the families own their homes.[1] That the house was not paid for is an assumption based on the fact that today more than four fifths of homes are purchased with mortgage credit.[2] The relevance of consumer credit in our modern economy presents the likelihood of the Miller family having some outstanding debts. It was necessary to provide additional information relative to the family circumstances to formulate each of the financial situations to which the testees were to respond. Such narration, therefore, preceded each of the various phases of family finance included in the test instrument.

Construction of the Test Items

Many types of questions were tried in an effort to reveal the best application of broad understandings necessary for making intelligent financial decisions for the Millers. The merits of a multiple-choice type of test were considered. However, with this unique type of testing for understandings, the multiple-choice method did not seem feasible. Since understandings are much more comprehensive than mere facts, it was not possible in most cases to develop enough statements to constitute a desirable number

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[1] Cohen and Hanson, op. cit., p. 403.

[2] The Conference Board, op. cit.

of understandings to be used as choices. This would have necessitated the development of many situations in each of the areas which would have made the measuring instrument too long.

After trying several types of questions correlating with the family situation it was decided to use questions which could be responded to with a (+) or (-). Statements which represented sound financial principles were to be answered with a (+). Those which represented unwise financial practices for the Millers were to be answered with a (-).

Considerable time was devoted to the writing of each of the items in the test instrument. In an effort to provide for the desired interpretations, and to eliminate nonfunctional portions, many of the items were re-written several times. The author was fortunate in being able to obtain the assistance of a seminar group who were well qualified to evaluate the items. The seminar consisted of doctoral business education students, many of whom had attended a family finance workshop. To check on the proper interpretation of the items each of the students responded with a (+) or (-) to them. Following the response each item was discussed and analyzed for form and content. Statements judged to be trivial, inappropriate, ambiguous, or too narrow in scope were revised or discarded.

Advice and assistance were also obtained from authorities on the various phases of family finance. For example, the section of items relating to money and banking was submitted for criticism to a professor of finance. Those on insurance were evaluated by a professor who had specialized in insurance. Similarly, other areas of finance included as test items were approved by specialists who constitute an adequate representation of professional thought in their respective fields.

The various phases of family finance included in the testing instrument were not arranged in a particular order, nor were weights proportional to the importance or value assigned to the sections. It did not seem wise to proportion the number of questions on a particular phase according to the time devoted to it in the workshop. The time allocated to each of the phases of family finance varies in the different workshops and may depend to some extent upon the background and demands of the workshop participants. Because of the varied number of generalizations which evolve from each phase of family finance, it did not seem feasible to pre-determine the number of questions in each section.

After several preliminary forms of the test items had been constructed and analyzed, an instrument consisting of 100 items was assembled. The measuring instrument had been planned as a power test whereby the examinees had sufficient time to answer all of the questions. Explicit directions for taking the test, along with the general description of the family, were printed on the cover page of the instrument. The evaluation instrument was reproduced by stencil duplication.

The trial test was administered to 40 teachers and administrators who were enrolled in the 1959 University of Oklahoma Family Finance Workshop. Following the administration of the trial test, an item analysis was made which resulted in the elimination of many items and re-writing of others. An item analysis procedure was employed which used internal consistency for determining item discrimination.

In using internal consistency as a criterion of item discrimination on an experimental or trial form of a test, the basic assumption is that those receiving the highest scores are the best students and those receiving the lowest are the poorest. It must be accepted, too, that an experimental test is almost certain to include some poor items. Having made these assumptions, it was necessary to divide the subjects who had taken the test into two scoring groups--the high and the low. Since the workshop group was small, the scores were simply divided into upper and lower halves, rather than into the upper and lower 27 per cent which was used for the first analysis of the final test. The item analysis technique indicated the items which discriminated between the high and low groups. The items with low discrimination were re-written and items that discriminated negatively were discarded.

In addition to revising the items on the preliminary test involving 100 items, new items were written to provide for a more comprehensive coverage of family finance. The items which had been revised and the new ones were now submitted to a graduate seminar in business education comprising a different group of people.

Thus it is evident that construction of the evaluating instrument presented in its final form in Chapter V, actually went through several significant stages of development. Originally it consisted of 100 items; as administered to the selected teacher sample, it consisted of 150 items; and in its final form it consists of 60 carefully developed items. A copy of the test instrument of 150 items, as used in the testing of the 100 teachers, is presented in the Appendix of this report.

Administration of the Instrument

After several revisions of the instrument were completed, the form containing 150 items was administered to 100 teachers. The evaluation instrument was designed especially for use with teachers and was based on broad understandings in family finance. Because of its unique nature, it was administered to the select group who had been subjected to concentrated study of family finance in workshops at the University of Oklahoma. The teachers attending the workshops had been chosen because it was possible for them to implement their regular teaching assignments with instruction in family finance. The number of teachers in the subject matter areas represented were: business education, 41; home economics, 19; elementary, 15; social studies, 12; English, 5; mathematics, 3; guidance, 2; and school administration, 3.

This particular sample was chosen for the testing because of the experiences provided for them in the workshop program. The program involved presentation of much more than the usual family finance content. Emphasis was given to the development of broad understandings in each of the areas studied. Methods of teaching for understanding were presented along with consideration of appropriate evaluation techniques. The teachers, then, to whom the test was administered had been subjected to the type of instruction which was measured in the instrument.

In the two years prior to completion of the administration of the test instrument, this author had numerous contacts, in person and through correspondence, with the participants in the test program. It was made clear that the teachers were familiar with the objectives of the evaluating instrument and desired to participate in the testing. They were interested in the extent of their learning and also viewed the testing technique in terms of its possible use in their own teaching situations. The examinees were aware that the test was not designed to establish their rank in the workshop program. They knew, too, that their performance on the test would not be graded. There was evidence that the group believed the test was important, interesting, and worth taking seriously.

In the summer of 1960, the test was administered in a regular workshop session to 47 of the teachers. Prior to the distribution of the test an explanation was made of the procedure used in its development and the directions for taking it. The examiner read with the group the directions printed on the cover page of the test. After the presentation of the sample exercises, time was allowed for questions and for repetition of any needed instructions. Before starting the test, the group was asked to read the description of the family situation again in order to become thoroughly familiar with it. Each individual was given as much time as he needed to complete the test.

In May, 1960, the test was completed by 53 additional teachers in their own homes. It was mailed to them along with a letter of explanation and a request that the test be completed without reference to any other materials. The 53 teachers were individuals who had participated in the 1958 and 1959 workshops at the University of Oklahoma. Because the teachers were fully aware of the intent of the test and the use to be made of it, it was assumed that appropriate procedures were followed by the testees. The test scores made by the 47 teachers taking the test in a group and those of the 53 teachers taking the test individually were strikingly similar. There was no evidence to indicate that the individual testing procedure was any more or any less effective than that used with the group.

CHAPTER IV

PRESENTATION OF DATA

The evaluation instrument consisting of 150 items (see Appendix) was designed for measuring teacher understandings in family finance. It was developed with the idea that it would be useful for all teachers who include any phase of family finance in their instruction. However, since this was an exploratory approach to a new testing technique, it was administered to a sample of teachers who had received the type of instruction in family finance which the instrument purports to measure. The instruction to which the teachers had been subjected involved the general content of family finance with emphasis on broad understandings in each of its aspects. In addition, the instruction dealt with the methodology of teaching for broad types of understanding. As was anticipated the test results from examining the select group of teachers indicated a distribution curve which was skewed to the right.

The test was designed as a power test in which all of the items were completed by the examinees and the scores were based on the number of items correct. Following the scoring, the number of correct responses for each item was counted for a preliminary selection of items. Techniques recommended by Garrett[1] were used for finding the validity and difficulty indices. The items of the highest 27 per cent of the scores and the lowest 27 per cent of the scores were used in this initial analysis for the selection of the items to be included in the final form of the test.

Considering an index of .20 as indicating a valid item,[2] 60 items with validity indices ranging from .20 to .75 were selected for further and more detailed analysis. The difficulty indices of these 60 items ranged from .26 to .87. Though these indices covered a greater range than is usually desirable they were considered acceptable for this particular type of testing instrument.

The item scores, criterion scores, and total test scores presented in Table 1[3] provide the data for evaluating the 60 items. The data for the final analysis of test items pertain to the test scores of all of the 100 examinees taking the test rather than the upper 27 and lower 27 per cent. A more accurate analysis of the 60 items was made possible by using the scores of the entire sample in that

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[1] Henry E. Garrett, Testing for Teachers (New York: American Book Company, 1959), p. 220.

[2] *Ibid*., p. 216.

[3] Merle W. Tate, Statistics in Education (New York: The Macmillan Company, 1955), p. 360.

TABLE I

ITEM SCORES, CRITERION SCORES, AND TOTAL SCORES FOR A TEST OF UNDERSTANDINGS IN FAMILY FINANCE

STUDENT	ITEM NUMBER																																																											CRITERION SCORE				TOTAL SCORE
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	Y_1	Y_2	Y_3	Y_4	X_t
100	0	1	0	1	1	0	1	1	0	0	1	0	0	1	0	0	1	1	0	0	0	0	1	0	0	1	0	0	0	1	0	0	0	1	0	0	1	1	0	0	0	1	0	1	0	1	0	1	0	1	1	0	1	1	0	0	0	0	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	0	1	1	1	0	0	0	1	1	0	0	1	0	0	0	1	0	0	0	1	1	1	0	1	0	1	0	0	1	1	1	0	0	0	1	0	0	0	0	1	1	1	0	0	0	1	1	0	0	0	0	1	1	0	0	0	1	0	0	1	5	[illegible]	[illegible]	[illegible]	[illegible]
98	0	1	1	1	1	0	1	0	0	1	0	1	1	1	0	1	0	0	1	0	0	1	1	0	1	0	1	0	0	0	1	0	1	0	0	1	0	1	0	0	0	0	0	0	0	1	1	1	1	1	0	1	0	1	1	0	0	1	1	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
97	1	1	1	1	1	0	1	1	1	0	0	1	1	0	0	0	0	0	0	1	0	0	0	0	0	0	1	1	0	0	1	1	1	1	0	0	0	0	1	1	0	1	0	1	0	0	1	1	1	0	0	1	0	0	1	0	0	1	1	1	7	4	[illegible]	[illegible]	[illegible]
96	1	1	0	0	1	0	0	0	0	1	0	1	0	1	0	0	1	0	0	1	0	1	1	1	1	0	0	1	1	1	0	0	1	1	0	1	0	0	1	1	1	1	0	0	1	0	1	1	1	0	1	0	0	0	1	0	1	1	0	1	5	2	[illegible]	[illegible]	[illegible]
95	0	1	1	0	1	1	0	0	0	0	1	1	0	1	0	0	1	0	0	1	0	1	1	1	1	0	0	1	1	1	0	0	1	1	0	1	0	0	1	1	1	1	0	0	1	0	1	1	1	0	1	1	0	0	1	0	1	1	0	1	[illegible]	2	[illegible]	[illegible]	[illegible]
94	1	1	1	1	1	0	1	1	1	0	0	0	1	1	0	0	0	0	0	0	1	1	1	0	0	1	0	0	1	0	1	0	0	1	0	1	0	0	0	1	0	1	0	1	0	1	1	0	0	0	0	1	1	0	0	0	1	0	0	0	7	[illegible]	[illegible]	[illegible]	[illegible]
93	0	1	1	1	1	0	0	1	1	0	1	1	1	1	0	0	0	0	0	0	0	0	1	1	0	1	1	1	1	0	1	0	1	0	0	1	1	1	1	1	0	0	1	1	0	1	1	0	1	1	0	1	1	0	1	0	1	0	1	1	7	[illegible]	[illegible]	[illegible]	[illegible]
92	0	1	1	1	1	1	1	1	0	0	0	1	1	1	0	1	1	1	0	0	1	1	1	1	0	1	1	1	1	1	0	0	0	1	0	1	1	0	1	0	1	1	1	0	1	1	0	1	1	1	0	1	1	1	1	0	1	0	0	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	0	1	1	1	1	1	1	0	0	1	0	1	0	0	0	0	0	0	0	0	1	1	1	0	1	1	1	0	1	1	1	0	1	1	0	0	0	1	1	1	0	1	0	1	0	1	1	0	0	1	0	1	0	1	1	0	1	0	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
90	0	0	1	1	1	0	1	1	0	1	0	1	1	1	1	0	0	0	0	0	1	0	1	0	1	1	1	1	1	0	1	0	1	1	0	0	1	0	1	1	0	1	0	1	1	1	1	1	0	1	0	1	0	1	1	0	0	0	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89	0	1	1	1	0	1	1	0	0	0	0	1	1	0	0	0	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	0	0	1	0	1	1	1	0	0	1	1	1	1	0	1	0	1	1	1	0	1	0	1	1	0	1	0	1	1	7	2	[illegible]	[illegible]	[illegible]
88	0	0	1	0	1	1	1	1	1	1	0	1	0	1	0	0	1	1	1	0	0	1	1	0	1	0	1	1	1	1	0	0	0	1	0	0	0	0	0	1	0	1	1	0	1	1	1	1	1	1	1	1	1	1	1	0	0	0	1	1	8	[illegible]	[illegible]	[illegible]	[illegible]
87	0	1	1	1	1	0	0	0	0	0	0	0	1	1	0	0	1	1	1	1	0	1	1	1	1	1	1	1	1	0	1	0	0	1	0	1	1	0	0	1	1	1	1	0	1	1	1	1	1	0	0	1	1	1	1	0	1	1	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
86	0	1	1	1	1	0	0	0	0	0	0	1	1	1	0	0	1	1	0	1	1	1	1	0	1	1	1	0	1	1	1	0	0	1	0	0	1	1	1	1	0	1	1	1	0	1	1	0	1	1	0	1	1	1	1	0	1	0	1	1	[illegible]	1	[illegible]	[illegible]	[illegible]
85	1	1	1	1	1	1	0	0	0	0	0	1	0	0	1	0	1	0	0	1	0	1	1	1	1	1	1	0	1	0	1	0	0	1	0	1	0	1	0	1	0	1	1	1	1	1	1	1	1	1	1	1	1	0	1	0	1	1	1	1	10	[illegible]	[illegible]	[illegible]	[illegible]
84	0	0	1	1	1	0	1	1	0	0	0	0	1	1	0	0	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	0	0	1	0	0	0	0	0	0	1	1	1	0	0	1	1	1	1	1	1	0	1	1	1	1	0	1	1	1	[illegible]	2	[illegible]	[illegible]	[illegible]
83	1	1	1	1	1	0	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	1	0	1	1	1	1	1	0	0	1	0	1	0	0	1	1	0	0	1	1	1	1	0	1	0	1	0	1	1	0	0	1	0	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
82	0	0	1	1	1	0	1	1	1	1	0	1	0	1	0	0	1	1	1	1	0	1	0	0	1	0	1	1	1	1	0	0	0	1	0	0	1	1	1	1	1	1	0	0	0	1	1	1	0	1	1	1	1	0	1	0	0	1	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	0	1	1	0	1	0	1	1	0	0	0	1	1	0	1	0	1	1	0	1	1	1	1	0	0	1	1	1	1	1	0	0	0	0	0	1	1	0	0	1	0	1	1	0	1	1	1	1	0	1	0	1	1	0	1	0	1	0	1	1	[illegible]	3	[illegible]	[illegible]	[illegible]
80	0	1	1	1	1	0	0	1	1	1	0	1	1	0	0	0	1	0	0	1	1	1	1	0	1	1	1	1	1	0	1	1	1	1	0	1	1	1	0	1	1	0	1	1	0	1	0	0	1	0	1	1	1	0	1	1	1	1	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79	0	1	1	1	1	1	1	0	0	1	0	1	1	0	0	1	1	1	0	1	1	1	1	1	1	1	1	1	0	0	1	0	0	1	0	0	0	0	0	0	0	1	1	1	0	1	1	1	1	1	0	1	1	1	1	1	0	0	1	1	10	[illegible]	[illegible]	[illegible]	[illegible]
78	0	1	1	1	1	1	1	1	0	0	1	1	1	1	0	0	1	0	1	1	1	0	1	0	0	1	1	1	1	1	1	1	0	1	0	0	0	1	1	1	0	1	1	0	0	0	0	1	1	1	1	1	1	0	1	1	1	1	1	1	10	[illegible]	[illegible]	[illegible]	[illegible]
77	0	1	1	0	1	0	1	0	0	1	1	1	0	1	0	1	1	1	0	1	1	1	1	1	1	0	1	1	0	1	1	1	1	1	0	0	0	1	1	1	0	1	0	0	0	1	1	1	1	0	0	1	1	1	1	1	1	0	0	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
76	1	1	1	1	1	0	1	1	1	1	0	1	1	1	0	1	0	0	1	1	1	1	1	1	1	1	1	1	1	0	1	1	0	0	0	1	1	0	1	1	1	0	1	1	0	1	1	1	1	1	0	1	1	1	0	0	1	0	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
75	1	1	1	1	0	1	1	0	0	1	1	1	1	1	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	0	1	1	0	1	0	1	1	0	0	1	1	1	1	1	1	0	1	1	1	0	1	1	1	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74	0	1	0	1	1	1	1	1	1	0	0	1	1	0	0	0	1	0	0	1	1	0	1	0	1	1	1	0	0	0	1	1	1	1	0	1	0	1	1	1	0	1	1	1	1	0	1	1	1	1	0	1	1	1	1	0	1	1	0	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73	0	1	1	1	1	0	1	1	0	1	0	1	1	1	0	1	1	0	1	1	0	1	1	1	1	1	1	1	1	1	0	1	0	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	0	1	1	0	0	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72	0	1	1	1	1	1	1	1	0	1	1	1	1	1	1	0	1	1	1	0	1	1	1	1	1	1	1	1	1	0	1	0	1	1	0	0	0	0	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	0	0	1	1	1	0	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	1	1	1	1	1	0	1	1	1	1	0	1	1	1	1	0	1	1	1	1	1	0	1	1	0	1	1	0	1	1	0	0	1	1	0	1	0	1	1	1	0	1	1	1	0	0	1	1	1	1	0	1	0	0	1	0	1	1	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	1	1	1	1	1	0	0	1	1	1	1	1	1	1	0	0	1	1	1	1	1	1	1	1	1	0	1	0	1	0	1	0	1	1	0	0	1	0	1	1	1	1	1	0	1	1	1	1	1	0	1	1	1	0	1	1	1	0	1	1	10	[illegible]	[illegible]	[illegible]	[illegible]
69	1	0	1	1	1	0	1	1	1	0	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	0	1	1	0	0	1	1	1	1	1	1	1	1	0	1	1	0	1	1	1	0	1	0	1	0	1	1	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	0	1	1	1	1	0	1	1	1	1	0	1	1	1	1	0	0	1	0	1	1	0	1	1	1	1	1	1	1	1	1	0	1	1	0	0	0	1	0	1	0	1	0	0	1	1	1	1	0	0	0	1	0	1	1	1	1	0	0	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	1	1	1	1	1	1	0	1	0	1	0	1	1	1	0	1	1	1	0	1	1	0	1	1	1	1	1	1	0	1	1	0	1	1	0	1	1	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	11	[illegible]	[illegible]	[illegible]	[illegible]
66	0	1	1	1	1	0	1	1	0	1	1	1	1	0	1	0	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	0	1	1	1	0	0	0	1	0	1	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	1	1	1	1	1	0	1	1	1	1	1	1	1	1	0	0	1	0	1	0	0	1	1	1	1	1	1	1	1	1	1	0	1	1	0	1	0	1	1	1	0	1	1	1	1	1	1	1	1	1	1	0	1	0	1	1	1	0	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64	0	0	1	1	1	1	1	1	0	1	1	1	1	0	1	1	1	0	1	1	1	1	0	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	0	1	1	0	1	1	1	1	0	1	1	1	1	0	0	0	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	1	1	1	1	1	0	1	1	1	1	1	1	1	1	0	0	1	1	1	1	1	1	1	1	1	0	1	0	1	1	1	0	1	1	1	0	0	0	1	1	0	1	1	1	1	1	1	0	0	1	1	1	1	0	1	1	1	1	1	1	10	[illegible]	[illegible]	[illegible]	[illegible]
62	1	1	1	1	1	1	1	1	0	0	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	0	0	1	0	0	1	1	1	1	1	0	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	0	1	1	0	1	1	1	1	1	1	1	1	1	0	0	1	1	1	1	1	0	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	12	[illegible]	[illegible]	[illegible]	[illegible]
60	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	0	0	1	1	1	0	1	1	1	1	0	1	0	1	1	1	1	1	0	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	11	[illegible]	[illegible]	[illegible]	[illegible]
59	0	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	0	1	1	1	1	1	1	1	1	0	1	1	1	1	0	1	1	1	1	1	1	1	1	1	0	1	1	1	1	10	[illegible]	[illegible]	[illegible]	[illegible]
58	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	0	0	1	0	0	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	12	[illegible]	[illegible]	[illegible]	[illegible]
57	1	1	1	1	1	0	1	1	1	1	0	1	1	1	0	1	0	0	1	1	1	1	1	1	1	1	0	1	1	0	1	0	1	1	0	1	1	1	1	1	0	1	1	1	1	0	1	1	1	0	0	1	1	1	1	1	1	1	1	1	10	[illegible]	[illegible]	[illegible]	[illegible]
56	0	1	1	1	1	1	1	0	1	1	0	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	1	11	[illegible]	[illegible]	[illegible]	[illegible]
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6	0	1	1	1	1	0	0	0	0	1	0	1	1	1	1	0	1	1	1	0	1	1	1	1	0	1	1	1	1	0	1	0	0	1	0	1	0	0	1	1	0	0	1	1	0	1	1	1	1	1	0	1	1	0	0	0	0	1	1	1	[illegible]	2	[illegible]	[illegible]	[illegible]
5	1	1	1	1	1	1	1	1	0	1	0	1	0	1	0	0	0	0	0	0	1	1	1	0	1	0	1	0	1	0	1	1	1	1	0	0	1	1	0	1	0	1	1	1	1	1	1	1	0	1	1	1	0	1	1	0	1	1	1	1	10	[illegible]	[illegible]	[illegible]	[illegible]
4	0	1	0	1	1	0	1	1	0	1	0	1	1	1	1	1	1	0	0	0	1	1	1	1	1	1	1	0	1	1	1	0	0	1	0	0	1	0	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	1	1	1	0	1	1	1	1	1	1	0	1	0	1	0	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	0	1	1	1	1	0	1	1	1	0	0	0	1	1	1	1	0	1	1	1	1	0	1	0	0	1	9	5	[illegible]	[illegible]	[illegible]
2	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	0	1	1	1	1	1	1	1	1	1	0	1	1	1	1	0	1	1	1	1	1	1	0	1	0	0	1	1	1	1	1	0	1	1	1	1	1	1	1	1	0	10	[illegible]	[illegible]	[illegible]	[illegible]
1	0	1	1	0	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	0	1	1	1	1	0	1	1	7	[illegible]	[illegible]	[illegible]	[illegible]
Proportion Correct, p_i	.39	.80	.90	.81	.88	.39	.76	.68	.46	.59	.31	.86	.73	.65	.40	.44	.76	.55	.39	.59	.78	.75	.90	.68	.77	.81	.86	.66	.84	.51	.76	.24	.57	.83	.16	.47	.45	.50	.63	.72	.54	.77	.68	.60	.54	.76	.83	.81	.68	.80	.40	.87	.77	.62	.81	.41	.73	.44	.65	.85					
Proportion Incorrect, $1-p_i$	.61	.20	.10	.19	.12	.61	.24	.32	.54	.41	.69	.14	.27	.35	.60	.56	.24	.45	.61	.41	.22	.25	.10	.32	.23	.19	.14	.34	.16	.49	.24	.76	.43	.17	.84	.53	.55	.50	.37	.28	.46	.23	.32	.40	.46	.24	.17	.19	.32	.20	.60	.13	.23	.38	.19	.59	.27	.56	.35	.15					
σ_i^2	.24	.16	.9	.15	.11	.24	.18	.22	.25	.24	.21	.12	.18	.23	.24	.25	.18	.25	.24	.24	.17	.19	.9	.22	.18	.15	.12	.22	.13	.25	.18	.18	.25	.14	.13	.25	.25	.25	.23	.20	.25	.18	.22	.24	.25	.18	.14	.15	.22	.16	.24	.11	.19	.24	.15	.24	.19	.25	.23	.13					

the standard error of estimate would be reduced accordingly.

In Table 1 correct responses to the items are indicated by means of "1", incorrect responses are indicated by means of "0". Understandings in the four major areas of family finance as identified in Chapter II were used as the four criteria: basic principles of family finance, consumer buying, banking and credit, and financial security. Items 1, 2, 3, 4, 5, 6, 51, 52, 53, 54, 55, and 56 were used to evaluate the first criterion of basic principles of family finance. Items 7, 8, 9, 10, 11, and 12 were used to evaluate the second criterion of consumer buying. Items 13, 14, 15, 16, 17, 18, 29, 30, 31, and 32 were used to evaluate the third criterion of banking and credit. Items 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 57, 58, 59, and 60 were used to evaluate the fourth criterion of financial security.

In Table 1 the value of Y_1 is the score for the individual for the first criterion; the value of Y_2 is the score for the individual for the second criterion; the value of Y_3 is the score for the individual for the third criterion; and the value of Y_4 is the score for the individual for the fourth criterion. The value of X_1 is the total raw test score for the individual. The value of P_g is the proportion of individuals answering the particular item correctly (since the test was administered to 100 persons, p_g expressed as a whole number is also the number of individuals answering each item correctly). The proportion of individuals answering each item incorrectly is indicated as the complementary value $(1 - p_g)$. The item variance $p_g\ (1 - p_g)$ is indicated by $s_g^{\ 2}$.

The techniques described by Gulliksen[1] were used in determining the validity and reliability of the test instrument. The first step in this procedure was to find the reliability index and validity index of each item. The formula used to obtain the reliability index of each item was

$$r_{xg}s_g = \frac{N \sum_{i=1}^{N_g} X_{ig} - N_g \sum_{i=1}^{N} X_i}{N\sqrt{N \sum_{i=1}^{N} X_i^2 - \left(\sum_{i=1}^{N} X_i\right)^2}}$$

The formula used to obtain the validity index of each item by criterion was

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[1]Harold Gulliksen, Theory of Mental Tests (New York: John Wiley & Sons, Inc., 1950), p. 363-94.

$$r_{yg}s_g = \frac{N \sum_{i=1}^{N_g} Y_{ig} - N_g \sum_{i=1}^{N} Y_i}{N \sqrt{N \sum_{i=1}^{N} Y_i^2 - \left(\sum_{i-1}^{N} Y_i \right)^2}}$$

where

N is the total number of persons taking the test,

N_g is the number of persons answering item g correctly, (g - 1 . . . K),

X_i is the total test score for the individual (i - 1 . . . N),

Y_i is the criterion score for the individual (i = 1 . . . N),

X_{ig} is the test score for each individual answering item g correctly, and

Y_{ig} is the criterion score for each individual answering item g correctly.

After the reliability and validity indices for each item was computed, the instrument was then assessed for total reliability and validity. The formula used for test reliability was

$$r_{xx} = \left(\frac{K}{K - 1}\right)\left[1 - \frac{\sum_{g=1}^{K} s_g^{\,2}}{\left(\sum_{g=1}^{K} r_{xg} s_g\right)^2}\right]$$

The formula used for test validity was

$$r_{xy} = \frac{\sum_{g=1}^{K} r_{yg} s_g}{\sum_{g=1}^{K} r_{xg} s_g}$$

where

K is the number of items in the test,

$s_g^{\,2}$ is the variance of item g which is $p_g\ (1 - p_g)$,

$r_{xg} s_g$ is the item reliability index which is the point biserial item--test correlation multiplied by the standard deviation,

and

$r_{xy} s_g$ is the item validity index which is the point biserial item--criterion correlation multiplied by the item deviation.

The value for r_{xx} was found to be 0.786 which was significantly different from zero at the 5 per cent level. The value for r_{xy1} was found to be 0.334; for r_{xy2} the value was 0.173; for r_{xy3} the value was 0.253; and for r_{xy4} the value was 0.634. All of these were significantly different from zero at the 5 per cent level.

Table 2 provides a detailed analysis of each of the items. The data indicating the proportion answering each item correctly were taken from Table 1. The reliability index and the validity index was found by application of the formulas described on preceding pages of this chapter. The point biserial correlation indicates the relationship between the successes and failures on single item and the total test or the criterion score.

It should be noted that the point biserial correlation of the item of the total score is lower on several of the items than the .20 index which was used in the preliminary selection of the 60 items. The difference may be attributed, to some extent, to the application of an item analysis based on all of the scores of the test rather than on the upper 27 per cent and lower 27 per cent. It should be observed, too, that the point biserial correlation of the item with the criterion score indicated only two items which were below the .20 index.

It is significant to note that this study constituted an exploratory approach to the measurement of

TABLE 2

ITEM ANALYSIS INFORMATION FOR A TEST OF UNDERSTANDINGS IN FAMILY FINANCE

Item Number	Proportion Answering Item Correctly	Standard Deviation of Item	Point Biserial Correlation of Item with		Reliability Index	Validity Index
			Total Test Score	Criterion Score		
	p_g	$s_g = p_g - p_g^2$	r_{xg}	r_{yg}	$r_{xg}s_g$	$r_{yg}s_g$
1	.390	.488	.182	.330	.089	.161
2	.800	.400	.302	.415	.121	.166
3	.900	.300	.296	.277	.089	.083
4	.810	.392	.199	.334	.078	.131
5	.880	.325	.148	.246	.048	.073
6	.390	.488	.211	.404	.103	.197
7	.760	.427	.326	.365	.139	.156
8	.680	.466	.273	.500	.127	.233
9	.460	.498	.287	.550	.143	.274
10	.590	.492	.303	.549	.149	.270
11	.310	.462	.212	.461	.098	.213
12	.860	.347	.331	.349	.115	.121
13	.730	.444	.538	.527	.239	.234
14	.650	.477	.312	.444	.149	.212
15	.400	.490	.229	.367	.112	.180
16	.440	.496	.438	.544	.217	.270
17	.760	.427	.405	.450	.173	.192
18	.550	.497	.177	.304	.088	.151
19	.390	.488	.408	.475	.199	.232
20	.590	.492	.215	.445	.106	.219
21	.780	.414	.188	.188	.078	.078
22	.750	.433	.333	.413	.144	.179
23	.900	.300	.203	.183	.061	.055
24	.680	.466	.395	.541	.184	.252
25	.770	.421	.185	.292	.078	.123
26	.810	.392	.245	.309	.086	.121
27	.860	.347	.268	.300	.093	.104
28	.660	.474	.190	.266	.090	.126
29	.840	.367	.283	.360	.104	.132
30	.510	.500	.160	.416	.080	.208
31	.760	.427	.347	.412	.148	.176
32	.240	.427	.194	.227	.083	.097
33	.570	.495	.226	.242	.112	.120

TABLE 2--Continued

Item Number	Proportion Answering Item Correctly	Standard Deviation of Item	Point Biserial Correlation of Item with		Reliability Index	Validity Index
			Total Test Score	Criterion Score		
	p_g	$s_g = p_g - p_g^2$	r_{xg}	r_{yg}	$r_{xg}s_g$	$r_{yg}s_g$
34	.830	.376	.364	.415	.137	.156
35	.160	.367	.223	.253	.082	.093
36	.470	.499	.156	.303	.078	.151
37	.450	.497	.292	.423	.145	.210
38	.500	.500	.110	.132	.055	.066
39	.630	.483	.340	.408	.164	.197
40	.720	.449	.374	.428	.168	.192
41	.540	.498	.221	.239	.110	.119
42	.770	.420	.150	.233	.063	.098
43	.680	.466	.414	.494	.193	.230
44	.600	.490	.245	.333	.120	.163
45	.540	.498	.325	.345	.162	.172
46	.760	.427	.260	.232	.111	.099
47	.830	.380	.403	.518	.153	.197
48	.810	.392	.194	.281	.076	.110
49	.680	.466	.245	.352	.114	.164
50	.800	.400	.243	.270	.097	.108
51	.400	.490	.233	.257	.114	.126
52	.870	.336	.211	.235	.071	.079
53	.770	.422	.251	.277	.106	.117
54	.620	.485	.177	.299	.086	.145
55	.810	.392	.298	.372	.117	.146
56	.410	.492	.461	.553	.227	.272
57	.730	.444	.277	.363	.123	.161
58	.440	.496	.244	.306	.121	.152
59	.665	.477	.361	.470	.172	.224
60	.850	.357	.342	.510	.122	.182

understandings rather than to the measurement of factual information. It is significant, too, that portions of the evaluation instrument were more valid and reliable than other portions. All portions were sufficiently valid and reliable to indicate that with additional screening and experimental testing of this kind of instrument may be developed so that in its entirety it would have high validity and reliability.

CHAPTER V

SUMMARY

For many years economic competency has been a recognized objective of education. As one of the phases of economic competency, knowledge of money management and the financial activities of families is vital to education for living in a world dominated by economic problems. Recently there has been an emerging consciousness of the need for education aimed at improving the ability of people to deal with financial matters with which they must be concerned. Concurrent with this consciousness there has developed much interest in family finance and numerous research and other educational activities have evolved.

The continuous change in our economic society and the growing complexity of the many financial decisions and judgments to be made during an individual's lifetime have created an increased need for knowledge and ability in the management of financial affairs. As the nation has become more industrialized, money has assumed a major role in facilitating the exchange of the many goods and services deemed necessary for modern living. It is immediately apparent that the effectiveness with which money is managed in a large measure determines the family's standard of living.

The responsibility for improving financial competency rests heavily upon the teachers in our educational system. They must be challenged to assist students in developing sound attitudes relative to money management and to aid them in formulating philosophies of life whereby desirable values and goals will be reached through the wise use of money. It is the obligation of our school system to make instruction in family finance available to all youth as a part of general education. To prepare students more adequately to solve the financial problems with which they will be confronted, teachers must possess knowledge and understanding of broad principles of family finance. They must exhibit competence relative to economic and business problems involved in daily living.

The need for stimulating the interest of teachers and school administrators in strengthening and extending facets of family finance education is evident. It was the purpose of this study to demonstrate more clearly the nature of and need for family finance education, to point up the significant elements in its content, and to create further interest in extending, expanding, and evaluating instruction in this area.

Restatement of the Problem

The problem of this study was to develop a valid and reliable evaluative instrument for use in family finance education. The instrument was designed to measure the extent of family finance knowledge and understanding possessed by teachers who might include aspects of it in the instruction they offer. The development and validation of the measuring instrument involved four significant aspects: (1) isolation of the primary phases of family finance about which teachers should be informed with appropriate understandings fundamental in each of the phases, (2) development of a comprehensive evaluating instrument, (3) administration of the measuring instrument to a selected teacher sample, and (4) application of statistical procedures designed to demonstrate the validity and reliability of the instrument. It is significant to note that this study constitutes an exploratory approach to measurement of understandings rather than to measurement of factual information.

In this study no attempt was made to evaluate the effectiveness of instruction in the subject matter area. There was likewise no attempt made to determine whether teachers make appropriate use of the family finance understandings that they possess.

Factors Pertinent to Solution of the Problem

The determination of elements of family finance to be included in the evaluative instrument was the first step in its preparation. The recommendations of the National Committee for Education in Family Finance and the Joint Council on Economic Education were particularly helpful in this endeavor. The phases to be included were grouped into four major categories: basic principles of family finance, consumer buying, banking and credit, and financial security.

The second major step involved determination of the understandings appropriate to each of the four content categories which should be developed and evaluated in the various phases of family finance. The use of worksheets, which provided an analytical framework for arriving at understandings, enabled the researcher to do this. The worksheets were divided into three sections for listing of the significant facts to be acquired, the knowledge to be gained through consideration of related facts, and the understandings to be developed through application and use of the knowledge to be gained.

Through the utilization of test items relating to the financial circumstances of a hypothetical, and supposedly typical family, a unique test instrument was developed. An individual, in completing the test, must exercise his broad understanding of family finance as he responds to individual test items. In each case he indicates the financial practice or practices which he believes to be the most appropriate for a particular set of circumstances.

Each of the items in the test instrument was critically analyzed by a number of doctoral students at the University of Oklahoma. After the items had been revised several times, a preliminary form of the instrument was administered to teachers attending the 1959 Family Finance Workshop at the University. An item analysis then enabled the test constructor to discard certain items and to revise others that did not discriminate to the extent desired.

The final instrument was administered to 100 teachers who had attended family finance workshops at the University of Oklahoma. These testees were selected because they had been subjected to instruction in family finance and were familiar with the methodology of teaching for broad understanding. By employing additional item analysis procedures, 60 items were selected to constitute the final evaluative instrument presented in this chapter. Detailed statistical handling of the scores obtained through the testing procedure indicates that the evaluative instrument is perhaps more valid and reliable than might have been anticipated for this exploratory kind of evaluative activity.

The Evaluative Instrument

The final form of the instrument designed for measuring understandings in family finance as developed in this study is presented here:

EVALUATION OF UNDERSTANDINGS IN FAMILY FINANCE

The life of the family, which is the basic unit of our society, is vitally affected by its economic understandings and financial practices. Each member of the family should have understandings of the principles underlying family finance. To ensure greater financial security, one needs first to analyze his economic viewpoint. The instrument given here is based upon understandings which are essential in making intelligent financial decisions and is designed to evaluate economic competency.

Directions for Taking the Test

Respond to each statement with a (+) or (-).

Use (+) for statements which represent sound financial practices.

Use (-) for statements which represent unwise financial decisions.

Most objectively scored evaluative instruments are designed for the testing of facts. An attempt is made in this test to deal with broader understandings relative to financial security. Response to the questions should indicate broad understanding of family finance principles rather than knowledge of specific facts. Minor elements of truth or falsity should not determine the response to be made. <u>If in general the statement is accurate, it should be marked with a (+) even though some degree of "falseness" exists. If in general the statement is inaccurate, it should be marked with a (-)</u>.

In the paragraph below the circumstances of a typical family are described. This dscription should be read very carefully because it is basic to the development of the test instrument.

The fictitious typical family utilized in this test includes Marvin Miller, aged 36; his wife, Jean, 32; and their three children aged 10, 6, and 2. They live in a suburban community from which Marvin commutes daily to his job. The Millers own their furniture and a three-year old car. They have an equity of $3,000 in a home on which there is an $8,000 mortgage. Marvin has been employed for the past ten years by the Reynolds Manufacturing Company in a semi-skilled position. He earns a salary of $5,470 with a take-home pay of $400 per month. The Millers have outstanding debts amounting to $350.

Preceding each group of questions in this test additional information is given which should be considered along with the original family description.

EXAMPLE: The Miller family should consider these factors in planning an insurance program which fits their current needs:

_+_ 1. Life insurance is basically a protective measure in family planning.
_-_ 2. Life insurance should be purchased in equal amounts on all members of the family.
_-_ 3. The insurance program of a young family should provide a rapid-growing savings program.

Test Items

Mr. and Mrs. Miller believe that an intelligent approach to family financial security requires the ability to clarify values and set goals for their present and future financial management. From a startling newspaper article they realize how much their values and goals are affected by external forces. The Millers will be able to enjoy greater family financial security if they are aware of the following factors which affect financing within the family and those resulting from external forces:

____ 1. The greatest problem for American families is maintaining family solvency.
____ 2. Automation is a threat to the security of labor.
____ 3. The American family is an agency of social control.
____ 4. Maximum prosperity depends upon the restriction of production.
____ 5. Being unable to manage personal finances becomes a drag on economic progress.
____ 6. The only source of income is the spending of others.

As with most families, Marvin and Jean Miller find that consumer buying constitutes their major financial problem. They wonder if they have secured the most in family wants, needs, and happiness that their money could have purchased. A planned program for spending along with making intelligent choices, will aid them in attaining greater satisfaction from their income if they are cognizant of the following elements of budgeting and consumer buying:

____ 7. A budget should be built upon the family's standard of values.

____ 8. Savings should be one of the most important allocations of a budget.

____ 9. A budget should be based on percentages of income which the average family might spend.

____ 10. Consumers have complete freedom of choice in the selection of goods and services.

____ 11. The Better Business Bureau operates primarily for the benefit of the consumer.

____ 12. "Quality Certified" on a label is adequate assurance to the buyer.

Money is a cultural phenomenon which makes for ease and simplicity in bringing together the factors of production and in organizing markets through which goods and services may be distributed for consumption. If the Millers are to gain maximum satisfaction for themselves and to contribute effectively to the economic society in which they live, they need the following understandings relative to money and banking:

____ 13. The value of money is primarily determined by the gold which backs it.

____ 14. Deflation results when the flow of goods does not keep pace with the flow of money.

____ 15. The amount of "checkbook" money in existence is directly dependent on the amount of bank loans and investments.

____ 16. The Commercial Banking System creates and destroys money.

____ 17. Commercial banks are owned by private individuals for the purpose of making a profit.

____ 18. Joint ownership checking accounts are unaffected by death.

The recent death of a young father in the Millers' neighborhood brought a vivid revelation to Marvin. He now realizes that his only $10,000 National Service Life Insurance term policy which he bought in 1946 while in the service, does not provide adequate financial protection for his family's security. The medium of life insurance is one of the ways by which it is possible for him to plan with more certainty. These understandings will be especially helpful to Mr. Miller:

____ 19. Insurance is a risk-sharing social device for eliminating loss.

____ 20. To provide adequately for his family, a young man should purchase life insurance in an amount equal to his estimated life income.

____ 21. Insurance contributes toward the regulation of the supply of money.

____ 22. Life insurance provides a practical method for the creation and distribution of estates.

____ 23. Insurance is purchased primarily as protection against the possibility of catastrophic loss.

____ 24. An endowment policy which emphasizes savings should be added to the Millers' insurance program.

____ 25. A term diminishing-premium life insurance policy to cover the mortgage on the house is unnecessary at this time.

____ 26. An ordinary life insurance policy which builds a cash reserve as well as providing protection should be added to the family insurance program.

____ 27. A low-cost group policy offered by the company of an employee is usually a good insurance buy.

____ 28. An educational policy for the children should be purchased by the Miller family.

Because of the expense and inconvenience of using commercial laundry facilities, Mrs. Miller feels that they should purchase an automatic washer. When planning a substantial purchase such as this, the Millers always face the problem of whether they should wait until they can accumulate the cash to pay for it, borrow the money and pay cash, or make use of other credit sources. In order to make the decision which best fits their particular needs, they should carefully analyze the effect of credit transactions upon themselves and the general economy. The following understandings should determine their action:

____ 29. Credit combined with mass production has resulted in higher prices of consumer goods.

____ 30. Resisting the tendency to use credit constitutes a major consumer problem today.

____ 31. Installment buying of durable goods is a means of forced savings.

____ 32. Most avenues of consumer borrowing are open to all individuals.

In order to find a suitable place to live when they moved to the city ten years ago, the Millers bought a small home. The house was adequate for their needs at that time but the family has outgrown it. They decided to buy another house after weighing the advantages and disadvantages of renting and of buying. Since they feel that home ownership is basic to the American way of life they should understand these elements:

_____ 33. The person who owns his home may do as he pleases with it.
_____ 34. Amortized loans with mortgage security are predominant in home financing.
_____ 35. Appraisement and inspection services have contributed toward protection in home building by requiring maximum standardized building practices.
_____ 36. The owner of a mortgaged home may be thought of as a leasee.
_____ 37. Title insurance guarantees the home owner of the safety of his investment.
_____ 38. Joint tenancy ownership would have no disadvantages for the Millers.
_____ 39. FHA is a federal agency which lends money directly to the home owner.

Marvin understands that in the industrialization of the American economy, social security has evolved as a basic and necessary element in planning for family financial security. These provisions and effects of social security apply to him:

_____ 40. Social security is a voluntary saving and protection whereby individual independence is acquired for old age.
_____ 41. Social security is designed for the whole family during each period of the life cycle.
_____ 42. Unemployment compensation may be a first line defense in stabilizing the labor force.

In addition to spending for the promotion of the physical well-being and emotional and intellectual development of their individual family members, Marvin and Jean believe that saving is a significant aspect of family living. However, they looked upon savings only in terms of cash savings. As they viewed and discussed the posters on "Savings" prepared by their daughter as a homework assignment, they realized that savings take many forms and are held in many different ways. Elements of understandings in savings and investments which are beneficial to the financial security of the Millers include:

_____ 43. Increased saving combats inflation.
_____ 44. The success of the American economy is based on saving.
_____ 45. Savings accumulated in life insurance hedge against inflation.
_____ 46. An investment in stocks may be a means of protecting the purchasing power of their dollars.

The Millers' automobile is typically one of the most expensive family possessions. Since Marvin commutes daily to his work, his car is both an essential of the family's income and a potential destroyer of the financial security. To maintain adequate coverage on the car Mr. Miller must understand these facets of automobile insurance:

____ 47. The person responsible for an automobile accident is not obligated to pay for the damage done to the other car if it is adequately insured by the owner.
____ 48. Income lost as a result of an accident may be reimbursed through insurance coverage.
____ 49. The comprehensive type of insurance coverage provides the protection necessary for the average family automobile.
____ 50. The decision of juries involving automobile accidents have made it essential that all who drive have extensive insurance.

The Millers attended a local civic meeting to participate in a discussion of a forthcoming bond election. During the social hour at the conclusion of the meeting, they were amazed when they heard opinions expressed by some of their neighbors which appeared to be unsound and even biased. Marvin and Jean agree that an individual has a right to form his own opinion, however, they believe that people should endeavor to form sound opinions based on intelligent understandings. Certain fundamental principles of taxation and spending underlie the operation of our government. In order to exercise economic and political power for the advancement of society, a citizen should understand that:

____ 51. Taxes an individual pays are in direct proportion to the benefits he receives.
____ 52. Individual consumers purchase services with their tax dollars.
____ 53. Taxes on producers tend to increase prices.
____ 54. The cost of operating the government is determined by the individual citizen.
____ 55. A property tax is justifiable on the basis of the protection an owner receives from the government.
____ 56. Increased taxation tends to control inflation.

In the process of checking the legal details in the purchase of their home, the Millers' attorney revealed another phase of financial planning to them. Marvin recognized that he had failed to provide an effective plan for the disposition of his property upon his death. To assure his family of the greatest possible security from his estate, Marvin should be aware of the following principles in conserving and disposing of his resources:

_____ 57. Statutes providing for the distribution of property usually prove satisfactory for most families.
_____ 58. Wills have priority over community property laws.
_____ 59. A will must contain an itemized statement of all assets.
_____ 60. Property transferred in a will is subject to the deduction of debts, taxes, and administrative expenses.

Recommended Uses of the Evaluative Instrument

The evaluation instrument developed in this study might well be used in school-wide planning for implementing and integrating instruction in family finance into existing courses of study. It should be helpful in creating an awareness of the kinds of family finance information that are essential to the general education of all youth.

The instrument may be used as a pre-test in family finance workshops or in other study groups involving teachers. It may be useful in school systems as a diagnostic test to determine areas of money management in which study by teachers is most needed. Thus, it might serve to point up areas of subject matter which should be included in teacher education programs of the in-service type. Adult education groups, involving individuals other than teachers, might also use it to advantage.

The instrument may serve as an achievement test to evaluate the outcomes of family finance instruction. Family finance workshops and other education groups may find it suitable for such use. Teachers taking the test may find the instrument useful to them in selecting particular phases and understandings to be developed in their own classroom teaching at any educational level.

The evaluative instrument emphasizes broad understanding as the basis for good testing. Broad understanding involves a higher level of learning than customarily results from the presentation of only factual information. Thus a teacher subjected to this test may be challenged and encouraged to cause his students, in turn, to reach beyond the first level of learning. Certainly, it should be recognized that from the outset the development of this test was intended to foster and encourage additional experimentation with evaluative techniques.

Further Research Needed

Education in family finance represents a fertile field for research. The number of evaluative studies in family finance is meager and yet, effective instruments and methods of evaluation must be produced if education in the area is to have a healthy growth. Most of the research studies have been devoted to the development of appropriate content for economic competence. No experimental studies have been conducted for the purpose of determining the effectiveness of various methods of teaching family finance.

Additional research is needed in the development of types of instruments which will measure higher level outcomes of learning. Numerous techniques for such testing should be explored. The author is now planning another study which involves placing the instrument presented in this report on film so that it may be administered through the use of a controlled-reader. This will constitute an experiment to find whether there is a significant difference in immediate forced responses and those which result from using more time with the paper and pencil test procedure.

Conclusions

From the outset, the major desired outcome of this research investigation was an evaluative instrument which would measure understandings in family finance. Since most of the testing for understandings has been of a subjective nature, this study constituted an exploratory attempt to develop a more objective type of measuring instrument which would extend beyond the evaluation of factual information. In the opinion of the author, the major desired outcome of this study has been accomplished. An evaluative instrument, presented in this formal report, was designed, developed, and proved valid and reliable. The fact that it was possible to validate the instrument indicates that experimentation with this type of instrument should be continued for further improvement of reliability and validity.

On the basis of experience gained as a workshop participant in a regional and national family finance workshop, as a graduate assistant in family finance for two years, and as a consultant for three workshops, the writer's comprehension of family finance with its many ramifications has been greatly broadened. Upon completion of the extensive background study required and the exhaustive work done in developing and validating the evaluative instrument, the author was able to synthesize to the extent of arriving at a few broad generalizations. The generalizations reached are stated in the form of conclusions here:

1. There is need for a kind of evaluation that extends beyond measurement of facts and knowledge relationships which people possess. More adequate means should be found for measurement of broad understanding of vital subject matter principles and concepts.

2. The evaluative instrument presented in this study, constitutes an exploratory effort in the measurement of understandings in family finance and is indicative of the kind of measuring which should be utilized to a greater extent in the future.

3. The use made thus far of the instrument developed in this study reveals that teachers experience difficulty in the formulation of broad understandings on the basis of facts and knowledges. Responding to test items which are not factual in nature presented new problems to teachers

who were involved in the testing. Thus there is evidence that teachers should be afforded greater opportunities for participating in educational programs whereby they may learn how to better direct their students toward higher level learning and subsequently to evaluate more effectively the results of such instruction.

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APPENDIX

EVALUATION OF UNDERSTANDINGS IN FAMILY FINANCE[1]

The life of the family, which is the basic unit of our society, is vitally affected by its economic understandings and financial practices. Each member of the family should have understandings of the principles underlying family finance. To ensure greater financial security, one needs first to analyze his economic viewpoint. The instrument given here is based upon understandings which are essential in making intelligent financial decisions and is designed to evaluate economic competency.

Directions for Taking the Test

Respond to each statement with a (+) or (-).

Use (+) for statements which represent sound financial practices.

Use (-) for statements which represent unwise financial decisions.

Most objectively scored evaluative instruments are designed for the testing of facts. An attempt is made in this test to deal with broader understandings relative to financial security. Response to the questions should indicate broad understanding of family finance principles rather than knowledge of specific facts. Minor elements of truth or falsity should not determine the response to be made. <u>If in general the statement is accurate, it should be marked with a (+) even though some degree of "falseness" exists. If in general the statement is inaccurate, it should be marked with a (-).</u>

In the paragraph below the circumstances of a typical family are described. This description should be read very carefully because it is basic to the development of the test instrument.

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[1]This is the first form of the evaluative instrument developed in this study. The final form recommended for use is presented in Chapter V.

The fictitious typical family utilized in this test includes Marvin Miller, aged 36; his wife, Jean, 32; and their three children aged 10, 6, and 2. They live in a suburban community from which Marvin commutes daily to his job. The Millers own their furniture and a three-year old car. They have an equity of $3,000 in a home on which there is an $8,000 mortgage. Marvin has been employed for the past ten years by the Reynolds Manufacturing Company in a semi-skilled position. He earns a salary of $5,470 with a take-home pay of $400 per month. The Millers have outstanding debts amounting to $350.

Preceding each group of questions in this test additional information is given which should be considered along with the original family description.

EXAMPLE: The Miller family should consider these factors in planning an insurance program which fits their current needs:

__+__ 1. Life insurance is basically a protective measure in family planning.
__-__ 2. Life insurance should be purchased in equal amounts on all members of the family.
__+__ 3. The insurance program of a young family should provide a rapid-growing savings program.

Test Items

Mr. and Mrs. Miller believe that an intelligent approach to family financial security requires the ability to clarify values and set goals for their present and future financial management. From a startling newspaper article they realize how much their values and goals are affected by external forces. The Millers will be able to enjoy greater family financial security if they are aware of the following factors which affect financing within the family and those resulting from external influences:

____ 1. The greatest problem for American families is maintaining family solvency.
____ 2. A high standard of living places its emphasis on the physical necessities of the family.
____ 3. Automation is a threat to the security of labor.
____ 4. The American family is an agency of social control.
____ 5. Maximum prosperity depends upon the restriction of production.
____ 6. The ultimate objective of family finance is to attain for each member of the family the greatest satisfaction possible.

____ 7. Being unable to manage personal finances becomes a drag on economic progress.
____ 8. The government is considered a factor in production.
____ 9. The only source of income is the spending of others.
____ 10. Intelligent consumer choice is the basic factor for improving the quality of living.

Marvin and Jean Miller have managed to live within their income without careful budgeting. After making a critical analysis of their financial resources, they wonder if they have secured the most in family wants, needs, and happiness that their money could have purchased. They feel their family security may be jeopardized by the small amount of savings which they have been able to accumulate. A planned program for spending will aid them in attaining greater satisfaction from their income if they are cognizant of these elements of budgeting:

____ 11. A budget should be built upon the family's standard of values.
____ 12. Long-range planning is ineffective because economic factors are likely to change.
____ 13. A well-planned budget should eliminate the keeping of records.
____ 14. Once the budget is made, funds should not be shifted from one item to another.
____ 15. Savings should be one of the most important allocations of a budget.
____ 16. A budget should be based on percentages of income which the average family might spend.
____ 17. All of the family resources should be budgeted.
____ 18. Family practices in money management affect our national economy.

As with most families, consumer buying constitutes the major portion of the Millers' budget, thus each individual needs to know how to purchase goods and services intelligently. Buying is a matter of making many kinds of choices. In order to choose wisely the things which they require for their personal use, Mr. and Mrs. Miller should have a knowledge of the following principles of consumer buying:

____ 19. In the American economy consumers determine to a great extent what goods and services will be provided.
____ 20. Advertising tends to lower our level of living by creating more wants than can be satisfied.
____ 21. Labels are probably the best source of information now available to the consumer.

____ 22. Consumers should be willing to pay prices which will ensure appropriate wage levels and profits.
____ 23. Consumers have complete freedom of choice in the selection of goods and services.
____ 24. The Better Business Bureau operates primarily for the benefit of the consumer.
____ 25. "Quality Certified" on a label is adequate assurance to the buyer.
____ 26. Consumers are largely responsible for the control of ethical business practices.
____ 27. The quality of goods should relate to use more than price.

The Millers make use of many of the facilities provided by their First National Bank. They maintain a checking account where Marvin's check is deposited at the beginning of each month. When Marvin receives his bank statement at the end of the month and notes the charges made by the bank, he starts making an evaluation of the bank's policies and the effect upon his community. Understandings which will give him the proper perspective of his bank should include:

____ 28. Banks are "department stores" for financial services.
____ 29. Interest charged by banks is excessive in comparison with other lending agencies.
____ 30. The expense of maintaining a checking account cannot be justified for a family with a low salary.
____ 31. Joint ownership checking accounts are unaffected by death.
____ 32. Interest is the price at which the services of the money can be obtained.
____ 33. Commercial banks are owned by private individuals for the purpose of making a profit.
____ 34. Banks are the best place to invest because they insure the investor's money.
____ 35. A commercial bank should be one of the first sources considered by a consumer in seeking borrowed funds.

The recent death of a young father in the Millers' neighborhood brought a vivid revelation to Marvin. He now realizes that he does not have adequate financial protection for his family's security. The medium of life insurance is one of the ways by which it is possible for him to plan with more certainty. These understandings will be especially helpful to Mr. Miller:

____ 36. Insurance is a risk-sharing social device for eliminating loss.

____ 37. Since life insurance is designed specifically to benefit the individual, it has no effect on stabilizing the nation's economy.

____ 38. Insurance is purchased primarily as protection against the possibility of catastrophic loss.

____ 39. Through the employment of investment specialists life insurance companies aid in developing and maintaining the American enterprise system.

____ 40. To provide adequately for his family; a young man should purchase life insurance in an amount equal to his estimated income.

____ 41. It is unnecessary to continually review and revise any well-planned insurance program.

____ 42. Life insurance provides a practical method for the creation and distribution of estates.

____ 43. Life insurance provides a systematic means of saving.

____ 44. Insurance contributes toward the regulation of the supply of money.

Because of the expense and inconvenience of using commercial laundry facilities, Mrs. Miller feels that they should purchase an automatic washer. When planning a substantial purchase such as this, the Millers always face the problem of whether they should wait until they can accumulate the cash to pay for it, borrow the money and pay cash, or make use of the services offered by deferred payment plans. In order to make the decision which best fits their particular needs, they should consider these factors:

____ 45. Installment buying is generally an inexpensive way of obtaining goods and services for the family needs.

____ 46. If a person cannot immediately pay cash for an article, he must be willing to accept whatever credit terms are offered by the seller.

____ 47. Wise use of consumer credit increases psychic income.

____ 48. One should "shop" for a loan as carefully as he would for the purchase of an expensive commodity.

____ 49. A fixed interest rate applicable to the principal of a monthly payment loan is cheaper than the same rate applied to the unpaid balances.

____ 50. Most avenues of consumer borrowing are open to all individuals.

____ 51. Credit should be used only in case of emergency.

____ 52. Installment buying of durable goods is a means of forced saving.

____ 53. Resisting the tendency to use credit constitutes a major consumer problem today.

____ 54. Loan contracts are designed primarily for the protection of the lending agency.

____ 55. Lending institutions promote both saving and spending by their financial activities.

Marvin's only life insurance is a $10,000 National Service Life Insurance term policy which he bought in 1946 while in the service. His increased family responsibilities and limited income necessitate his selection of the best insurance coverage available to him.

____ 56. National Service Life Insurance should continue to be a part of the planned insurance program.

____ 57. An endowment policy which emphasizes savings should be added to the program.

____ 58. A term diminishing-premium life insurance policy to cover the mortgage on the house is unnecessary at this time.

____ 59. An ordinary life insurance policy which builds a cash reserve as well as providing protection should be added to the family insurance program.

____ 60. An industrial policy in which the premium would be collected weekly by an insurance representative would enhance a family plan for insurance.

____ 61. A low-cost group policy offered by the company of an employee is usually a good insurance buy.

____ 62. An educational policy for the children should be purchased by the Miller family.

In order to find a suitable place to live when they moved to the city ten years ago, the Millers bought a small home. The house was adequate for their needs at that time but the family has outgrown it. They decide to buy another house after weighing the advantages and disadvantages of renting and of buying. Since they feel that home ownership is basic to the American way of life they should understand these elements:

____ 63. Buying a home is the largest single investment for most families.

____ 64. The person who owns his home may do as he pleases with it.

____ 65. The decision of renting or buying a home is determined on the basis of needs and wants rather than cost involved.

____ 66. Amortized loans with mortgage security are predominant in home financing.

____ 67. Zoning laws are generally unfair to home owners.

____ 68. Appraisement and inspection services have contributed toward protection in home building by requiring maximum standardized building practices.

____ 69. Future marketability should be a prime consideration in buying a house.

____ 70. The owner of a mortgaged home may be thought of as a leasee.

____ 71. Title insurance guarantees the home owner of the safety of his investment.

____ 72. Joint tenancy ownership would have no disadvantages for the Millers.

____ 73. FHA is a federal agency which lends money directly to the home owner.

Marvin understands that in the industrialization of the American economy, social security has evolved as a basic and necessary element in planning for family financial security. These provisions and effects of social security apply to him:

____ 74. Social security is a voluntary saving and protection whereby individual independence is acquired for old age.

____ 75. Social security serves as a means of maintaining the family as a unit, in the death of the breadwinner.

____ 76. Social security is a means for American people to get away from the "pay as you go" plan.

____ 77. Social security is designed for the whole family during each period of the life cycle.

____ 78. To maintain the effectiveness of social security, it must not change with economic conditions.

____ 79. Social security affords greater economic stability for the nation.

____ 80. The Workmen's Compensation provision of social security contributes toward a healthy economy.

____ 81. Benefits are automatically received when needed by those covered by social security.

____ 82. Unemployment compensation may be a first line defense in stabilizing the labor force.

In addition to spending for the promotion of the physical well-being and emotional and intellectual development of their individual family members, Marvin and Jean believe that saving is a significant aspect of family living. However, they looked upon savings only in terms of cash savings. As they viewed and discussed the posters on "Savings" prepared by their daughter as a homework assignment, they realized that savings take many forms and are held and used in many different ways. Elements of understanding in savings which are beneficial to the financial security of the Millers include:

____ 83. Increased saving combats inflation.

____ 84. Life insurance provides a desirable method of saving because the compulsion is built-in to the plan.

____ 85. Systematic saving is necessary in any plan for financial security.

____ 86. Family savings are insignificant in our capitalistic society.

____ 87. The success of the American economy is based on saving.

____ 88. Money placed in a credit union as a saving is insured.

____ 89. The most important element in money management is a savings plan.

____ 90. The commitment to pay on a home each month develops the habit of saving.

____ 91. Savings accumulated in life insurance hedge against inflation.

____ 92. Because of the possibility of immediate need a portion of the family savings should be kept liquid.

The Millers' automobile is typically one of the most expensive family possessions. Since Marvin commutes daily to his work, this car is both an essential of the family's income and a potential destroyer of their financial security. To maintain adequate coverage on the car Mr. Miller must understand these facets of automobile insurance:

____ 93. The responsibility for legal details resulting from an automobile accident will be assumed by an insurance company.

____ 94. The person responsible for an automobile accident is not obligated to pay for the damage done to the other car if it is adequately insured by the owner.

____ 95. Income lost as a result of an accident may be reimbursed through insurance coverage.

____ 96. The comprehensive type of insurance coverage provides the protection necessary for the average family automobile.

____ 97. The decision of juries involving automobile accidents have made it essential that all who drive have extensive insurance.

____ 98. The average car owner can save money on his automobile insurance if he is willing to assume the risk of minor damage and hold the insurance company liable only on major damage.

Since Marvin Miller has a specialized occupation he must rely on others for the goods and services that his family requires. He exchanges his services for the goods and services of others through the medium of money or the use of credit. As the Millers carefully analyze the effect of credit transactions upon themselves and the general economy, these economic understandings should evolve:

____ 99. American productive power is extended through effective use of consumer credit.
____ 100. Credit combined with mass production has resulted in higher prices of consumer goods.
____ 101. Credit has had a democratizing effect upon our society through aiding the breakdown of economic and social barriers among men.
____ 102. Credit is a commodity to be rented at a price.
____ 103. The American economic system is based on faith in people.
____ 104. The use of installment credit tends to curtail the development of a higher standard of living in America.
____ 105. The use of credit has increased employment in our society.
____ 106. Consumer credit is a vital link between mass production and consumption.

Mrs. Miller's father named her beneficiary of one of his life insurance policies and upon his death she received $1,000. She and Marvin decide that this money should be used in some type of investment. They carefully analyze their financial situation and study the various possibilities for investment. Before deciding how their money can work most effectively for them, they consider these factors:

____ 107. A promise of a high return is an indication of a good investment.
____ 108. An investment in stocks may be a means of protecting the purchasing power of their dollars.
____ 109. Speculation should be omitted in a free business enterprise.
____ 110. The family should consider investment in stocks before they have an adequate reserve of liquid assets.
____ 111. The problem of inflation is the primary consideration in setting up an investment program.
____ 112. In buying common stocks one assumes the risk of declining prices.
____ 113. The basic problem involved in investing is to achieve the highest rate of return commensurate with the ability of the family to assume risk.
____ 114. Ownership of stock in corporate enterprises should be limited to the higher income group.

____ 115. Small businesses are unaffected by investments in corporate stock.

____ 116. There is a certain amount of risk in any investment.

____ 117. Since municipal bonds are tax exempt, they are the best investment for the small investor.

The Millers recognize that insurance other than life and automobile is important to their family's protection. They also realize that they must not spend more money on insurance than they can afford. Their limited income requires that they accept only those which are absolutely essential.

____ 118. Health and accident insurance is too expensive to be included in their present insurance coverage.

____ 119. A health insurance policy should be purchased which provides payments to compensate in part for the loss of earnings in case of incapacity.

____ 120. Because of the extra expense extended coverage should not be added to a basic fire policy.

____ 121. Liability insurance will give a family the greatest financial protection of all general insurance.

____ 122. Property insurance should provide for the replacement value of the property.

The Millers attended a local civic meeting to participate in a discussion of a forthcoming bond election. During the social hour at the conclusion of the meeting, they were amazed when they heard opinions expressed by some of their neighbors which appeared to be unsound and even biased. Marvin and Jean agree that an individual has a right to form his own opinion, however, they believe that people should endeavor to form sound opinions based on intelligent understandings. Certain fundamental principles of taxation and spending underlie the operation of our government. In order to exercise economic and political power for the advancement of society, a citizen should understand that:

____ 123. Taxes an individual pays are in direct proportion to the benefits he receives.

____ 124. In financial matters local, state, and federal governments function in much the same manner as individuals.

____ 125. Individual consumers purchase services with their tax dollars.

____ 126. Taxes on producers tend to increase prices.

____ 127. Regulatory activities by governments generally hinder the development of our society more than it helps.

____ 128. The cost of operating the government is determined by the individual citizen.

____ 129. A property tax is justifiable on the basis of the protection an owner receives from the government.

____ 130. Corporations pay a service tax for the privilege of existence.

____ 131. The federal income tax is based according to the idea of an identical rate for everyone regardless of his income.

____ 132. Increased taxation tends to control inflation.

Money is a cultural phenomenon which deeply concerns the Millers. As economic citizens they make their contributions to our money-dependent society. These understandings of money, its control, and effects will aid the Millers to better fulfill their economic responsibilities:

____ 133. The value of money is primarily determined by the gold which backs it.

____ 134. The flow of money depends upon the supply and demand of goods and services.

____ 135. The primary task of the Federal Reserve System is to control the volume of money in order to contribute to stable economic progress.

____ 136. The elimination of the national debt would probably create more problems than it would solve.

____ 137. All lending-borrowing financial institutions have the ability to create money.

____ 138. Deflation results when the flow of goods does not keep pace with the flow of money.

____ 139. Money comes into being solely as a result of the economic decisions of private citizens.

____ 140. The amount of "checkbook" money in existence is directly dependent on the amount of bank loans and investment.

____ 141. The Commercial banking system creates and destroys money.

In the process of checking the legal details in the purchase of their home the Millers' attorney revealed another phase of financial planning to them. Marvin recognized that he had failed to provide an effective plan for the disposition of his property upon his death. To assure his family of the greatest possible security from his estate, Marvin should be aware of the following principles in conserving and disposing of his resources:

____ 142. Statutes providing for the distribution of property usually prove satisfactory for most families.

____ 143. Wills are necessary only for those of considerable wealth.

____ 144. Wills have priority over community property laws.

____ 145. Jointly owned property alleviates the necessity for a will.

____ 146. Both the husband and wife should make a will.

____ 147. A will must contain an itemized statement of all assets.

____ 148. Property transferred in a will is subject to the deduction of debts, taxes, and administrative expenses.

____ 149. Wills should be reviewed regularly.

____ 150. If a wife is appointed the guardian of a child, she is not a free agent in the handling of the child's money.