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ARE HYPOTHETICAL CHOICES RATIONAL? EVIDENCE FROM AN INDUCED BUDGET EXPERIMENT USING SMALL-VALUE CONSUMPTION GOODS

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ABSTRACT

Several studies of choice behavior have found that subjects' willingness to pay or likelihood to vote for environmental projects was higher when the decision context was presented as a hypothetical rather than an actual choice. The cause of this discrepancy has been the subject of considerable debate. One argument, due largely to Diamond, suggests consumers may have difficulty formulating preferences under hypothetical scenarios; thus, responses to hypothetical scenarios may be irrational in that respondents have no preferences in the strict, neo-classical sense to report. Alternatively, consumers may possess preferences, but, when facing hypothetical scenarios, be more likely to override their preferences to conform to perceived social norms, a phenomenon known as social desirability bias.

In this study, we design and implement a controlled economic experiment to explore aspects of the relationship between the rationality of subjects' choices and the hypothetical nature of choice under circumstances designed to lessen the possibility of social desirability bias. To reduce the likelihood that perceived social acceptance drives subjects' behavior and to mimic the low-stakes environment some subjects may attribute to hypothetical scenarios, we proxy hypothetical choices with actual payment for and provision of trivial, private good consumption bundles (cash payments of less than 1 USD and/or chocolates). Each subject's responses consist of ten such bundles chosen from ten experimenter-determined price, endowment scenarios. These scenarios are designed to elicit responses which are amenable to direct testing for their preference consistency (i.e., they are rational responses). We determine the rationality of each subject's responses by their consistency with Varian's Generalized Axiom of Revealed Preference or the Strong Axiom of Revealed Preference, originally due to Houthakker and further developed by Richter and others.

Our findings, in which 52.9 percent of our 70 experimental subjects report responses consistent with underlying economic preferences, contradict predictions of widespread preference inconsistency. Thus, unmotivated, i.e., low-payoff, choice is unlikely to be the primary cause of subjects reporting irrational responses to hypothetical scenarios. Furthermore, our statistical analysis using a binomial probit model successfully predicts the preference consistency of 68.1 percent of our subjects, suggesting future research may enable survey practictioners to distinguish rational from irrational choice.

FINANCIAL ATTITUDES AND SPENDING HABITS OF UNIVERSITY FRESHMEN

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ABSTRACT

Attitudes toward, and use of, money affects relationships, family stability, and even employment success. Recently, the effect of these issues on college students has been investigated. Eighty percent of undergraduates have credit cards with an average balance of $2,226 and 10 percent have outstanding balances of more than $7,000 (Kendrick as cited in Henry, Weber & Yarbrough, 2001). A survey by VISA found 8.7 percent of those filing for bankruptcy were below twenty-five years of age (McBride as cited in Jones & Roberts, 2001).

Financial management capabilities are essential not only to students' personal success but also their academic success. Students able to manage their finances are likely to organize their lives and manage their time in a way conducive to good academic progress (Weaver, 1992). According to an attrition study conducted by Idaho State University, lack of financial management is a key reason that students do not complete a degree (Eskelson, 2005).

This study will evaluate the financial attitudes and perceptions, as well as the spending habits, of university freshmen. Implications are far-reaching and will provide valuable data for university administrators in enrollment management and student affairs, high school counselors, economic educators, and parents. Assisting students with information and strategies to improve their academic success and degree completion is vital.

INTRODUCTION

A person's ability to manage his money is essential to being successful in life. Effective financial management strategies are important for all members of society, including college students. It has been hypothesized that student's financial management capability is pivotal to their overall academic success and retention.

Views about money have changed over time and students are now being raised in a society comfortable with debt. Instead of saving for emergencies, people are now turning to credit and credit cards to cover these expenses---and even to pay normal everyday bills! Staying out of debt is no longer valued as an important social norm. In fact, the debt-free lifestyle sought after by prior generations has been replaced with simply "paying bills on time"---and in many cases "only making minimum payments" (Diamond & O'Curry, 2003).

To complicate the issue, college students are being inundated with credit card offers. University campuses have become the perfect place for credit card companies to lure students into applying for credit cards. Students are offered candy, free t-shirts, and other trinkets in exchange for their credit card application (Jones & Roberts, 2001). Four out of five universities allow on-campus solicitations from credit card companies. In return, universities charge these vendors several hundred dollars each day they are on campus soliciting students (Jones & Roberts, 2001).

Students are caught up in the rush and excitement of starting college. Because of this, they are easily seduced and overwhelmed by these offers. For many, this is also a period in which they experience financial independence for the first time. These two variables (lifestyle change and financial freedom), coupled with being raised in a society desensitized to debt, can easily become a formula for a series of poor choices with money. College students need to be prepared before they are faced with these decisions. Current research indicates students may not be prepared. A lack of financial management has actually been identified as one of the key reasons students do not complete a higher education degree.

CHANGING PERCEPTIONS OF MONEY

The United States has evolved from cherishing savings to revering spending (Jones & Roberts, 2001). The ways in which Americans view and use credit are indicative of this perception. A recent study provided evidence revealing that consumers now define 'fiscal responsibility' as making payments on time, rather than being debt-free (Diamond & O'Curry, 2003). Approximately 80 percent of full-time undergraduate students have credit cards with an average outstanding balance of $2,226; 10 percent of them have outstanding balances of more than $7,000 (Kendrick as cited in Henry, Weber & Yarbrough, 2001). A survey by VISA found 8.7 percent of those filing for bankruptcy were below twenty-five years of age (McBride as cited in Jones & Roberts, 2001). This percentage is up from 1 percent just two years earlier.

These changing attitudes toward money, and the acceptance of debt as a normal part of life, are having a tremendous affect on teenagers and, in turn, college students. Boyce & Danes (as cited in Norvilitis & Santa Maria, 2002) argued that teenagers experience "premature affluence" because of the high amounts of discretionary funds available to them. These teens become accustomed to a lifestyle while they are living with their parents that they expect to maintain for themselves when they move out and go to college (Norvilitis & Santa Maria, 2002).

COLLEGE STUDENTS AND CREDIT CARD DEBT

Recent studies concerning college students and debt found the following: approximately 70 percent of college students have at least one credit card; between 6 percent and 14 percent have four or more credit cards; more than 40 percent of those with credit cards do not repay their balances in full each month; 14 to 16 percent report balances over $1000, while about 5 percent report balances over $3000; and the vast majority obtain credit cards prior to college or during their freshman year (Lyons, 2004).

It is becoming increasingly easy for college students to obtain credit cards on their college campuses. Credit card vendors are invited to set up booths during registration at the beginning of the year. In addition, credit card applications accompany the materials given to students when they purchase their books at the university bookstore (Jones & Roberts, 2001). Credit card companies also solicit university alumni offices for names and addresses of students. These companies often create applications for special affinity credit cards that include the university logo or a special university landmark logo (Hirt & Munro as cited in Jones & Roberts, 2001). Because payment is rendered for this privilege, 80 percent of universities allow on-campus solicitations for credit cards. Universities are actually seeing a financial benefit from the credit card companies being on their campuses (Jones & Roberts, 2001).

IMPACT OF FINANCIAL MANAGEMENT ON STUDENT SUCCESS

The ability to manage finances impacts students both personally and academically. Students who are able to manage their money are also more likely to manage their time wisely (Weaver, 1992). These same students will out-perform their peers academically because they are also the students who go to class and allow plenty of time to study. Ray Edwards, an admissions consultant and former East Carolina University Financial Aid Director stated, "As a rule, the more a freshman student has access to credit card accounts, the harder it is to get good grades" (Weaver, 1992). According to a study released by the National Center on Public Policy and Education, tuition at public, four-year institutions rose by an average of 10 percent from 2001-02 to 2002-03 (Cavanaugh, 2003). Average student loan debt has grown to $17,000 and about 20 percent of college students work 35 or more hours a week (Cavanaugh, 2003). Some students may actually choose to decrease their course load to part-time, or even drop out of school completely, to pay bills. As students take fewer credits per semester, they extend the amount of time it takes to complete their college education, resulting in an increase of total student loan debt.

Debt can have devastating effects on college students. An Indiana State administrator was quoted, "This is a terrible thing. We lose more students to credit and debt than academic failure" (Commercial Law Bulletin, 1998, p.6). There have been at least two cases of college students who took their lives, in part, because of their credit card debt. Sean Moyer was a 22-year old student with $10,000 of debt and Mitzi Pool was a 19-year old student with $2500 in debt. Prior to their death, both of these students had talked to others about feeling overwhelmed by the amount of debt they had acquired (Norvilitis & Santa Maria, 2002).

METHODOLOGY

The purpose of this study was to evaluate the financial attitudes, perceptions, and spending habits of freshmen students at Idaho State University. The population was students enrolled in First Year Seminar, a one-credit semester orientation class taken by freshman students. The sample for this study enrolled in the course during the fall 2004 academic semester. They were asked to complete a written survey addressing financial perceptions and money management issues.

The survey included a variety of questions concerning attitudes and perceptions related to money. It also asked questions that directly focused on how students spend and manage their money. Open-ended, select-from, and Likert scale questions were utilized.

In cooperation with the Coordinator of First Year Seminar Program at Idaho State University, all First Year Seminar instructors during fall 2004 were solicited for their class' participation in this research project. This was a total of 32 possible sections of the course. Completion of the survey was voluntary and confidential for the participants. The researcher collected the data from each section of the class utilizing a standardized procedure and set of instructions. Eight classes of First Year Seminar agreed to participate in the study. Within those classes, the number of useable surveys completed was n = 117.

DISCUSSION AND CONCLUSIONS

Results of this survey revealed that college freshmen appear to have some basic financial management strategies. This may be, in part, a result of the students completing the survey during their first two months at the university. These initial data indicated that only 15 percent of the students used a credit card and nearly 72 percent of them had savings accounts. Students who "planned ahead" were also "satisfied with their spending." Many of these same students' "friends consider them to be good money managers." Although these students are "satisfied with their spending," interesting they also say "budgeting takes the fun out of spending their money."

Almost all of the students surveyed learned how to manage their money from their "parents." A small number of them identified a "high school economics course" as the source of their financial knowledge. This was surprising considering that a significant number of Idaho State University freshmen come from an Idaho high school in which completion of an economics course is a requirement in order to graduate.

The researcher hypothesized that there would be a difference in the way males and females view and spend money, but the research data proved otherwise. There was no significant difference in perceptions and spending habits of males and females, with one exception. The average response on the Likert scale of females who felt “budgeting takes the fun out of spending” was “sometimes,” while the average response of the males who felt “budgeting takes the fun out of spending” was “seldom.”

IMPLICATIONS AND RECOMMENDATIONS

Money management skills are essential for students’ academic success. University officials have identified a lack of these crucial skills as one of the reasons students do not succeed in the university setting. Students with credit cards have lower grades because they have to work to pay off their debt instead of spending the time studying. Students may even choose to drop out of school in order to work full-time to pay their bills.

Students need financial training. Economic education is essential for students to be successful academically and personally. Money management should be a key part of orientation for college freshmen and all college students should take a course in basic personal finance. Providing students with strategies that will improve their academic success and degree completion is critical.

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WEBSITE WORKSHOPS FOR SMALL BUSINESS OWNERS STUDENT TEAMS

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ABSTRACT

Our purpose was to help small businesses in Northeast Arkansas improve their bottom line by using the Internet to their advantage through a workshop. We offer the help of business students in setting up web sites. This course was taken by 38 participants who were either in an established business or planning to go into business.

Participants were asked in advance of the workshop to take a revised nationally normed Test of Economic Literacy [TEL]. The pretest mean of 32.82 was below the national average of 40.55 while the post-test mean of 45.61 was well above the national average. There was a 12.79-point improvement, representing a 26.15% improvement between the pre-test and post-test. We researched these details further and discovered that this difference was significant at the .01 level of testing using a Chi-square test of means. We also ran a regression analysis on the data and discovered that the only factor that was a significant predictor of success on the test was attendance in the class. We were able to rule out sex, race, age, educational background or years of business experience as significant predictors. These people picked up some entrepreneurial and economic information because of the class

We also ran a standard regression analysis on the data to determine which factors contributed most to the success of the individual business. The independent y variable was change in profit, as a percentage increase from the pre-workshop period. Our dependent x variables as reported in our follow-up survey included the estimated value of cash and property, which ranged from a low of $123,665 to $2.7 million. In general, the more assets held the greater the income and profit of the company. This came as no surprise.

Attendance at the workshop also proved significant with those participating doing significantly better than our 10 person control group. This demonstrated the real success of our workshop.

The establishment and use of a website developed at the workshop also proved significant. This was measured by the number of hits over a 14-month period, which ranged from a high of 18,344 to a low of 122 and an average of 2,991. The more hits the better the chance of sales and the higher the income and profit. Store sales also proved significant.

Time spent developing a website did not prove to be significant. The authored was pleased to discover that the difference between the pre and post experience as measured by the mean on the TEL was also significant. Those who learned more about entrepreneurship and economics increased their income more than those who did not. Knowledge is power.

We were not surprised to see that location was also a significant predictor of success. Those businesses closer to the University did better than those further away from the center of activity in Jonesboro, which is a town of over 50,000 with major medical and shopping facilities and a state university of 11,000.

Finally the type of business was also significant. With restaurants and food service related businesses doing the worst and manufacturing business the best. These manufacturing businesses were also better capitalized. We were very pleased to see that our workshop experience added to the bottom line of these small businesses.

EVIDENCE OF A COMPENSATING WAGE DIFFERENTIAL: QUARTERBACKS OR CORNERBACKS - DOES IT PAY TO PLAY ON TURF?

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ABSTRACT

Survey results from the NFL Players Association (NFLPA) showed that over 90% of players believed artificial turf was more likely to contribute to injury and shorten their careers. Compensating wage theory claims that workers who are employed in riskier jobs receive a higher wage to compensate for this risk. Some players (depending on their home turf and their division schedules) are more likely to play on turf. Grouping players by position, we use individual data from 2001 through 2003 to examine whether players receive a compensating wage differential for playing on turf.

THE UNINTENDED SIDE EFFECTS OF STANDARDIZED TESTING

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ABSTRACT

Standardized testing has become a way of life in the United States in grade levels reaching from elementary school to high school. (There is actually a large variety of standardized tests available and in use at the post-secondary level as well, but the focus of this research paper is the formal schooling that students receive before entering college.) Anecdotal evidence suggests that schools attempt to exempt certain students from taking particular standardized tests because they can gauge fairly well which students would not do well on the test. This is an understandable reaction on school teachers' and administrators' parts since a school's reward for performing well or sanctions for not performing well, while somewhat varied from state to state, can be substantial. Legislators, who are aware of the possibility of exempting students based on less than legitimate reasons, have recently passed various pieces of legislation at the Federal ("No Child Left Behind" Act) as well as often the state level in order to make such exemptions increasingly difficult.

Additionally, however, there is an aspect of standardized testing that has received less attention: Oftentimes, the framework of standardized testing is such that, in order to satisfy the goal, a school must exhibit a certain percentage of students that pass the exam. This is often the only performance measure that is used. In other words, it makes no difference by how much a student exceeds the expected performance level or, in the opposite case, by how much the student misses the goal. Given the nature of human beings, it can be expected that teachers, who often know who the "good," "medium," and "not-so-good" students are, attempt to focus their attention on the students they expect to reach a score in the vicinity of the target performance. If that is the case, it would imply that the "good" and the "not-so-good" students would receive less attention, which is not the intent. In my work so far, I have been unable to find such an effect. However, the data sets are small, there is considerable variation from one year to the next, and it is difficult to find the signal among the noise.

Finally, the Federal "No Child Left Behind" Act, as the name suggests, attempts to target every student's performance. However, it may go too far in the sense that schools (especially small schools) get "punished" if they happen to have a class of students that do not perform well, despite the teaching staff's best efforts.

TELEVISION PROGRAMMING AND THE (UN-)WILLINGNESS TO PAY

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ABSTRACT

Television critics seem to be at odds with the networks' tastes. Critics' favorites often do not "survive" for more than a season or two (if that!), while shows that are typically considered mediocre at best by critics often thrive for several seasons. Examples of the former are Arrested Development (whose number of ordered episodes was just reduced by Fox), Freaks and Geeks, and the multi-Emmy-winning St. Elsewhere, while examples of the latter include Everybody Loves Raymond (at least in recent seasons), Just Shoot Me, and According to Jim.

The number of viewers (especially in the lucrative young to middle-aged adult portion of the population) are, of course, a main determinant of the price a network can charge for a 30-second advertisement spot. It is thus not surprising that the number of viewers (and the share in a given timeslot) have a greater impact on the longevity of a TV series than critics' reviews.

This paper suggests that there may be an alternative. The crux with the above-described scenario is that each viewer counts as much as the next viewer (at least within the same socio-economic group). This approach neglects to take into account, however, how much a viewer enjoys a particular program. In the language of economics, a viewer's (marginal) utility and, hence, willingness to pay is not part of the consideration. Put differently, two viewers may prefer According to Jim to Arrested Development, albeit not by much, while another viewer has the opposite preference between those two shows, but she has a strong preference for Arrested Development. The end result, however, is that twice as many people will be watching According to Jim than Arrested Development.

Premium services such as HBO or Showtime attempt to address the illustrated problem. They offer the possibility of paying an additional monthly amount in exchange for fairly "viewer-tailored" programming. Not surprisingly, shows such as The Sopranos and Sex and the City have won both critical acclaim (and multiple Emmys) and commercial success. Similarly, on-demand viewing, which, in essence, functions as a large digital storage device that allows viewers to watch a particular program at their leisure is an attempt to cater to viewers who do not want to be dominated by the taste of the masses.

IMPROVING THE ESTIMATION OF THE IMPACT OF IMMIGRATION

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ABSTRACT

The United States experienced high levels of immigration in recent years, leading to concerns that immigrant workers may "drive down" the wages of natives. Estimates of the effects of immigration on the wages of natives in the existing literature are typically small. Two potential problems of the dominant research approach may help explain such small estimates.

The by far most commonly used approach is called "area analysis" because it examines the relationship between immigrant intensity and natives' earnings across areas. There are two features of area analyses, however, which may obscure some of the negative effects, should they in fact be present. The first potential problem of area analyses is that it is difficult to control for factors other than, possibly, immigration which affect wages when the relation between the wages of natives and the share of immigrants in an area is studied. The second potential problem of area analyses is their assumption that natives do not respond in any way if their wage does fall due to immigration. This seems unrealistic because they may change jobs, relocate, or even leave the workforce altogether in order to "escape" immigrant competition.

In this paper, I suggest ways of addressing these problems. In order to deal with the first problem, I examine the native wage distribution to investigate whether and how an immigrant inflow affects wage differentials (rather than the mean wage or a certain centile of the wage distribution). Doing so will address the problem of how to control for wage determinants other than immigration in a metropolitan area, assuming that all natives in that area are equally affected by such factors. I partially address the second problem by imputing wages for male natives who are not in the workforce. Such imputations allow me to include individuals in the wage distribution who may have left the workforce in response to increased job market competition due to immigration. Finally, I do not make an a priori assumption about which natives will be affected by immigration more than others as previous research has frequently done. Instead, I examine different parts of the native wage distribution to investigate whether and how an immigrant inflow affects wage differentials.

Based on a regression with cross-sectional Census data, I find that recent male immigrants increase the overall wage dispersion among male natives, an effect which is present in both the lower and the upper half of the distribution, but the estimated effects are small. My conclusions are consistent with results from previous research, yet this paper adds to the literature in that I use a different, arguably preferable, approach by examining wage differentials (instead of alternative wage measures), by imputing a wage for non-workers, and by examining the entire wage distribution (as opposed to only a certain segment of the population).

THE RETURNS TO FOREIGN EDUCATION

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ABSTRACT

The estimation of the impact of various factors on an individual's wage has a long-standing tradition in labor economics. One of the most prominent of those factors is formal education. Not surprisingly, individuals with more education, on average, exhibit higher wages.

While studies have attempted, for example, to estimate different rates of return to education between public and private schools, there is one aspect that has not received much attention, however, and that is the question whether it matters where the education was obtained. In this country of immigrants, a substantial portion of the labor force received (at least parts of) their formal education in a foreign country.

In my empirical work, I distinguish between U.S. and foreign education to estimate different rates of return. My results suggest that, indeed, foreign education is less valuable in the U.S. job market in terms of the rate of return it earns.

POSSIBILITY OF RUSSIA BECOMING A STRONG ECONOMIC POWER HOUSE DRAFT

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ABSTRACT

Today practically all socio-political groups and blocs in Russia are debating the country's future along with opportunities of economical growth, but are suggesting very different ways of solving existing problems.

This study will attempt to demonstrate if Russia is capable of becoming a country with strong economy in the near future. After studying various points of view, the most likely result seems to be that Russia indeed does have an encouraging prospect. Russia's natural factors call for future growth and substantial development opening doors so that it may become one of the leading countries. However, the people and the political factor could divert that positive prospective outcome into three very different paths: sliding into a negative direction of past circumstances; maintaining its status quo with slow growth in a positive or a negative direction; or leaping forward into its natural potential of growth and prosperity.

IS A HOME COUNTRY BIAS BENEFICIAL IN INTERNATIONAL INVESTING

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ABSTRACT

All investors eventually evaluate the options and possibilities of investing internationally. Many have been successful in doing so in the past, however, great skepticism still exists in the minds of investors. This skepticism due to factors such as varying political and economic policies, exchange rate fluctuation, but it is mainly because we just don't know. A home country bias is what keeps domestic money domestic. It is instilled in all of us, creating the idea that we need to keep our money in our country. This is a good idea in terms of investing domestically and aid in the growth of the home country. The fact is, the bias exists not because we want our home country to flourish with our own money, but the risk and uncertainty involved is too much for us to take. Although this bias can also scare the investor away from a possible profit, the capitalist society we live in has produced many followers to this unknown form of equity trading.

This paper will discuss advantages and disadvantages of the home country bias; a study will also be evaluated showing the aspects of investing internationally, mainly in emerging markets. Examples of success and failure will be analyzed as to prove that the bias is indeed present and plays a big role in the success of domestic investing.

CONSUMER RECOLLECTION ABOUT AIRLINE SAFETY

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ABSTRACT

This paper assesses the impact of airline accidents on the consumers' ability to recollect over time and update beliefs. Consumer beliefs are specified with a Poisson distribution that updates over time. Using a two-stage least squares procedure with fixed effects, I find that passengers of small carriers tend to forget about accidents over time and update their beliefs positively toward their respective airlines while passengers of large carriers do not exhibit such a behavior. Furthermore, under an alternative specification where the gravity levels of accidents are ranked, I find that accidents resulting in minor injuries have no statistically significant impact on enplanement, while accidents with serious injuries and fatalities lead to an adverse impact on enplanement.

BUSINESS CYCLE HETEROGENEITY AND ANECDOTAL EVIDENCE OF GENERAL TREATMENTS FOR SPECIFIC ECONOMIC PROBLEMS

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ABSTRACT

This paper explores the behavior of macroeconomic authoritative agents in developing general policy prescriptions to correct undesired macroeconomic outcomes. The investigations include some examples and empirical evidence of widely accepted policy responses as remedies that do not address specific economic problems but instead simply affect desired changes in the indicator variables.

The Business Cycle Heterogeneity Hypothesis (BCHH) is introduced, and policy actions are explored for dealing with the historical macroeconomic cases presented. These historical accounts confirm underlying causes of undesirable macroeconomic outcomes, and also confirm that policies designed to provide corrective remedies have indeed produced predicted changes in the indicator variables. Yet, these same policies also created abnormal behaviors, or side effects, in response to the policy's stimuli. The paper concludes with some suggestions for how recognizing heterogeneity in business cycles could be used to develop specific, more effective, and less disruptive corrective actions.

ATYPICAL WORK AND THE JOBLESS: WHERE DOES IT LEAD?

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ABSTRACT

Atypical work arrangements (AWAs) such as consulting, contracting, oncall, and temporary work have long been viewed as offering workers unstable and insecure employment. These work forms, however, may provide a unique means for the jobless to leave unemployment. Analyzing data from the Contingent and Alternative Employment Arrangement Supplement to the Current Population Survey, we test the hypothesis that AWAs serve as a pathway out of unemployment and foster a greater degree of employment stability for the jobless. We investigate the labor market outcomes of the jobless over both a one month and one year time period. When compared to those jobless workers who opted against an offer of atypical employment, we find that the jobless who engaged in AWA employment are significantly more likely to be observed as holding employment of some kind one month later. Expanding the window to a one year time interval slightly diminishes the effect that atypical work holds on a worker's re-employment rates. Those jobless who initially take an offer of atypical work are thirteen to twenty-six percentage points more likely to be employed at the end of a one year period than are those who shunned atypical employment.

SO YOU WANT TO BE A MILLIONAIRE?

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ABSTRACT

Utah is one of the top five states in bankruptcy per capita. This high level of bankruptcy is troublesome and is perhaps an indication of a lack of preparation of the financial fundamentals needed to succeed in our very complicated world. By the time individuals file bankruptcy, they have typically borrowed more than they could ever hope to repay, used credit cards with high interest rates to keep up with payments that they can't cover from month-to-month, ruined their credit ratings, and lost many of their possessions, sometimes including their homes.

High school math students often ask, "when will I ever use this?" In an effort to improve the financial preparation of future generations, we suggest teaching high school math students the basics of financial analysis. They can begin to develop a feel for the world that they are rapidly approaching. They can begin to understand the issues raised when debt financing is used. At the same time, they can practice the mathematical skills being developed in the classroom.

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