INDIVIDUAL ECONOMIC BEHAVIOR: SOME CLUES TO THE ROLES OF INTERNAL AND EXTERNAL CONDITIONS AS MOTIVATORS FOR BEHAVIOR

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ABSTRACT

A survey of 842 respondents was conducted in three countries: the United States, Canada, and Australia. The U.S. and Canadian samples were randomly drawn from the general publics of those two countries. The Australian sample was limited to buyers of wine (a sample of opportunity). In all three countries, identical questions were asked covering several issues:

- perceptions of economic behavior changes occurring in the past three months;
- perceptions of changes in the economic circumstances in the past three months (including aspects of the general economy and aspects of individual financial circumstances):
- LOV scales of personal values, and demographics.

For this work in progress, stage one of analysis is complete. The various indicators of economic circumstances have been factor analyzed and four factors have been selected: (1) interest rates, (2) economic indicators (taxes, inflation, unemployment), (3) confidence in the economy, and (4) personal economic conditions (job security and personal income). (NOTE: every item loaded on its factor with a loading of .60 or higher and no item loaded on any other factor by more than .40.) Orthogonal factor scores for these four factors were used in multiple regression analyses for four indicators of individual economic behavior: changes in personal indebtedness, changes in levels of spending on necessities, changes in levels of spending on discretionary items, and changes in savings.

Regressions were completed for the total sample of 842 individuals and also separately for each sample. The beta coefficients for the predictors from each country sample were compared with the beta coefficients for the other two countries. Of the 48 pair of beta coefficients tested, only one pair (Canada vs Australia, the beta coefficient for the personal circumstances factor in predicting changes in indebtedness) showed a statistically significant difference. Subsequent analyses used only the total sample. Total sample regression results are shown below in the table.

Dependent Variable	Adjusted r^2	Interest Rates	General Economic Indicators	Confidence in the Economy	Personal Economic Circumstances
Indebtedness	.05	.14*	.33*	-.02	-.14*
Necessary Spending	.11	.08*	.36*	.04	.0
Discretionary Spending	.09	.00	.06	.19*	.35*
Savings	.22	.04	-.27*	.27*	.67*

* = statistically significant beta coefficient at $\alpha < 0.05$.

These results suggest that for non-discretionary behaviors (indebtedness, spending on necessities) the behaviors are more closely related to external factors (interest rates, economic indicators). In contrast, when the behavior is optional (discretionary spending, savings), the more personal factors (confidence, personal economic conditions) are better predictors. Stage two of the analysis will incorporate personal values and demographics as moderators of these relationships. At that time, the country samples will be revisited.