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From the Editor

Karen Eilers Lahey

Volume 8, Number 3, provides several articles that readers will find both interesting and challenging in terms of their content and conclusions. It is hoped that they will provide you with the necessary incentive to supply additional research in these very important areas.

The first article by Yaw Badu, Kenneth Daniels, and Daniel Salandro is entitled "An Empirical Analysis of Differences in Black and White Asset and Liability Combinations." The authors utilize data from the 1992 Survey of Consumer Finances, which is produced by the Federal Reserve Board in conjunction with the Department of the Treasury. They find that there are significant differences in risk aversion between black households and white households in terms of their choice of assets and the cost of liabilities. White households have significantly greater net worth and financial assets than black households. They raise some very disturbing questions in their conclusions concerning the differences in wealth accumulation between the two groups.

The second article, "Racial Differences in Investor Decision Making" by Michael Gutter, Jonathan Fox, and Catherine Montalto uses the 1995 Survey of Consumer Finances (SCF) to examine possible racial differences in risky asset ownership. The authors focus is on the effects of socioeconomic, financial, and attitudinal variables on risky asset ownership between black and white households. The two studies both find statistical differences in the descriptive data by race. This study suggests that the difference is due to racial differences in the individual determinants of risky asset ownership, not to race in and of itself.

John Grable and Ruth Lytton develop an instrument to measure financial risk-tolerance in their article entitled, "Financial Risk Tolerance Revisited: The Development of a Risk Assessment Instrument." In light of the first two articles' identification of differences in risk tolerance, an effort to develop a testable instrument of individual attitudes towards risk is important. Hopefully, others will be willing to administer it to a wide variety of individuals to determine its reliability and validity on multiple randomly selected samples.

A relatively recent development in the real estate brokerage industry is the use of affinity programs. Danielle Lewis, Randy Anderson, and Leonard Zumpano examine the efficiency of firms that use these programs in their article, "An Analysis of Affinity Programs: The Case of Real Estate Brokerage Participation." Their findings will be of interest to those in the industry and individuals who must select a brokerage firm.

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The last article, "International Mutual Fund Returns and Federal Reserve Policy" is written by Robert Johnson, Gerald Buetow, and Gerald Jensen. Their findings provide a possible explanation for home country bias of institutions and individuals when selecting financial assets.