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ABSTRACT

The document is the second in a series of four competency-based inservice teacher education modules in consumer education. The main objective of the program is to assist curriculum developers and elementary and secondary classroom teachers as they plan, develop, implement, and evaluate a multidisciplinary consumer education program. The present module presents a conceptual framework drawing on consumer and economic concepts and generalizations in nine areas: (1) production and consumption of goods and services; (2) scarcity, exchange, specialization, and economic interdependence; (3) economic freedom; (4) the market, equilibrium, supply, and demand; (5) business and industry; (6) government; (7) finance; (8) family/household financial planning; and (9) the consumer. The module also presents pretest exercises to assess knowledge of consumer concepts, an outline of concept clusters, suggestions for follow-up activities, and references. Learning activities involve teachers in filling in short answer blanks, role playing, answering questions, writing essays, drawing up budgets, taking multiple choice quizzes, and analyzing graphs, charts, and economic forecasts. Upon completion of the exercises in this module, teachers are expected to be able to demonstrate knowledge of a conceptual framework for consumers education and to identify and comprehend consumer education concepts related to the nine content areas. (Author/DB)

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A Conceptual Framework for Consumers' Education:

Teacher Education Module 2.

Flordia State Dept. of Education, Tallahassee.

SO 010 774

Project Title:
COMPETENCY-BUILDING IN CONSUMERS' EDUCATION
THROUGH MULTI-DISCIPLINARY TEACHER TRAINING

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The following individuals were principal consultants:

Module One —Dr. Joseph Hurst, Director of Consumer Education Project, University of Toledo

Module Two —Dr. James Charkins, Department of Economics, California State College, San Bernardino

Module Three—Dr. Dennis Hooker, Instructor, Brevard Community College

Module Four —Dr. Hazen Curtis, Emeritus Professor, Florida State University

Also, Dr. Frank Lowney, College of Education, Warren Wilson College, contributed to the modules.

The following persons served as the principal project staff: Dr. William Rader, Dr. Stanley Kmet, Mrs. Kathleen Funderburk. Dr. Pat Spears was co-director at the onset of the project.

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ABOUT THE MODULES

This module is one of four competency-based modules produced for use with in-service teacher education programs in the area of consumers' education. The principal purpose of the modules is to assist curriculum leaders and teachers with the planning, development, implementation and evaluation of a multi-disciplinary consumers' education school program. While the modules do not comprise a complete in-service program, they provide a substantial foundation for both elementary and secondary teachers.

Module 1 provides an orientation to this program area and presents a generalized curriculum framework for the shaping of instruction and curricula outcomes.

Module 2 presents a conceptual framework drawing on major consumer and economic concepts and economic generalizations which help comprise a core of competencies for the consumer educator. These concepts and generalizations provide the basis for curriculum building.

Module 3 provides a set of experiences designed to help teachers relate the above conceptual framework to existing traditional school subjects. Several exercises are provided to help the teacher integrate the above concepts and generalizations into an existing curriculum.

Module 4 provides experiences that will enable teachers to improve their techniques for the evaluation of student performance in consumers' education. Procedures for program evaluation are also outlined.

Each of the above modules is a self-contained product intended for teachers to complete at their own rate. One or all four modules can be used to improve competency in a given area. Each module contains a Terminal Performance Objective—a competency each teacher should acquire upon completion of the module. Enabling Objectives comprise subcompetencies teachers should achieve as they proceed through the module. Enabling Elements contain instructional content designed to help the teacher meet the Enabling Objective. Pre- and post-tests are provided to help the teacher determine whether the Enabling Objective has been mastered or where additional review is necessary. At the conclusion of the module a follow-up activity is suggested.

We sincerely hope that beyond creating basic teacher competencies in Consumers' Education, these modules stimulate a strong interest and enthusiasm in this vitally important field.

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RATIONALE

An understanding of the content of consumers' education is essential for a competent consumer educator participating in an effective educational program. This module will help you by presenting a framework that can serve as the blueprint for any number of productive approaches to teaching consumers' education. In the module, several economic and consumer concepts are introduced. These concepts can form the basis of an effective consumers' education program. By no means should it be assumed that the contents of this module comprise the entire subject-matter of consumers' education. It is hoped that it will serve as an incentive for further self-study. Consult the references cited or other appropriate materials.

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TERMINAL PERFORMANCE OBJECTIVE

The teacher will demonstrate knowledge of a conceptual framework for consumers' education presented in this module.

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ENABLING OBJECTIVES

The teacher will be able to identify and comprehend consumers' education concepts related to:

1. the production and consumption of goods and services
2. scarcity, exchange, specialization, and economic interdependence
3. economic freedom
4. the market, equilibrium, supply, and demand
5. business and industry
6. government
7. finance
8. family/household financial planning
9. the consumer

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PRE-ASSESSMENT

The teacher should complete the pre-assessment instrument before starting the module. The pre-assessment concerns itself with the knowledge base that is necessary to the terminal competency of the module. Users completing the pre-assessment with 100% accuracy should then consider themselves competent in this introductory material. Users not completing the pre-assessment with 100% accuracy should turn to page 7 to determine which enabling elements of the module warrant further study.

Circle the letter of the correct choice.

1. Which of the following is not a capital good?
   a. A pen used by a teacher to work on an instructional module.
   b. A shovel used to dig a ditch.
   c. A hula hoop used for recreation.
   d. A hammer used by a carpenter.

2. Which of the following statements describes a good but not a service?
   a. it uses capital.
   b. it results from a change in the form of a resource.
   c. it is produced by labor.
   d. its production is regulated by government.

3. Which of the following goods or services are scarce in economic terms?
   a. Oil.
   b. Medical care.
   c. Education.
   d. All of the above.

4. The opportunity cost of answering this question is:
   a. $5.00
   b. Anything else you could be doing.
   c. $4.00
   d. The cost of the module.

5. Which of the following provide illustrations of the effects of economic interdependence in the economy?
   a. A national railroad workers' strike.
   b. A coffee boycott.
   c. A bad winter in Florida.
   d. All of the above.

6. Which of the following statements is true about specialization?
   a. Specialization causes prices to rise.
   b. Specialization is only used by advanced economies.
   c. Specialization means less employment.
   d. Specialization requires exchange.

7. Some characteristics of a completely free enterprise system are:
   a. Profit motivation and price signals.
   b. Government regulation.
   c. Command economies.
   d. None of the above.

8. An economic system that has government take the place of competition is called:
   a. A democracy.
   b. Free enterprise.
   c. Command.
   d. Laissez faire.

9. The law of supply states that price and quantity supplied usually move:
   a. In the same direction.
   b. In opposite directions.
   c. Vertically.
   d. Horizontally.

10. The law of demand states that price and quantity demanded usually move:
    a. In the same direction.
    b. In opposite directions.
    c. Vertically.
    d. Horizontally.

11. What is the major reason people go into business?
    a. To make friends.
    b. To sell things.
    c. To make a profit.
    d. To help the economy.

12. Which of the following is an investment?
    a. Buying a factory.
    b. Buying a stock.
    c. Buying a bond.
    d. Putting your money in a Christmas Club account.

13. If the federal government wishes to control inflation, it should:
    a. Raise taxes and lower government spending.
    b. Lower taxes and keep government spending constant.
    c. Lower taxes and raise government spending.
    d. Raise taxes and raise government spending.

14. Which of the following economic measures may be more expedient for government to do?
    a. Lower taxes in a recession.
    b. Raise taxes in a recession.
    c. Lower taxes during inflationary periods.
    d. Raise taxes during inflationary periods.

15. What is a bank's main function?
    a. To provide check guarantee cards.
    b. To provide safe deposit boxes.
    c. To provide Christmas Clubs.
    d. To provide funds for investors from savers.

16. Which of the following is not a likely source of a family's income?
    a. Wages.
    b. Interest on savings account.
    c. Tax Refund.
    d. Rent from a mobile home.

17. Of the following items in a family's budget, which is likely to consume the smallest percentage of income?
    a. Personal care.
    b. Clothing.
    c. Taxes.
    d. Food.

18. Which of the following is not a major right of consumers?
    a. To choose.
    b. To shoplift.
    c. To be heard.
    d. To be safe.

19. Which of the following is not a usual consumer practice?
    a. Shopping.
    b. Borrowing.
    c. Advertising.
    d. Budgeting.

20. Which of the following is not a law designed to protect consumers?
    a. Employment Act of 1946.
    b. The Fair Credit Reporting Act.
    c. The Consumer Credit Protection Act.
    d. The Fair Packaging and Labeling Act.

ANSWERS TO PRE-ASSESSMENT

Item	Answers	Enabling Element	Page
1	c	1	10
2	b	1	10
3	d	2	13
4	b	2	13
5	d	2	13
6	d	2	13
7	a	3	18
8	c	3	18
9	a	4	20
10	b	4	20
11	c	5	28
12	a	5	28
13	a	6	31
14	a	6	31
15	d	7	33
16	c	8	36
17	a	8	36
18	b	9	39
19	c	9	39
20	a	9	39

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AN OUTLINE OF CONCEPTS PRESENTED IN THIS MODULE

I. **Production and consumption of goods and services.**
   A. Good
   B. Service
   C. Production and Consumption
   D. Household
   E. Capital Goods
   F. Distribution

II. **Scarcity, Exchange, Specialization and Economic Interdependence**
   A. Scarcity and Choice
   B. Opportunity Cost
   C. Exchange, Specialization, and Economic Interdependence

III. **Economic Freedom**
   A. Free Enterprise and Competition
   B. Profit
   C. Other Economic Systems

IV. **The Market, Equilibrium, Supply and Demand**
   A. The Law of Demand and Consumer Behavior
   B. The Law of Supply and Producer Behavior
   C. Equilibrium
   D. Consumer Behavior

V. **Business and Industry**
   A. Resources
   B. Capital
   C. Investment
   D. Risk
   E. Profit

VI. **Government**
   A. Economic Fluctuations
   B. Government Spending and Taxes
   C. Consumer Credit
   D. Consumer Protection

VII. **Finance**
   A. Saving
   B. Interest
   C. Investment

D. Banking
E. Insurance

VIII. **Family/Household Financial Planning**
A. Income
B. Budgeting
C. Credit and Borrowing
D. Advertising
E. Consumer Shopping and Buying Techniques

IX. **The Consumer**
A. Information
B. Consumer Choice—The Right to Choose
C. The Right to be Heard
D. The Right to Safety
E. Consumer Responsibilities
F. Right to Consumers' Education

ENABLING ELEMENT 1

Production and Consumption of Goods and Services

In all societies, people make things and they do things. Sometimes they do things only for themselves, other times they do things for others. Sometimes they use everything they produce themselves, sometimes they make them for others. Together, all these actions of making, using and doing, and "giving" to others are called **production, consumption** and **distribution.**

A. Concept: **Goods**

A good is a thing that is produced, made or manufactured. You buy goods constantly at the grocery store, the clothes store, the gas station, the bookstore and many other types of stores.

Stop! List the last five **goods** that you have purchased.

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________

Your list should have included only **things**, such as food from the grocery store, items for use in the house or apartment, coffee from the coffee machine, or clothing.

Ycur list has to be carefully written. Hopefully you didn't list any **services.**

B. Concept: **Service**

Why was a gas station once called a **service** station? ______________________________

____

Why would it often be a misnomer to call it a **service** station today? ______________

____

In many parts of th. ɔuntry, gas stations or filling stations are called "service" stations because they provide a service. They wash windows, check oil, fill tl.e gas tank, check the tires and the battery water level. Self service gas stations usually don't perform any of these services. The question arises, "What is a service?" A **service is an action performed by an individual** or business to **benefit a consumer** or another **business.**

Stop! Do you have your hair cut? ______ Do you have your car serviced or repaired? ______ Do you teach? ______ Then you a·e the consumer of, and the provider of, a service.

C. Concepts: Production and Consumption

Many individuals with whom you are familiar are consumers and producers. As a matter of fact, you illustrated the concepts in the last exercise. When you use goods or services, you are consuming. When you make goods or provide a service, you are producing. What do you produce? (goods or services) ______________
What services have you consumed, or used, in the last week?

1. ______________________________
2. ______________________________
3. ______________________________

The answers to these questions will be fairly personal and so we don't wish to delve too deeply into them. Obviously, you produce a service called education. But you also produce many other services and, perhaps, goods for which you don't get paid. You might make handicrafts of some sort, write letters to friends and/or relatives, and provide many goods and services that you yourself consume. So you also consume many goods and services. Any time you use something for your own ends (not your financial gain) then you are consuming. You probably consume services such as cleaning, cooking and serving (when you eat at a restaurant), housing and others. The act of consuming, strangely enough, is called consumption! Can you guess what the act of producing is called? ______________ Good. You catch on quick!

D. Concept: Families and Households

A household, like a family, is a consuming unit. If you live alone, you are a household every time you consume a good or service. If you are a member of a family or live with others, you are part of a household everytime you consume.

E. Concept: Capital good

A capital good is a good that is used by businesses to produce goods and services for sale.

Capital goods are produced for the purpose of making other goods and services. Conveyor belts and tractors are examples. We'll talk more about them below.

For each of the following, put a check (√) next to the capital goods and an (X) next to the consumer goods. Answers are on the next page.

______ Speedboat used for pleasure
______ Blow torch used by a professional
______ Welder wrench used by a professional plumber
______ Plant used to beautify a home
______ Toys
______ Road grader

F. Concept: Distribution

As societies become more sophisticated, with more people producing for trade or sale, a problem arises. "How do goods get to the consumers?" This is the world of distribution. Distribution relates to the performance of activities that direct the flow of goods and services, including their appropriate marketing, from the producer to the consumer or user. These activities include selling and such sales-supporting functions as buying, transporting, storing, promoting, financing, marketing research and management. Some kind of distribution system is essential to the smooth functioning of the economy. In the American system money functions as a medium of exchange and facilitates distribution.

In the lemonade illustration, you will notice that there is evidence of capital—the lemonade stand itself, the pitcher, and the glasses. There are producers and consumers along with representations of the concepts of distribution, price and tax.

(X) Speedboat, Plant, Toys

(√) Blow torch, Wrench, Road grader

ENABLING ELEMENT 2

Scarcity, Exchange, Specialization and Economic Interdependence

All societies have wants greater than their resources are able to fulfill, creating the condition of **scarcity**. The cost of fulfilling these wants is measured in terms of what must be given up in order to secure them. People are forced to make choices. Because of **scarcity**, **specialization** has evolved to reduce the inequality of wants and resources. Specialization requires **exchange**, causing people to become more **interdependent**.

A. Co[illegible]ts: **Scarcity and Choice**

When you decided to specialize in something, you made a choice. Though our choices are somewhat determined by such things as age, education and family resources, we all make choices. Choice is perhaps the most important concept in all of consumers' education. It is obvious that very few individuals have all that they want. Goods and services are scarce relative to their wants. Each household and family has to make daily **choices** about what it is going to do, what it is not going to do, what it is going to buy and what it is not going to buy.

The reason households and families have to make **choices** is because they don't have enough time and money to do and buy all the things they would like. Scarcity exists. By the same token, an economic system cannot produce all that it would like. It would be nice to have all the defense systems the Defense Department would like, all the machines private business would like and all the cars, houses and televisions households and families would like. But individuals can't have all these things because their incomes are limited. Nations and individuals are forced to choose what they want. **Choices** are made in production and consumption. (What do businesses make? What services does government provide? What goods and services do people buy and use?)

Stop! Let's see how this relates to you..

What is your monthly income? ____________________

Make up a rough budget of how you spent your income last month.

Housing ____________________	Recreation ____________________
Car ____________________	Education ____________________
Food ____________________	Utilities ____________________
Clothes ____________________	Miscellaneous ____________________

It is said that we all have wants and needs and that they are unlimited. Some would go so far as to say that the more a person has, the more he or she wants.

Stop! List the five material things you need most to survive.

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________

You probably listed items like food, clothing, shelter, transportation and health care. Most would agree that these are pretty basic needs. But assume we went beyond these basic needs.

Stop! List the three things you would most like to have that you do not now possess.

1. ______________________________
2. ______________________________
3. ______________________________

If you had these, could you make up a list of three other things you'd like to have? The point of this exercise is to show that very few of us are satisfied with our material possessions. Human wants are unlimited.

As a result, scarcity arises. While the U.S. may have a vast amount of material, human and capital resources, it does not have enough to satisfy everyone's wants. Some people in the U.S. don't even have the resources to satisfy their needs. The old, the handicapped and disabled, the unemployed in many cases do not get enough to eat. On a more general basis, the U.S. does not have enough clean air to satisfy the environmentalists, enough defense to satisfy the military, enough or high enough quality education to satisfy parents, enough welfare to satisfy the poor. On a personal level, your income is not sufficient to fulfill all your wants. That's why we say goods and services are scarce. It doesn't mean there aren't lots of them, it simply means that there's not enough to satisfy everyone.

Stop! List five things, other than those already mentioned, that are "scarce" for the nation.

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________

You could have listed almost any good or service that is desirable such as safety, health services, food for the poor. All goods and services (with the possible exception of government!) are scarce.

Is it possible that what's scarce today might be plentiful tomorrow? During times of drought, water is scarce; during floods, it's not. So the degree of scarcity can change from time to time and place to place.

B. Concept: Opportunity Cost

Because of scarcity, nothing is "free." Everytime the economy produces one thing, it uses resources that could have been used to make something else. Everytime you buy something, you are foregoing the purchase of a number of "other things." Everytime you do something, you give up doing something else.

Stop! What are you doing now?

1. _______ Tuning my car
2. _______ Washing my hair
3. _______ Reading an exciting instructional module
4. _______ Whistling "Dixie"
5. _______ Feeding my pet rat.

Chances are pretty good that you checked No. 3. The fact is that by checking any one of these activities, you automatically eliminated the others.

Stop! Assume you have $5.00 to spend. Will you spend it on:

1. _______ Two tickets to the movies
2. _______ A big box of chocolates
3. _______ A book that you need
4. _______ A pet rock along with a guide to care and cleaning
5. _______ A new record or tape.

Once again, if you checked one of these, you eliminated the others. In other words, the "cost" of a particular item or activity is not necessarily the money you paid, but the things you gave up to do or buy it.

If someone told you that college education was "free," you would know that was false since students give up a certain amount of income and activities to earn a degree. When you earned a teaching credential, you gave up some time and some income you might have been earning to get that credential. As I write this module, I am foregoing other activities. When a steel plant produces its output, the economy gives up some clean air and possibly some clean water. When a plane goes by, we give up some peace and quiet.

Stop! Evaluate the statement that police protection is free because we don't have to pay for it.

1. Who does pay for it?
2. What does society give up when it requires more police protection?
3. Is police protection free?

In the supermarket, "free" samples are sometimes given. Why are they **not** free?

The fact is that nothing is "free." While there may be no monetary cost to the consumer, there are always costs to the society. Because the particular goods or service was produced, something else was not produced. This is called **opportunity cost**. The opportunity cost of reading this module is all the other things you might be doing. The opportunity cost of buying the two tickets, chocolates, pet rock, book or record or tape is the next best thing you did not buy. The opportunity cost of police protection is whatever else might have been produced had the human and capital resources been used elsewhere. **Opportunity costs** measure the opportunities foregone when a good or service is produced or purchased.

C. Concept: **Exchange, Specialization, and Economic Interdependence**

In any other than a Robinson Crusoe economy, people generally buy and sell (or trade) things. The reason they do this is because some people are better at making some things than others. It doesn't make a lot of sense to bake bread, milk the cows, make clothes, shoes, etc. As people specialize in making certain things, they become more efficient as a result of increased knowledge and skill. They can produce more units of output during the working day. They become faster and better as they learn the "ins and outs" of their product (especially if they happen to be doormakers!).

They then can take the goods they make or the services they provide and exchange them for other things they need. So the candlemaker exchanges his candles for everything else he needs. This is called a barter economy. Barter is the exchange of one thing for another—it's trading. Barter has been the major form of exchange through most of the history of the world. It is cumbersome, however. Because it's difficult to haul cows and horses and shoes around with you when you want to buy something, people started using money. At first, different commodities were used as money. This also had disadvantages so individuals began to accept coins and paper currencies as the medium of exchange.

As individuals began specializing in making certain things, they found that they were able to "buy" more and more things. They became dependent on the butcher, the baker and the candlestick maker, and were no longer independent; they were **interdependent**.

We are all interdependent. We depend on family, friends, businesses, and government. The more we advance technologically, the more we depend on others. The more we want or need, the more dependent we become.

Stop! Are you sitting in a chair? ______ Are you working at a desk? ______ Where did you get the chair or desk? ______ How many people would you guess were involved in getting the desk or chair to you? ______ What did you have for dinner last night? ______ How many people would you guess were involved in getting the food to you? ______ You are a teacher. Would you say that you have decided to specialize in teaching and, as a result, don't make desks, chairs and everything you eat? ______ In other words, because you specialize, you have become dependent on others, just as your students depend on you. We are economically interdependent. We depend on others to produce goods and services for us, they depend on us to buy their goods and services. Children depend on you to teach them. You depend on them to "require" your services.

To see how well you have mastered these concepts, here are a few questions for you to answer.

1. Which of the following production factors are scarce in economic terms?
   a. Iron ore
   b. Water
   c. Trees
   d. All of the above.

2. The opportunity cost of answering this question is:
   a. $5.00
   b. $4.00
   c. The cost of the module.
   d. Anything else you could be doing.

3. Which of the following statements describe a good but not a service?
   a. It results from a change in the form of a resource.
   b. It is produced by labor.
   c. It uses capital.
   d. Its production is regulated by government.

4. Which of the following provide illustrations of the effects of economic interdependence in the economy?
   a. A national railroad workers strike.
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   c. A bad winter in Florida.
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   a. Specialization requires exchange.
   b. Specialization means less employment.
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   a. A pen used by a teacher to work on an instruction module.
   b. A shovel used to dig a ditch.
   c. A hula hoop used for recreation.
   d. A hammer used by a carpenter.

ANSWERS (1-d, 2-d, 3-a, 4-d, 5-a, 6-c)

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ENABLING ELEMENT 3

Economic Freedom

Every economic system is characterized by choice. The free enterprise system is characterized by competition, individual choice and profit motivation. One of the basic premises of a free enterprise system is private property.

It is often said that the United States is a free market system, and that individuals have the right to make their own choices concerning what they buy and do not buy. At the same time, producers are able to choose the things they wish to produce. Somehow, through some magic formula, the things people want to buy are usually the things producers want to produce. Competition is that magic formula.

In other economic systems, the government takes the place of competition. The government decides what should be produced and what people should buy. These governments are usually called "socialist" or "planned" as opposed to our "capitalist" or "free enterprise" system.

A. Concepts: Free Enterprise and Competition

The basis of a free enterprise system is that all people are free to choose what to buy, what to make, and what to sell. The problem is that people who make things have to guess what people are going to choose to buy—a risky proposition. In the free enterprise system, prices tend to act as signals. If prices of frisbees go up, this can indicate that people want to buy more frisbees than businesses are making. So, more people move into the frisbee business. This is called increased competition. Sellers compete with each other to sell their products. In a perfectly competitive society, prices go up and down as sellers try to sell everything they have made. Buyers can also compete to purchase things. That's what an auction is abo' people bidding to buy a painting, a horse, or even a candy bar! Sales are another good example of people bidding to buy goods. They often wait in line for stores to open, then rush into the stores to be sure to get there first. This is a form of non-price bidding.

Stop! Make a list of three people or groups who have tried unsuccessfully to sell you a good or a service.

1. ______________________________

2. ______________________________

3. ______________________________

Why were they unsuccessful? ______________________________

____

____

Chances are that they couldn't convince you that you wanted or needed the product, their price wasn't right, or you just didn't feel like buying it. In any case, you chose not to make the purchase.

The free enterprise system means what it says—individuals are free to choose the type of enterprise in which they wish to engage. Through the use of competition, prices signal which enterprises might be useful to enter. Business people respond to these signals and enter those enterprises which look most promising. No one tells them which businesses they may or may not enter. No one forces anyone to purchase their output. It is a free enterprise system.

Stop! The U.S. is a free enterprise system. Do you believe this statement? List three activities of government in a free enterprise system.

1. ____________________

2. ____________________

3. ____________________

Did your list include any of the following: control of prices, licensing of tradesmen and professionals, taxing and subsidizing, or zoning? There are many different ways in which the government intervenes in the free market. We'll discuss the role of the government when we deal with consumerism.

B. Concept: Profit

The free enterprise system is directed by the opportunity for profit. A firm enters an industry if it expects to make a profit, i.e., if the firm expects total receipts to exceed total costs. No profit is guaranteed, however, and it is quite possible that a firm may suffer a loss, or even go out of business.

C. Concept: Other Economic Systems

The U.S. is generally considered to be a free enterprise system. Every time government regulates the system, it becomes less free. In fact, consumer demand for protection results in limits to consumer choice. The U.S. government regulates many aspects of our economic life. Some examples are food inspections by the Department of Agriculture, price setting by the Civil Aeronautics Board and the Interstate Commerce Commission, state and local licensing boards for many professions, property taxes to support education, etc. So we are not a completely "free" enterprise system—we are merely one end of the spectrum. At the other end of a continuum from perfectly free to complete regulation, the socialist economies of China, the Soviet Union and others are almost completely subject to government regulation.

A third type of economic system is one characterized by tradition. There are still a few places in the world where goods are produced in the same ways year after year by the same families.

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ENABLING ELEMENT 4

The Market, Equilibrium, Supply and Demand

Now that you thoroughly understand consumption, production, profit, and free enterprise, let's see how it all fits together. In order to put it all together, you need to understand how consumers act when prices change, how producers act when prices change, and how it all fits nicely together in the seventh state of bliss called equilibrium.

A. Concepts: The Law of Demand and Consumer Behavior

The law of demand can be stated very simply. If the price of a goods or service goes up, the amount consumers will wish to buy goes down. If the price of a goods or service goes down, the amount consumers will wish to buy goes up. That usually seems to make sense—it's why businesses have sales. Let's see if it makes sense to you.

Stop! If the price of beef doubles, will you consume more, less, or the same?

____

If you answered less, you're a normal consumer following the law of demand. If you answered any other way, either you like beef an awful lot or you seldom eat it anyway.

If the price of red delicious apples falls to five cents a pound, is it possible you might consume more? ______ If you answered yes, you're a normal apple consumer. If you answered no, you've run across a lot of worms in your day.

Let's set it up a little differently. Fill out the number of apples per week you would buy at the following prices per apple:

Price	Quantity Demanded
$2.00	__________
1.00	__________
.50	__________
.40	__________
.30	__________
.20	__________
.10	__________
.05	__________

If you are a "typical" consumer, you bought more as the price fell.

The law of demand can be illustrated with a curve. Each point on the graph is connected to form a line or curve.

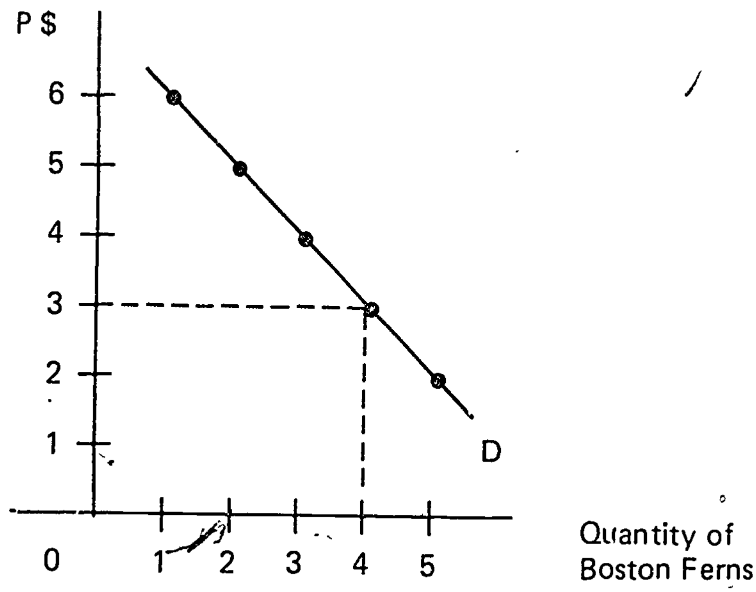


Figure No. 1

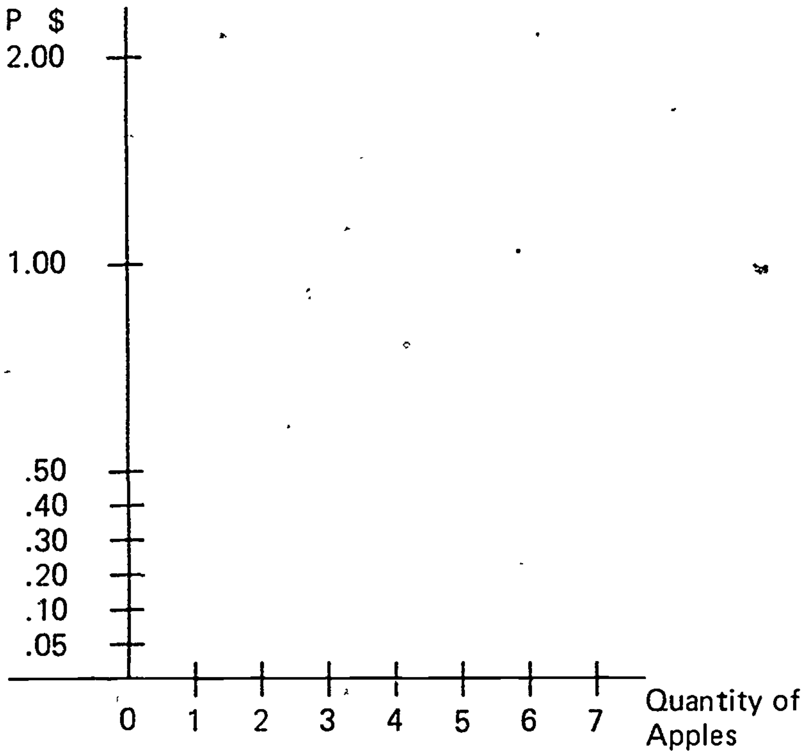
This curve represents a demand schedule relating the price of the item to the quantity demanded.

Price	Quantity Demanded
$6.00	______
5.00	______
4.00	______
3.00	______
2.00	______
1.00	______

Stop! Fill in the blanks. How many Boston ferns would be bought at $3.00 per Fern? ______ If you answered 4, you got it! How do you know it was 4? You looked at the demand curve. At a price of $3,00, you draw a line across to the curve, then drop down to find the quantity demanded.

Good, good, good. This demand curve shows that as price falls, quantity demanded increases; as price rises, quantity demanded falls.

Stop! Now draw a rough sketch of your demand schedule for apples on the graph on the following page.



Don't be upset if it doesn't come out as a straight line. It would actually be surprising if it did.

Now that you understand the law of **demand**, we need to make one qualification. The only thing we allowed to change was the price of apples—this caused a change in the amount you were willing to buy. That's all a demand curve shows—change in quantity demanded in response to a change in price.

B. Concepts: **The Law of Supply and Producer Behavior**

Now we know how you, the consumer, reacts to a change in price. How does a producer react to a change in price? Similarly, but differently—that pretty well clears it up, doesn't it? Well, let's see if we can get a little more specific.

Let's assume you go into business. Why are you in business. To make a profit. O.K., how do you make a profit? By selling goods and services at prices higher than your costs. Let's see if we can show that on a graph. Assume that each unit of new output (product) adds a bit more to your costs. (This is not always true, but it will occur eventually.) If you have one teacher per thirty students, an additional teacher would be a big help. A third might even be helpful. But, if you go very far beyond that, you'll start getting in each other's way, you'll probably disagree on methods, and it will be education by committee. The students may get less education than when there were two teachers. Thus, the cost per unit of education will be increasing. So let's assume you produce mohair mud flaps for '57 Chevrolets. Your cost schedule might look something like this:

Quantity Produced (Mud flaps)	Additional Cost Per Quantity Produced	Price Required To make it Worth Your While
1	$ 1.50	$ 2.00
2	3.50	4.00
3	5.50	6.00
4	7.50	8.00
5	9.50	10.00
6	11.50	12.00
7	13.50	14.00
8	15.50	16.00

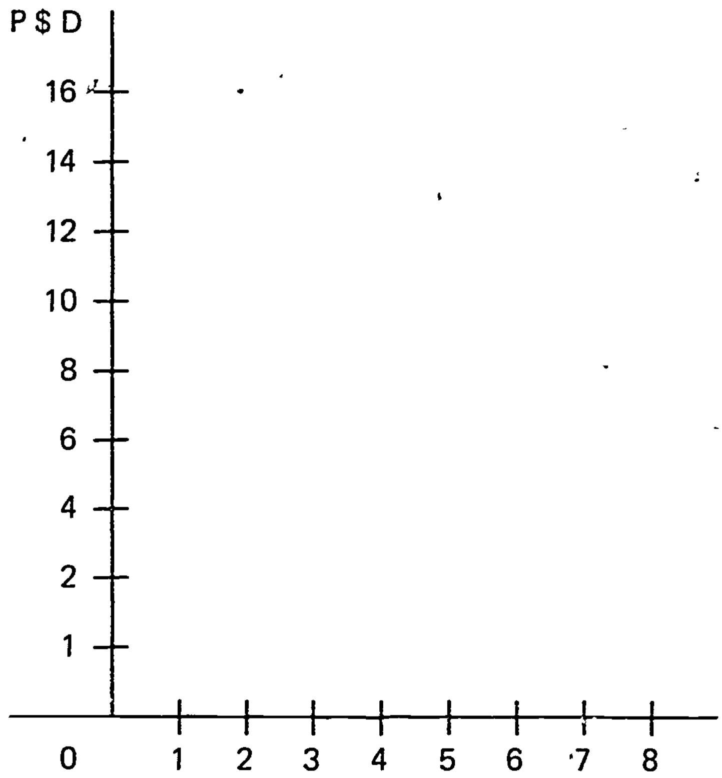
For each additional mud flap produced, your additions to cost increase. If you assume a $.50 price over and above the costs of producing flaps, you will need $2.00 per flap before you'll produce any flaps. If you can't get $2.00, it's not even worth your while to produce a flap. But your next flap costs you an additional $3.50 to produce (Mohairs are getting harder and harder to find). So, you need at least $4.00 for the second flap if you're going to produce it. Thus, the higher your additions to cost, the higher the price you're going to require to produce the output. So, quantity supplied and price move in the same direction. And that, my fine feathered flapper, is the law of supply. Stated very simply, the higher the price, the more a producer will be willing (able) to produce. Not bad! Conversely, the lower the price, the less the producer will be willing (able) to produce.

Stop! Let's try it out. If you're a circus clown doing one two-hour show a day, earning $100 and the management offers you four times as much to do two hours a day, would you do it? (Assume nothing changes but your wage.) If you said yes, you've just illustrated the law of supply.

Another example: If the price of pork stays where it is, and if the price of corn goes up, farmers are likely to produce more corn in the next planting period. Higher prices induce greater output.

Let's go back to our mohair mud flap example.

Graph the supply curve of mud flaps on the following page.



Quantity supplied of flaps

Now let's return to the Boston fern example. Assume you were told that the supply schedule is as follows:

Price	Quantity Supplied
$6.00	5
5.00	4
4.00	3
3.00	2
2.00	1
1.00	0

Graph the supply schedule on figure 1 on page 21. Notice that there is a very interesting point. What happens at a price of $4? ____________________
(Hint: The curves intersect and quantity demanded is equal to quantity supplied.)

C. Concept: **Equilibrium**

In this example, a price of $4 holds a very special place in the hearts of economists. It's the price where consumers and producers reach an agreement. When you buy a house, the seller asks for a certain price, the buyer counters with a lower offer, the seller either accepts the counter offer or suggests another price. They are bargaining—moving towards an equilibrium. This is the "market mechanism" at work in a competitive society. In our Boston fern example, it's easy to see that there was no equilibrium at a price of $5. At $5 (see figure 1), consumers are only willing to buy ______ ferns, while producers are willing to supply ______ ferns. Clearly there is a ______ (surplus/shortage) of ferns because the price is too high. In order to sell their ferns, producers will have to lower their price. If they lower the price to $4, the quantity supplied will fall, the quantity demanded will rise, and the market will reach an equilibrium.

Stop! In the Boston fern example, what would happen if the price were $1? (I'll give you a little help. At $1, the price would be so low that no producers would be in business.) Consumers would like to buy 6 ferns, but producers wouldn't produce. As a result of this shortage, the price would begin to rise and would continue to rise as consumers continue to "bid" for the scarce ferns. The price would rise to $4 where the quantity supplied is just equal to the quantity demanded.

D. Concept: Consumer Behavior

You have shown above that a relationship exists between the price and quantity demanded and supplied of a good or service. But what else influences supply and demand? Assume that your income doubles—chances are you might buy some more ferns. The demand schedule might look like this:

Price	Quantity Demanded with Old Income	Quantity Demanded with New Income
$6.00	1	2
5.00	2	4
4.00	3	6
3.00	4	8
2.00	5	10
1.00	6	12

Graphically, the situation would look like this:

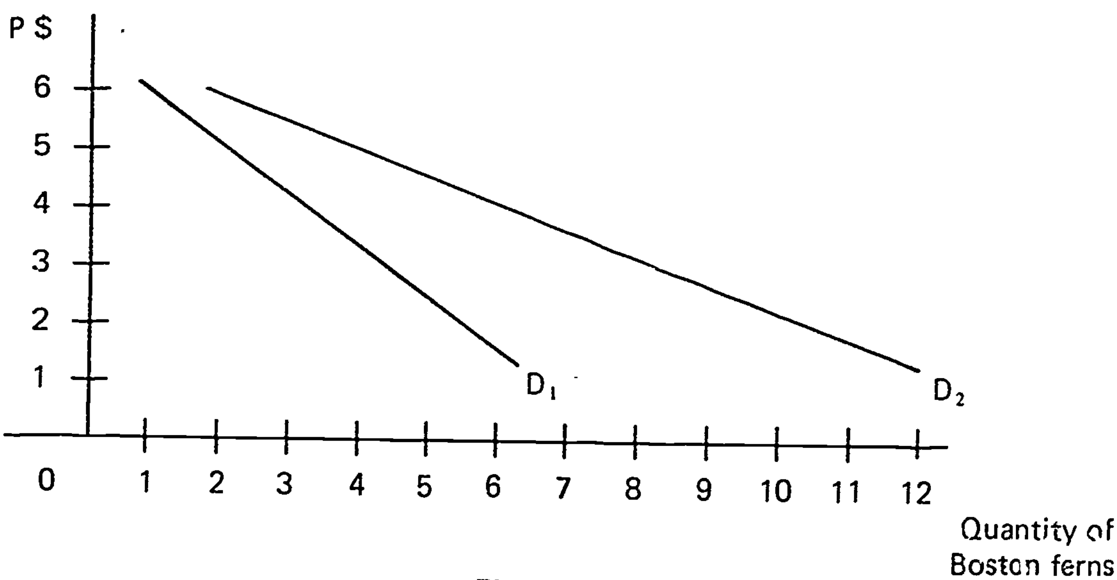


Figure No. 2

In other words, there are things besides the price of ferns that influence consumers' decisions about how much to buy. But anything other than a change in the price of a good or service will cause the demand curve to shift. In our example, the demand curve moved from D_1 to D_2 because your income doubled. You might also have developed a fetish for Boston ferns, or the price of Creeping Charlies or Spider plants might have tripled so you switched to ferns. Any one of these changes could have caused a change in demand–a shift in the demand curve. The most common causes of a change in demand are changes in income, tastes and preferences, and prices of other goods or services.

Thus, consumers are affected by things besides price.

Stop! List four things that might cause the demand curve for apples to shift.

1. ____________________
2. ____________________
3. ____________________
4. ____________________

You could have put any number of things above but you should not have mentioned the price of apples. Definitionally, a change in the price of apples is a movement along a demand curve, not a shift in the curve.

It is probably obvious to you that supply can change too. Changes in the weather, technology, costs of materials, transportation, rent, and many other factors will all shift the supply curve.

To see how well you have mastered these concepts, here are a few questions for you to answer.

7. The law of demand states that price and quantity demanded usually move:
   a. horizontally
   b. vertically
   c. in the opposite direction
   d. in the same direction

8. An economic system that has government take the place of competition is called:
   a. command
   b. free enterprise
   c. laissez-faire
   d. democracy

9. Some characteristics of a completely free enterprise system are:
   a. government regulation
   b. command economies
   c. profit motivation and price signals
   d. none of the above

10. The law of supply states that price and quantity supplied usually move:
    a. vertically
    b. horizontally
    c. in the same direction
    d. in opposite directions

Stop! Take a break. Your head should be spinning by now. You've absorbed an awful lot. Relax, get up, walk around, get away. Return when you're ready (like in ten minutes!!).

ANSWERS (7-c, 8-a, 9-c, 10-c)

ENABLING ELEMENT 5

Business and Industry

Before your break, we were working on supply and demand. These two concepts are the backbone of any economic system. Now we want to look at the reasons why firms produce. How do the laws of supply and demand influence business? It has already been shown that the United States is a limited "free enterprise" system. That means that no one is forced to produce specific goods or services. So what determines whether skateboards, hula hoops or monocles get produced? The answer is profit. Businesses will generally produce those goods and services that provide the greatest profit. What's profits? You will recall we mentioned them earlier, but I'm glad you asked that question. Profits are a normal return to capital and risk taking. That clears it up, doesn't it? No? Okay, let's try again.

A. Concept: Resources

Resources are used in the production of goods and services. The easiest example is land. Land can be used to produce food, flowers, or industrial plant sites. Natural resources such as earth, water, minerals can be used to produce things. Human labor can be used to make goods and provide services. We learned earlier that capital such as hoes, blow torches, pens and paper can be used to produce goods and services. Natural resources (or land), labor and capital are called factors of production. These are the inputs into the production process. These are the things that can be used to satisfy wants and needs.

B. Concept: Capital

You have a general idea about capital but let's get down to specifics. Many people think money is capital. Well, it is, but it's only one form of capital—financial capital. But what is capital? It's really a pretty easy concept—capital is any produced good that is used to produce other goods or services. Tractors, conveyor belts, blow torches, pens and paper are all capital goods. Money which buys capital goods is financial capital.

Stop! Think about the goods you use in teaching. Place a check beside each example of capital:

_____ Blackboards

_____ Chalk

_____ Books

_____ Desks

_____ Classrooms

_____ Audio-visual equipment

_____ Consumers' education modules

If you checked each one of these items, you are correct. All of these goods are produced to provide a service—education.

Give five examples of consumer, rather than capital goods.

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________

The common characteristics of all these goods should be that they are produced as final goods, as goods to be consumed. Anything you buy such as food, haircuts, toys for your children, heat for your home or apartment are consumer, not capital goods.

These goods should be used by you or others for existence or pleasure. It should be obvious that the line between capital goods and consumer goods is a fine one, but the distinction is useful, as we'll see below.

C. Concept: **Investment**

This term has a very special meaning that is contrary to popular understanding. Investment does **not** mean the buying of a stock or bond. **Investment** is the purchase **of capital**, the buying of things that will help to produce other things.

Stop! Place a check beside examples of investment.

_____ Buying a factory for production
_____ Buying a speedboat for pleasure
_____ Putting your money in the bank
_____ Buying a tractor for production

Buying the factory and the tractor are the only two examples of investment. Putting your money in the bank is not purchasing anything. Buying the speedboat is an act of consumption unless you use it fo a business.

D. Concept: Risk

But why would anyone invest? There are problems with investment. Assume you buy a factory. You hire some workers and get them to produce three legged stools. But no one wants to buy three legged stools. Two legs are in this year. You lose; you invested; you risked losing and you lost.

Stop! Have you ever seen a store that is closed? Out of Business!? _____ If so, why do you suppose the store closed?

____

____

E. Concept: **Profit**

A better question than the last one is why the store opened in the first place. The answer, as suggested above, is the desire for **profit.** The storekeeper hoped that the receipts from his sales would be greater than his costs. He hoped he would make a profit. **Profit is the return to an entrepreneur for risk taking and capital purchases.** It is a legitimate return, much as wages are legitimate returns to laborers. While the profit motive is a valid reason for entering an industry, it is essential that the rights and responsibilities of consumers are protected. Businesses have a very real duty to their consumers, just as consumers have certain responsibilities to business.

ENABLING ELEMENT 6

The Government

When consumers and businesses spend money, they are insuring jobs. When they spend, they're buying goods and services that someone made. So buying creates jobs which create income. There are times, however, when private spending (household and businesses) is insufficient to keep everyone who wants a job employed. When this happens, the government steps in to increase spending. The government attempts to smooth out the ups and downs of economic activity.

A. Concept: **Economic Fluctuations**

Unfortunately, economic activity does not follow a smooth, even path. There are times when there is not enough spending to keep everyone who is willing and able to work employed. We call these periods recessions. At other times, spending is so great that prices begin to rise. These are called inflationary periods. These ups and downs in spending patterns contribute to economic fluctuations.

B. Concepts: **Government Spending and Taxes**

The federal government attempts to smooth these fluctuations through the use of spending and taxes. If private spending is too low, government will attempt to stimulate it indirectly through lower taxes or tax rebates. When you receive a rebate or tax cut, it is like receiving additional income. The expectation is that you and millions of others will spend some of this income, creating jobs for the unemployed.

The government can directly stimulate the economy by increased government spending for highways, post offices, research and development, defense and many other purposes. When government spends money in these ways, it directly hires the unemployed.

The reverse is true during periods of too much spending, leading to inflation. In this case, government can indirectly cause a decline in private spending by increasing your taxes. Once again, the assumption is that an increase in taxes will be considered as a decline in income and, accordingly, private spending will fall. The government can directly cut spending by closing defense plants and reducing or eliminating other government projects.

While it is theoretically possible for economic fluctuations to be eliminated through spending and taxes, some would argue that we really don't know enough about the workings of the economy to be able to predict the effect of such changes. Even if we could predict the effect, the timing of such changes is likely to be wrong. Finally, political considerations often outweigh economic considerations. It is politically more advantageous to stimulate the economy through increased spending and increased taxes than vice versa. Thus, a necessary cut in spending or increase in taxes is difficult to pass.

C. Concept: **Consumer Credit**

The government, through the Federal Reserve Board, affects interest rates and the ability of consumers (as well as businesses) to borrow. By increasing its lending rates to member banks, the Federal Reserve Board influences the rates banks charge.

D. Concept: Consumer Protection

The government also affects consumers through regulatory statutes. We'll deal with these after a brief pause.

To see how well you have mastered these concepts, here are a few questions to answer.

11. Which of the following is an investment?
    a. Buying a bond
    b. Putting your money in a Christmas Club account
    c. Buying a factory
    d. Buying a stock

12. What is the major reason people go into business?
    a. to sell things
    b. to make a profit
    c. to help the economy
    d. to make friends

13. Which of the following economic exercises may be more expedient for government to do?
    a. Lower taxes during inflationary periods
    b. Raise taxes during inflationary periods
    c. Lower taxes in a recession
    d. Raise taxes in a recession

14. If the federal government wishes to control inflation, it should:
    a. Lower taxes and keep government spending constant
    b. Lower taxes and raise government spending
    c. Raise taxes and raise government spending
    d. Raise taxes and lower government spending

ANSWERS (11-c, 12-b, 13-c, 14-d)

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ENABLING ELEMENT 7

Finance

The banking system is a means for saving to be converted into investments. Saving can take the form of bank accounts, purchase of securities or insurance. Investment is the purchase of capital goods. Investors require funds to purchase capital. They borrow the funds from savers through financial institutions. Interest is paid by investors to financial institutions and thus to savers for the use of their money. Banks and other financial institutions act as middlemen between savers and investors.

A. Concept: Saving

Why would anyone save? What does it mean to save? We said earlier that human wants are unlimited. Why doesn't each person spend all of his or her income? Saving is defined as not consuming. A person saves if he or she takes some income each period and puts it away for a rainy or a sunny or even a blustery day. Why would anyone save?

Stop! Do you save? ______ If so, why? ______________________________

____

____

Most people save because they want to be able to buy something in the future and they don't want to buy on credit. Or they might just want to have a little money stashed away "in case." Besides, if they put their money in a savings account, they will earn interest, which will increase their future purchasing power.

B. Concept: Interest

Interest is the price of money. Remember the Laws of Supply and Demand. In each market, each good or service had a price. The price of money is interest. If you give up your money (put it in a savings account), the bank pays you interest. They are paying you for lending them your money. Why would a bank pay for your money? Because they have people who want to borrow your money. Businesses usually borrow money for investments and they expect to earn enough income to pay the interest and still earn a profit.

C. Concept: Investment

What's investment? Its the purchase of plant and capital equipment. Does that sound complicated? Well, it's not really. Anytime a factory, a tractor, or a piece of heavy capital equipment is purchased, that's investment. But what about buying a stock or a bond—isn't that investment? Definitely not. Sure, you take your money and buy a piece of paper, but that's not plant or capital equipment is it? No, indeed! If you buy a security, you're not consuming some of your income. And you do, of course, recall that saving is defined as not consuming.

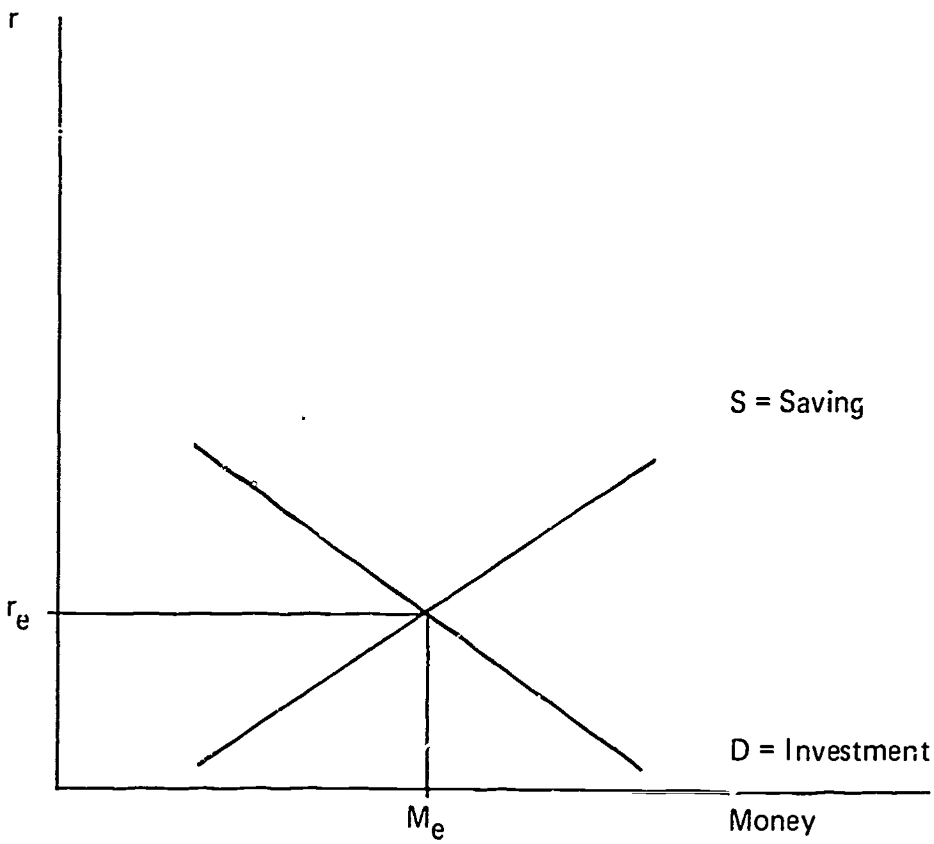
But let's look at the other side of the coin. Why would anyone sell a stock or a bond? For that matter, why would anyone borrow from a bank? After all, any way you borrow, you have to pay interest.

Stop! Have you ever borrowed money from a bank or any other lending institution? ______ If so, why did you borrow? ____

____

Did you have to pay interest? ______________________________________

Usually, consumers borrow money to buy a goods or a service they don't want to have to wait for. Cars, boats, stereos, clothes, vacations are all examples. Businesses usually borrow to purchase something they don't want to wait for–capital equipment. In other words, businesses usually borrow for investment purposes. They demand money. Savers supply money. The interest rate is the price of money. If the interest rate is too high, the quantity supplied is greater than the quantity demanded and the interest rate will fall. What will happen if the interest rate is too low? (circle the correct alternative) The quantity (demanded/supplied) is greater than the quantity (demanded/supplied) and the interest rate will (fall/rise).



ANSWERS (demanded, supplied, rise)

D. Concept: **Banking**

Though banks provide many services such as checking accounts, check guarantee cards, and safe deposit boxes, they are primarily institutions which channel funds from savers (lenders) to borrowers. Their profits are made by charging higher interest rates to borrowers than they pay to lenders. They act as middlemen for funds and also try to earn a profit for their stockholders.

The consumer has several alternatives when it comes to the securing of banking services. In addition to banks there are savings and loan associations and credit unions. In most states in the United States, the consumer cannot establish checking accounts at these institutions. Savings accounts are readily available as are loans. The interest rate on deposits often exceeds the rate paid by banks and loan rates may also vary.

A competent consumer will check various loan sources if a loan is needed and search for a financial institution to deposit savings that will pay a good interest rate consistent with security.

E. Concept: **Banking**

While many savers put their funds into banks, some choose to purchase insurance with them. Insurance really has two aspects—it provides a valid method of saving and it affords financial protection against accidents of many kinds. Insurance companies do not hold the money that their customers "lend" them. They lend the money to investors. In this way, insurance companies perform many of the functions of a bank.

Stop! Do you or your spouse have life insurance? Is it meant to

_____ Protect one of you against the death of the other

_____ Provide for some future need such as childrens' education or old age security

_____ Give you a better "return" on your saving than a savings account?

Chances are you are looking for more than one of the above. Because of this, insurance is thought by some to be more versatile than bank accounts. But, regardless of the type of saving you do, saving involves decision-making. It is a type of planning.

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ENABLING ELEMENT 8

Family/Household Planning

Planning is essential to any kind of organization from a single consumer to huge government organizations. We've already established that choices have to be made because resources are limited. From a family's viewpoint income is limited. One method of making those choices is through budgeting. It systematizes money management.

A. Concept: Income

A family's income is all the money that comes into that household. Usually income is earned through a regular job, but it sometimes comes in surprising ways such as a gift from a relative.

B. Concept: Budgeting

Budgeting helps to allocate the family's income for various expenses. Usually, those expenses will include rent or mortgage payments, utilities, clothes, education, entertainment, food and miscellaneous items. Budgeting is meant to minimize impulsive buying—it limits the power of advertising to persuade.

If we could find that typical, average American family, and identify the most important expense items in its budget, what would they be? To see how close you can come, rank the following budget items that families/households expend income for, in order—from the highest percent of the budget to the lowest. Indicate which item costs the highest percentage of the budget by a (1), the second highest (2), and the lowest (7), ranking all seven budget items.

_____ Transportation

_____ Taxes

_____ Food

_____ Housing

_____ Personal Care

_____ Medical Care

_____ Clothing

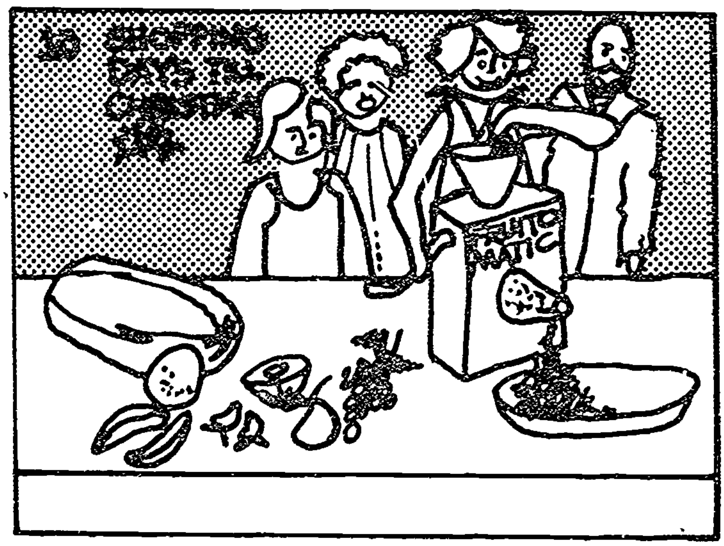
According to the Bureau of Labor Statistics of the United States Department of Labor, the average American family spends 25% of its income on housing, 23% of its income on food, 16% on taxes, 9% on transportation, 8% on clothing, 6% on medical care, 2% on personal care, and 11% for various other things! Since family budgets vary, you may wish to estimate your own percentages for these categories. When you need to "cut" your expenses it will help you to find the categories where it is possible for you to reduce expenses.

C. Concepts: Credit and Borrowing

There are times when planned spending is greater than income. In this case, people borrow. There can be excellent reasons for applying for credit. Buying a car, buying a recreational vehicle, buying a house, sudden expenses for hospitalization can all be defensible reasons for borrowing. Credit can be of tremendous advantage to the consumer providing additional funds when they are wanted or needed. The problem, of course, is that borrowing costs money as well as provides money. Even credit cards charge up to an 18% annual rate of interest. Any card that shows a 1 and ½% money rate means (1½) X (12) = 18% annually. While credit is a legitimate form of payment, it is not without its dangers. Families can go too deeply into debt to the point where they can no longer pay their bills and the interest on them. At this point, the "repo" man comes to repossess and credit ratings plunge.

D. Concept: Advertising

Many people consider advertising to be harmful. They think that it "forces" people to buy things they neither need nor want.



In some cases this may be true. In other cases, however, advertising performs a useful function—it imparts information. The want ads are good examples.

Stop! Have you ever learned anything from advertising? Name three goods or services that you purchased from information you received in advertising:

1. ____________________
2. ____________________
3. ____________________

E. Concept: Consumer Shopping and Buying Techniques

In the laws of Supply and Demand, we said that price influences consumer decisions. Earlier, we discussed advertising. Advertising can help consumers make

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rational decisions by providing information concerning prices. However, advertising may not actually inform at all.

Stop! Assume you were going to buy a used car. How would you start? The first thing you would probably do is decide what kind you want. Do you want a speedy, spiffy sports car or do you want a piece of transportation that will usually get you back and forth to work. This first step could be the most important. It's important to know what you want, rather than have someone tell you want you want. After deciding what kind of product you want, you then decide what you can afford. Again, it's important for the consumer to decide the limits of the budget. Once you decide what you want and what you can afford, you begin shopping. While price is an important determinant, other considerations are also important. You might pay a little more for a car if (1) you know the person selling the car is reliable, (2) the car is clean and freshly painted, (3) you know the car gets good mileage, (4) you've shopped for three months without finding anything at the price you wanted to pay.

Stop! Describe a project your class could undertake to get information about a product of interest to them. How would you go about organizing it? What information would you need?

ENABLING ELEMENT 9

The Consumer

One of the major determinants of your shopping ability is the amount of valid information you have. Consumers obtain information about products and those laws and regulations that protect them. They seek redress from their grievances from both public and private sources. Consumers have rights and responsibilities.

A. Concept: **Information**

The consumer **has the right to be informed.** We have already mentioned that advertising can provide information.

Stop! List five sources of information on goods or services.

1. ____________________
2. ____________________
3. ____________________
4. ____________________
5. ____________________

You might have listed sources such as labeling, word of mouth, newspaper and television advertising, personal sales pitches and many more. These are the ways in which you first become acquainted with the product.

But you need to know more about the product than the fact that it exists. If you're buying on credit or if you're buying a piece of property, you'll probably enter into a **contract.** In a situation like this, it is often a very wise decision to admit your ignorance (to yourself) and to seek as much information concerning the terms of the contract as is available.

Stop! Assume you are purchasing real estate. List three sources of information concerning the contract.

1. ____________________
2. ____________________
3. ____________________

You might have listed the realtor, the seller, a lawyer, an escrow agent, Office of Housing and Urban Development, or many others. The point is that it is much to your advantage to rely on as many sources as are available. If you're in doubt about any rules or regulations, check with another source. The right to be informed is also a responsibility to check all possible sources of information. This is not only true of real estate and credit, but also any good or service in which you are interested.

It is particularly important that you have all the relevant information clearly understood if a service is to be performed.

B. Concept: Consumer Choice—The Right to Choose

Throughout this module, we have discussed choices. Let's now assume you have made a choice. You want to buy a brand new sports car. You know what you want. But your choices are far from over. This new model Mach V can be purchased from more than one dealer.

Stop! List the things you would want to know before buying from any one dealer.

1. ____________________

2. ____________________

3. ____________________

You probably listed some of the following: Price, warranty, availability of spare parts, reliability and cost of post warranty service, any additional benefits/services the seller is willing to provide. It is extremely important that you understand all of the terms of the contract. The consumer's rights to be informed and to choose are protected by the Federal Government through such laws as the **Consumer Credit Protection Act** which requires disclosure of finance charges in easily understandable terms. The **Fair Credit Reporting Act** which provides consumers information relevant to their credit rating and the **Fair Packaging and Labeling Act** which requires certain requirements for labels. On food, information regarding ingredients must, by law, be printed on the container.

So now you've bought your product. Let's assume you bought a moss-covered three-legged credenza. You have done everything you're required to do to take care of it. You polish it weekly and you never put anything on it. Suddenly, for no reason whatsoever, one of its legs cracks.

Stop! What can you do to see to it that the problem is solved at little or no expense to you. List three things you would do, in order.

1. ____________________

Then, if that failed

2. ____________________

Then, if that failed

3. ____________________

You may have listed many things, but this particular problem involves a new concept.

C. Concept: The Right to be Heard

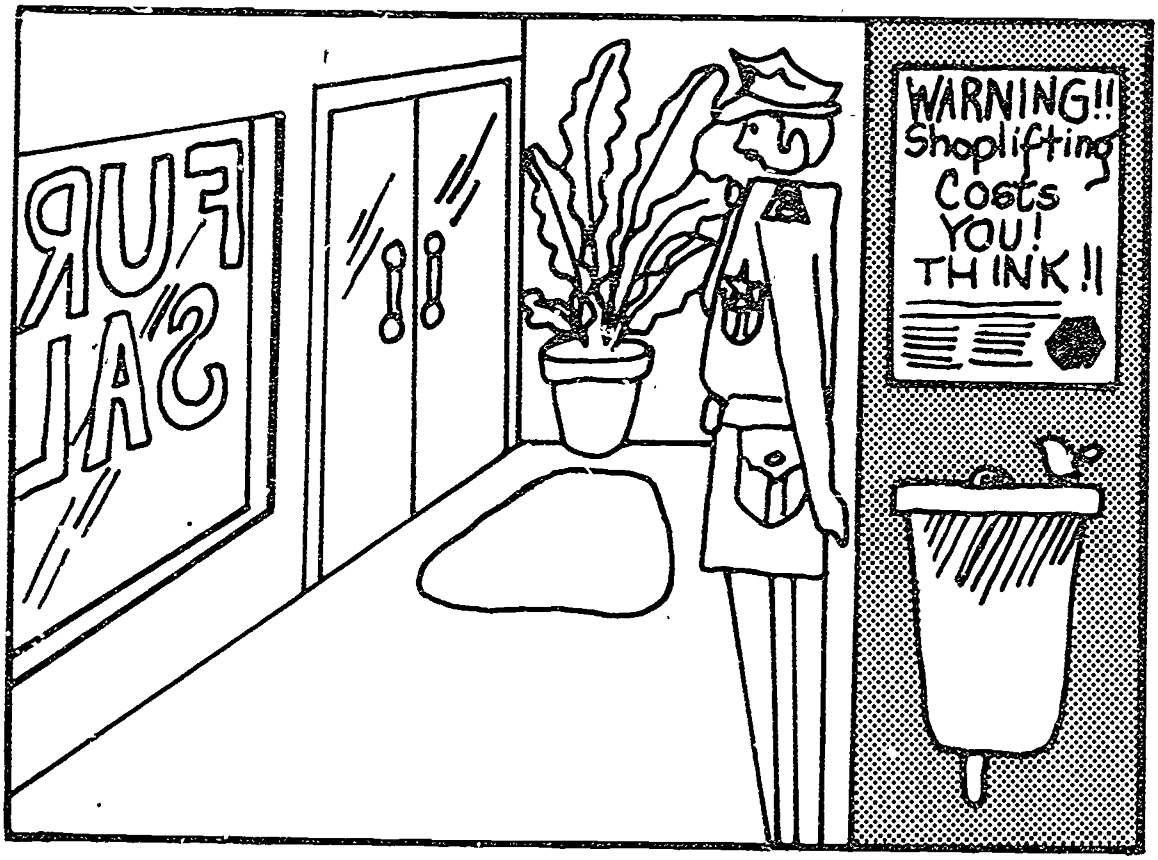
The first thing you need to do is check the credenza and make sure it is cracked. Then, check with the kids and make sure they have not used it as a baseball bat, a fort which withstood five thousand screaming charging enemies, or a hockey stick. In other words, be sure you have a legitimate complaint. Then call or visit the store where you purchased the item and explain the problem. If they take no action, call or write the credenza manufacturing company. If there is still no action, try the Better Business Bureau. However, there might not be one in your town or you may seek another alternative to get action. You can register your complaint with the Division of Consumer Affairs or your state government, if one exists. If all else fails, you can take your case to Small Claims Court. The fact is that the consumer has many more avenues to seek recourse than most people realize. There is a responsibility to use consumer power judiciously and effectively, but to use it to protect yourself when it becomes necessary.

D. Concept: The Right to Safety

The consumer's right to safety is protected by the United States Consumer Product Safety Commission. The Commission determines the safety or danger of many articles purchased by consumers. It has the right to ban products from the market if it considers them unsafe.

E. Concept: The Right to Consumers' Education

In 1976, President Ford declared another right for the consumer—the right to consumer education. This declaration has led to the creation of educational programs, for target populations ranging from the adolescent to senior citizens from a variety of minority groups. These programs have focused on both the economics of the market place and the rights and responsibilities of the consumer.



F. Concept: **Consumer Responsibilities.**

The last couple of pages have been discussing consumer rights. Each one of these rights conveys a responsibility. The major responsibility is to exercise the rights, to exercise them often, and to exercise them properly. The idea that many consumers have that they can "rip off" a company because it's big is false. Everytime a company is "ripped off," its costs increase. In most cases that increased cost goes into the future consumer price of the item. (See illustration preceding page.)

Insurance is a good example. One reason medical malpractice insurance has risen is because of the amazing success of people suing doctors. This causes the doctor's insurance rates to go up, so patients' bills go up. What might be beneficial to one individual is not necessarily beneficial to all!

It's also extremely important that you do exercise your rights. Many times it's inconvenient to do so and many people like to avoid confrontation. So we ignore the problem. That's not fair to you, to the seller, or to other consumers. You feel like you've been had and that gnaws on you. The seller may be completely unaware of the problem and your information might help him or her to avoid it in the future. Finally, other consumers have the right to be protected against shoddy products and your complaint will help minimize their problems. Consumers very often mumble and grumble about problems, but it's up to you to do something about it. The action taken must be fair and legal.

Go! List the five major consumer rights

The right to ______________________________

____

____

____

____

Remember, each one of these rights involves many responsibilities.

Stop! You've done a good job. Have fun with this material in the classroom.

To see how well you have mastered these concepts, here are a few questions to answer.

15. What is a bank's main function?
   a. To provide Christmas Clubs
   b. To channel funds from savers to investors
   c. To provide check guarantee cards
   d. To provide safe deposit boxes

16. Which of the following is not a likely source of a family's income?
   a. Wages
   b. Interest on savings account
   c. Tax refund
   d. Rent from a mobile home

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17. Of the following items in a family's budget, which probably consumes the highest percentage of income?
    a. taxes
    b. transportation
    c. housing
    d. medical care

18. Which of the following is not a usual consumer practice?
    a. Borrowing
    b. Budgeting
    c. Shopping
    d. Advertising

19. Which of the following is **not** a law designed to protect consumers?
    a. The Fair Credit Reporting Act
    b. The Consumer Credit Protection Act
    c. The Fair Packaging and Labeling Act
    d. Employment Act of 1946

20. Which of the following is not a major right of consumers?
    a. To be informed
    b. To misrepresent to sellers
    c. To be safe
    d. To be heard

ANSWERS (15-b, 16-b, 17-c, 18-d, 19-d, 20-b)

SUGGESTIONS FOR GROUP FOLLOW-THROUGH

This module has introduced you to fundamental concepts in consumers' education. ^fter completing this module, you, or your group, may wish to acquire a deeper understanding of some concepts or an introduction to concepts not developed in this module. The following paragraphs make suggestions for acquiring additional and deeper knowledge.

If the instructional person in charge has the background, the group may develop further understandings about comparative economic systems. The book, The **Making of Economic Society,** by Robert Heilbroner, contains an excellent discussion of tradition, command, and market economies. Economists use these designations rather than capitalism, socialism, and communism.

Concepts relating to the topics of money and banking were not introduced. A representative of a financial institution may be invited to address the group as well as a representative of the nearest Federal Reserve Bank, if one is available. You may wish to learn more about the supply of money and credit, the expansion of the money supply through the system, float, and other monetary concepts helpful in consumer decision making. One of the more controversial topics in banking today is that of electronic funds transfer.

If a representative of a labor union is available, one can be invited to discuss the economics of labor and labor unions, a topic not addressed in the module.

A valuable source for additional information about the content of economics is A Framework for **Teaching Economics: Basic Concepts,** published by the Joint Council on Economic Education. It may be obtained from your state council on economic education or one of the centers. Write the Joint Council on Economic Education, 1212 Avenue of the Americas, New York, New York 10036. For additional consumer education background, you may wish to consult the textbook authored by Roger Leroy Miller.

SELECTED REFERENCES

1. Federal Reserve Bank of Boston, **Introducing Economics**, 1974.

   This is a paperbound, simplified reference, identifying major economic concepts and restating them in more simplified language.

2. Hansen, W. L., Bach, G. L., Calderwood, J. D., and Saunders, P. **Part I: A Framework for Teaching Economics: Basic Concepts**, Joint Council on Economic Education, 1977.

   This is the most authoritative statement of economic concepts, also done in paperbound form and referred to in the module.

3. Heilbroner, R. **The Making of Economic Society**, Prentice-Hall, Inc., 2nd Edition, 1968.

   A very well-written book. It will provide background on economics through the development of society. It has a very readable style.

4. Finkelstein, Milton and Nitzburg, Arthur. **Living in a Consumer's World**, Globe, 1974.

   This is a consumer economics textbook.

5. Miller, Roger Leroy. **Economic Issues for Consumers**, West, 1975.

   This is a college level consumer economics textbook, approaching concepts from the aspect of consumer issues and problems.