Designed for high school teachers of economics, social studies, and business education, this teaching package provides materials for a course that combines study of basic economic concepts with an understanding of entrepreneurship. The teacher resource manual consists of three parts. Part 1 is an overview of the relationship between economics and entrepreneurship education. Part 2 contains 17 lessons. Topics include: entrepreneurs; characteristics of entrepreneurs; human capital; scarcity; economic systems; markets; entrepreneurial innovation; interdependence of entrepreneurial activities; demand; supply; market equilibrium; profits; business organization; borrowing; competitive markets; demand for labor; and government intervention. Contents of each lesson include: time required; concepts; instructional objectives; rationale; required materials; vocabulary (terms with definitions); procedures (suggestions for adapting activities for students of different ability levels); and evaluation (tests or activities to assess students' understanding). Reduced-print pages of student activities follow each lesson. Part 3 describes instructional practices that foster entrepreneurial behavior on the part of students. A complete set of blackline masters for student activities completes the package. (YLB)
MASTER CURRICULUM GUIDE

Economics and Entrepreneurship

TEACHING STRATEGIES

John E. Clow
Carolyn R. Holleran
Calvin A. Kent
Gary Rabbior
Francis W. Rushing
Alan Stafford

Joint Council on Economic Education

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ABOUT THE AUTHORS

John E. Clow
is Professor of Business Education and Director of the Leatherstocking Center for Economic Education, State University of New York at Oneonta, Oneonta, NY.

Carolyn R. Holleran
is Executive Director of the Pennsylvania Council on Economic Education, Reading, PA.

Calvin A. Kent
is Administrator of the Energy Information Administration, Washington, DC, and is on leave from Baylor University, Waco, TX, where he directed the Center for Private Enterprise.

Gary Rabbior
is Executive Director of the Canadian Foundation for Economic Education, Toronto, Canada.

Francis W. Rushing
is the Bernard B. and Eugenia A. Ramsey Chair of Private Enterprise and the Director of the International Center for Entrepreneurship, Georgia State University, Atlanta, GA.

Man Stafford
is Assistant Professor of Economics at the Niagara County Community College, Niagara County, NY.
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Foreword

Economics and Entrepreneurship is the newest addition to the Joint Council on Economic Education's Master Curriculum Guides. The primary publications in this series are A Framework for Teaching the Basic Concepts, which presents the conceptual structure of economics appropriate for elementary and secondary schools, and Economics: What and When, which provides guidelines for the selection and sequence of economics in the curriculum. All other volumes in the series focus on specific grade levels or subject matter.

Economics and Entrepreneurship is designed for high school teachers of economics, social studies, business education, and other subjects. It is appropriate for teachers who wish to combine a study of basic economic concepts with an understanding of entrepreneurship. Economics and Entrepreneurship provides teachers with a variety of lessons and instructional approaches. The lessons can be used in the sequence presented here or can be adapted to meet the requirements of individual courses. “An Overview of Entrepreneurship in Economics” by Calvin A. Kent and Francis W. Rushing is an excellent analysis of how entrepreneurship can be effectively integrated into economics. The volume ends with “The Enterprising Teacher” by Gary Rabbior and Francis W. Rushing. That section shows how teachers can use entrepreneurial skills in exciting, effective teaching of entrepreneurship and economics.

Economics and Entrepreneurship was funded by a grant from The Pew Charitable Trusts to The NFIB Foundation, an affiliate of the National Federation of Independent Business. We appreciate their confidence and assistance.


Economics and Entrepreneurship adds a new dimension to the Master Curriculum Guides. We think the volume will assist teachers in combining entrepreneurship and economics in a truly exciting way.

Stephen Buckles
President
Joint Council on Economic Education
Preface

The Master Curriculum Guide series is designed to assist school systems with the development of economics curricula for grades K–12. It consists of (1) A Framework for Teaching the Basic Concepts, (2) Economics: What and When, Scope and Sequence Guidelines, K–12, and (3) a series of volumes, each containing detailed classroom lessons that illustrate how the basic economic concepts and understandings can be taught at different grade levels and in different subject areas.

In addition to its use as a resource for curriculum planning, the series can be used by individual elementary and secondary school teachers for planning classroom instruction. Similarly, it may serve as a resource for providers of preservice and in-service teacher education programs in economics.

Economics and Entrepreneurship is the most recent addition to the twelve volume series. It contains (1) an overview of the relationship between economics and entrepreneurship education, (2) seventeen complete and self-contained lessons, each focusing on economic concepts that are essential to an understanding of entrepreneurship and its role in the American economy, and (3) a description of instructional practices that foster entrepreneurial behavior on the part of students.

Users of previous volumes in the series will find that the lessons in Economics and Entrepreneurship contain several new features: definitions of economic terms, suggestions for adapting activities for students of different ability levels, and end-of-lesson tests and/or activities for assessing students' understanding of important economic concepts and their applications for the analysis of entrepreneurial enterprises. Reduced pages of student activities and answer keys follow each lesson.

The lessons can be easily incorporated in a variety of courses and curriculum areas. They can be used to supplement units of study in economics, business education, history, and other courses that examine how entrepreneurial ventures affect and are affected by other aspects of our economy.

June V. Gilliard
Curriculum Director
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Many people were involved in the preparation of materials for Economics and Entrepreneurship. The Joint Council is indebted to Francis W. Rushing, Calvin A. Kent, and Gary Rabbior for their work in preparing the overview and the conceptual basis for the volume. We are also indebted to John E. Clow, Carolyn R. Holleran, and Alan Stafford for their creative work in revising lessons taken from the Economics and Entrepreneurship Education (E3) project and for the development of many new and exciting classroom materials. Our thanks to Irwin Rubin, Associate Director of the E3 Project, for his help in adapting lessons originally prepared for the project to the MCG format.

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Talbott Allen
Jefferson County Public Schools
Louisville, KY

Danny L. Dohn
Jefferson County Public Schools
Louisville, KY

Kali Kurdy
Boise Independent School District
Boise, ID

Sherleen Sisney
Jefferson County Public Schools
Louisville, KY

Rosalind B. Anderson
Jefferson County Public Schools
Louisville, KY

Barry Faust
Danville Area School District
Danville, PA

Saul Lattner
New York City Public Schools
New York, NY

Paula Bishop
Sacred Heart Academy
Louisville, KY

Cecilia Finnell
Jefferson County Board of Education
Louisville, KY

Judith Lazar
Jefferson County Public Schools
Louisville, KY

Thomas J. Matusiak
School District of the City of Erie
Erie, PA

Alan F. Biting
Littlestown Area School District
Littlestown, PA

Jeffrey Gorton
Berwick Area Schools
Mifflinville, PA

David W. Miller
Pennsbury School District
Fairless Hills, PA

Paul J. Calderone
North Pocono School District
Moscov, PA

Vashti C. Goldstein
Baltimore County Public Schools
Baltimore, MD

Elizabeth Neely
School District of Kansas City, MO

Michael Campbell
Kansas City Missouri Public Schools
Kansas City, MO

Cynthia Herman
Parkway School District West High
Baltoin, MO

Thomas J. Matusiak
School District of the City of Erie
Erie, PA

Linda Cornett
Jefferson County Public Schools
Louisville, KY

Judith Hill
North Allegheny Intermediate Pittsburgh, PA

Sylvia H. Waddle
Jefferson County Public Schools
Louisville, KY

Ellen B. Cravens
Jefferson County Public Schools
Louisville, KY

Olivia Holly
Boise Independent School District
Boise, ID

Sylvia H. Waddle
Jefferson County Public Schools
Louisville, KY

Frank L. Cunningham
Jefferson County Public Schools
Louisville, KY

Karol Keen Hughes
Sacred Heart Academy
Louisville, KY

Susan Sheffer
Central York School District
York, PA

Walter R. Weaver, Jr.
Southern Lehigh School District
Bethlehem, PA

Trinity High School
Louisville, KY
PART 1
INTRODUCTION
AN OVERVIEW OF ENTREPRENEURSHIP IN ECONOMICS

INTRODUCTION

Education is facing new challenges as we approach a new century. During the past ten years, the United States has witnessed the rapid development of the world economy and the increasing pace of change in the domestic economy. These changes have mandated new approaches to teaching students how to cope successfully with an uncertain future. Educators are now beginning to design approaches to effectively develop within our youth enterprise skills that will prepare them for the 21st century. Enterprise skills encompass those personal dispositions, abilities, and competencies related to creativity, initiative, problem solving, flexibility, and adaptability. These skills will also require the taking and discharging of responsibility as well as knowing how to learn and relearn.

The overall rationale for developing enterprise skills is to enable youth to cope with and adjust to the manifold changes affecting every aspect of their lives, including work, leisure, social life, community affairs, and family. Students should see change as the norm to which they must adapt and indeed to which many will contribute in its direction and pace. Changes are affecting all of our nation's institutions—business enterprises, government, social organizations, and education. Businesses are moving away from old forms of organizations with their rigid functions and manager-employee hierarchies to more fluid forms that require more individual responsibilities as well as skills. Our educational institutions must respond, indeed take the lead, in developing enterprise skills during the pre-college learning experiences of American youth.

The goal of our educational system should be to help individuals to become enterprising individuals. Such individuals have been described thus:

An enterprising individual has a positive, flexible and adaptable disposition towards change, seeing it as normal, and as an opportunity rather than a problem. To see change in this way, an enterprising individual has a security borne of self-confidence, and is at ease when dealing with insecurity, risk, difficulty, and the unknown.

An enterprising individual has the capacity to initiate creative ideas, develop them, either individually or in collaboration with others, and see them through. An enterprising individual is able, even anxious, to take responsibility, and is an effective communicator, negotiator, influencer, planner, and organizer. An enterprising individual is active, confident and purposeful, not passive, uncertain and dependent.

An important part of the development of an enterprising individual is learning economic concepts and developing entrepreneurial skills and seeing how these skills and concepts apply to one's life. Economics and entrepreneurial education comprise a unique blend of competencies and methods of problem solving for creating change and dealing with its consequences. Economics and entrepreneurial education do not have as their sole objective the creation of entrepreneurs but rather the enhancement of creativity, adaptability, the development of self-confidence, and the determination to achieve the goals one has established for oneself. Learning how the economy works and how the individual fits into it is a critical prerequisite to achieving personal...
goals. Learning about how the entrepreneur is an agent of change within the economic system focuses on how enterprise skills are applied by one segment of our population—the entrepreneur. The student will come to understand that, although entrepreneurship is an achievable occupational objective, many of us may not choose it. However, all of us can make important contributions to society and the economy by practicing our enterprise skills. We may not all be entrepreneurs but we can all be enterprising and thereby enjoy our own professional and personal successes.

The remainder of this section discusses entrepreneurship as an integral part of economics and how it can be effectively integrated into a variety of lessons in micro- and macroeconomics. First is a discussion of what entrepreneurship is and what forms entrepreneurship takes. Second, this section demonstrates how the process of entrepreneurship should be integrated into both the micro- and macro dimensions of economic theory and practice. The section concludes with a discussion of how entrepreneurship could be included in a variety of high school courses.

WHAT IS ENTREPRENEURSHIP?

Until a few years ago, very few people had heard the word entrepreneur, much less understood what it meant. To some, entrepreneurs were persons who began their own business; to others, entrepreneurs were speculators who took risks with other people's and their own monies. Still to others, the entrepreneur was the manager who coordinated the enterprise. There is an element of truth in each of these ideas, but each is too narrow and restricted.

Entrepreneurs are the change agents who bring material progress to humankind. This statement is as true today as it has been in any past period or for any past society. Someone has to be the catalyst that challenges the present and creates the future. That individual is the entrepreneur.

The best definition of an entrepreneur is "one who sees what others have overlooked and acts on that in sight." The essential characteristics of an entrepreneur are vision and courage. Entrepreneurs are essentially niche finders, seeing an opportunity and seizing that opportunity by implementing a new idea, process, or technology. Entrepreneurship, in the broadest sense, refers to all innovative and creative endeavors, whether they result in the formation of a new business, the reorganization of an existing enterprise, the discovery of a new technology, or the development of a solution to some social or political problem.

There are five specific things that entrepreneurs do.

1. Entrepreneurs introduce a new good or service into the marketplace. Well over half of all the products consumed in America today were not available as recently as 20 years ago. It takes only a moment's reflection or a glance around an American home to see CD players, microwave ovens, home computers, and stainproof carpets. Behind every one of these new ideas were people who saw a consumer need that was unsatisfied and they had the idea of how that need was to be met. They mobilized the resources and took the risks of bringing that product to the marketplace, knowing full well that if they guessed right, they would be rewarded and if they guessed wrong, they would fail.

2. Entrepreneurs discover new resources or new uses for old resources. Early in the economic history of this nation, entrepreneurs went West seeking fertile land and the mineral wealth that lay beneath it. They overcame the obstacles to bring the riches of the earth to the marketplace. There is truth in the adage "resources do not exist, they become" as people discover ways to use previously worthless material. That is the function of the entrepreneur. In this day, the entrepreneur does more than just discover new resources, such as additional supplies of oil, natural gas, and scarce minerals. There are tremendous opportunities available to entrepreneurs who will discover how to put old resources to new uses, such as recycling waste and developing renewable sources of energy.

3. Entrepreneurs develop new technologies. Since the founding of the nation, the United States has been blessed with a constant stream of new and improved tools that have made us more productive and eased the burden of our work. The progress of our nation depends on the flow of new technological innovations. It is the entrepreneur who has the ideas for the new innovations and does what is necessary to develop them and bring them to the marketplace.

4. Entrepreneurs open new markets. The earliest explorers were entrepreneurial. They ventured forth to trade the goods of their nations for the treasures of faraway lands. In our own day we have seen new markets develop in health care and financial services. Entrepreneurs see new markets before they exist and then create them.

5. Entrepreneurs reorganize existing enterprises. Any enterprise that remains unchanged and static is one that will become quickly obsolete and unproductive. Entrepreneurs see better ways of doing things by cutting costs and improving efficiency. Henry Ford reorganized the auto industry, Andrew Carnegie, the steel industry, and Ray Kroc, the food industry. Many authorities have suggested that American competitiveness in the world will not be restored until American business is reorganized by entrepreneurs who will restructure industries so that enterprising innovation is encouraged and rewarded.
WHAT FORMS DOES ENTREPRENEURSHIP TAKE?

Entrepreneurship takes three forms:

1. **Venture initiation.** Venture initiation is the starting of a new business. In the United States, over a half-million new businesses are begun each year. While some of these fail, many are successful and some even grow into the next generation of industrial giants. Often entrepreneurship is associated with starting a new business. While important, that is not the only form that entrepreneurial endeavor can take.

2. **Intrapreneurship.** This is a new term that refers to being entrepreneurial within an existing business or other organization. Here the entrepreneur is an employee who sees ways in which the organization’s product could be improved, its distribution system made more efficient, or how a new marketing strategy could increase sales. The intrapreneur may also see how management or production needs to be reorganized or how a new system of accounting or data processing could cut costs or improve efficiency. Intrapreneurship challenges the rigid structure of many corporations. It requires that employees be given the freedom and incentive to create change.

3. **Public entrepreneurship.** This term refers to innovative activity within a nonprofit organization, including government. There are literally hundreds of social problems in society today that are crying out for solutions. Many of these solutions will come from government agencies or the nonprofit sector of our economy. As people grapple with the crises of energy, drugs, homelessness, urban decay, crime, and poverty, there will need to be entrepreneurs who will supply the answers for these problems. Old approaches have failed, and merely spending more money will not solve the problems.

WHAT MAKES ENTREPRENEURS DIFFERENT?

Entrepreneurs are different from other people because of their psychological makeup. While many people think that the entrepreneur’s sole motive is to make money, this is not true. The three things that separate entrepreneurs from others are (1) the desire to be independent, (2) a high need for achievement, and (3) a willingness to take risks.

Entrepreneurs are “can-do” people. Psychologists say they have “inner control.” They are willing to take responsibility for their mistakes as well as credit for their achievements. They never view failure as the end but as a learning experience upon which they can base their future success. Many entrepreneurs have failed more than once before they were successful, but they possess an indomitable spirit that forces them to try again.

ECONOMICS AND ENTREPRENEURSHIP

Entrepreneurship needs to be integrated into the entire economics curriculum. Often entrepreneurship is a neglected concept in basic economics. As a result, the student goes away with an incomplete understanding of the dynamics of a market economy. In addition, the student is deprived of those insights that make economics not only more stimulating but more enjoyable as well.

MICROECONOMIC CONCEPTS

Microeconomics is the study of markets and how producers and consumers participate in those markets. When consumers and producers voluntarily engage in exchange in markets, both leave the market having gained from the trade. When microeconomics is taught, there are three major concepts concerning entrepreneurship that should be thoroughly integrated.

1. **Entrepreneurship is a separate factor of production.** Most economics textbooks list three factors of production: land, labor, and capital (productive tools). Many years ago, a fourth factor, entrepreneurship, was almost always included in the list.

   The entrepreneur perform a function in the economy that is unique and cannot be described by any of the other three factors. The entrepreneur is more than labor or human capital because the entrepreneur does more than just apply muscle or mental power to the production of goods and services. Entrepreneurs do those things that other laborers do not; they have perceptions and act upon them.

   The entrepreneur should not be viewed as merely a manager, combining the other three factors of production and supervising them during the production period. While entrepreneurs may also be managers, entrepreneurs differ from managers because of entrepreneurial perception and risk taking.

2. **The role of profits in entrepreneurship.** Perhaps the most misunderstood concept among the public is the role of profit in the economy. Economic analysis sees profit as an incentive. Individuals respond to price signals in the market to maximize the profits of their enterprises or the pleasure of their consumption.

   Those businesses that correctly respond to price signals are rewarded with higher profits. If society wants more of a product, individuals cast their dollar votes in the marketplace and production will rise. If society wants a resource to be conserved, its price will rise and producers will use less. By doing what society wants and responding to price signals, producers make profits.
Profit is also a reward for risk taking. Someone has to anticipate what new products consumers may want, what new technologies will work by lowering production costs, and what reorganizations will result in increased efficiency. Those who successfully perceive these opportunities for new products, new technologies, or new organization will also receive profits.

Profits are not the entrepreneur’s sole motivation. Research shows that entrepreneurs are motivated primarily by a desire for independence and a need for achievement. Traditional microeconomic models that assume profit-maximizing behavior do not properly explain the dynamics of the entrepreneur.

3. Entrepreneurs and markets. Economic analysis focuses on the operation of supply and demand. The demand curve slopes downward and to the right, reflecting the fact that as prices fall, consumers will buy more. The supply curve slopes upward and to the right, indicating that producers put more on the market at higher prices. Equilibrium is established where the two curves intersect. This analysis assumes the existence of both a supply curve and a demand curve. But where do these curves come from and who or what creates them?

The entrepreneur does not see an existing demand curve. What the entrepreneur sees is opportunity. The entrepreneur creates demand by anticipating what it is that consumers want before the consumer is even aware of that want. Entrepreneurs are in the process of creating demand, not just responding to changes in prices or in the determinants of demand for a product or service that is already on the market.

Neither does the entrepreneur see a fixed supply curve. The entrepreneur does more than respond to changes in the costs of inputs and other factors of production. The entrepreneur develops new technologies and organizations that create a new supply curve which did not exist before the entrepreneurial activity took place.

MACROECONOMIC CONCEPTS

Just as entrepreneurial behavior needs to be integrated into microeconomics, understanding entrepreneurship expands an understanding of macroeconomic concepts as well. Macroeconomics is concerned with how the economy as a whole functions: What causes unemployment and inflation? Why does the gross national product of a nation grow or decline? What causes interest rates to fall or rise? Economic analysis focuses on aggregate supply and demand as the determinants of the level of national income and of prices. Aggregate supply and demand can be better understood when the role of the entrepreneur is included in these discussions.

1. Entrepreneurship and innovation. Where does innovation come from? Innovation is the process of developing new products, new technologies, or developing a different organization of the productive process. The result of innovation is always the same: to increase investment opportunities within the economy. Innovation, by stimulating investment, increases total demand, thus raising both the amount of output and the level of employment.

The entrepreneur is the innovator creating investment opportunities throughout the economy that accelerate economic growth. The innovative entrepreneur then is the central figure in macroeconomics.

Throughout history, innovation has opened up broad vistas of new investment opportunities. Henry Ford devised the assembly line and, coupled with interchangeable parts, lowered the price of automobiles so they could be purchased by the average American. This innovative activity created new investment opportunities in steel, rubber, paint, petroleum, and plastics, as well as road construction and tourism.

Not all entrepreneurial innovations are quite as dramatic as those of Henry Ford. Innovation must be seen as a process of small steps whereby existing goods and services are improved and upgraded to better satisfy consumer tastes. Technologies are modified slightly to increase efficiency, or organizations are partly restructured to increase productivity. While there are few of what are called “mega” innovations, most innovative activity should be viewed as a series of small steps that result in economic growth.

The process of innovation requires three steps:

a. Conceptualization. Seeing a need and having an idea for a product, service, or technology to meet that need.

b. Protection. The idea then must be developed and tested for its feasibility and whether or not a market actually exists that will justify the costs of bringing the innovation to the marketplace. This is the longest and most frustrating part of the entrepreneurial process. Thomas Edison experienced over 2000 failures before he perfected the electric light bulb.

c. Commercialization. To have a good idea is only the beginning of the entrepreneurial process. The idea must be converted to a product or a service, taken to a market, and effectively distributed and sold. Each stage requires entrepreneurial behavior.

2. Entrepreneurship in macroeconomics and employment. Unemployment in the economy is due to people changing jobs, the mismatch between available jobs and workers’ skills, and inadequate total demand to create jobs in the economy for all who want them. The problem of unemployment in the economy is dealt with by stimulating total demand. The government can
do this by monetary policy (increasing the money supply) and/or fiscal policy (lowering taxes or expanding government purchases). The assumption is that if demand can be pushed high enough by government intervention or if interest rates can be forced low enough, then full employment will result.

This analysis overlooks the role of the entrepreneur and the psychology of investment. John Maynard Keynes in his seminal work in economics, The General Theory of Employment, Interest and Money, stressed the importance of the psychology of the entrepreneur in innovation and investment. Should entrepreneurs be pessimistic about the future of the economy, it is less likely they will develop the innovations and make the investments in those innovations that could stimulate the economy. On the other hand, should optimism pervade the entrepreneurial community, then innovation and investment will be urpraken.

3. Entrepreneurs and economic growth. Economic growth is generally defined as an increase in the per capita income of a country. Such growth can be the result of the discovery of new resources or increased efficiency in the use of already available resources. Both of these events require entrepreneurial activity. It will be an entrepreneur who will discover the new resources or will increase the efficiency in the use of the known resources.

Another source of economic growth is investment in human capital. This can be in the form of education, health services, the eradication of discrimination and other barriers to mobility. Entrepreneurial innovation develops new ways of educating and training the work force and devises new methods of health care delivery. There is also a need for entrepreneurs to seek solutions for the remaining vestiges of discrimination that still pervade society.

The third source of economic growth is capital accumulation, which consists of supplying the labor force with more and better tools (or capital) with which they can work. The reason this nation, or any other nation, prospers is because of the tools that its work force has available. The entrepreneur is the one who supplies the work force with its capital and continually upgrades the quality of that capital.

Entrepreneurs then, can be viewed as the change agents, or catalysts, who bring about economic growth. A full understanding of the dynamics of economic growth requires the inclusion of the entrepreneur.

TEACHING ENTREPRENEURSHIP IN COURSES IN SECONDARY SCHOOLS

Where should entrepreneurship be introduced and taught in the high school curriculum? As could be expected, there are several courses and levels into which entrepreneurship can be integrated. While a full unit on entrepreneurship could be taught as a stand-alone, independent course of study, this is not the only approach, or necessarily the most effective. Even if a free-standing course is provided in the curriculum, its effectiveness will be enhanced if entrepreneurial insights are provided throughout the entire curriculum. If entrepreneurship education is isolated in a single course, apart from the whole curriculum, it may be missed by many students who then would not profit from their potential development as enterprising individuals.

Economics. The discussion above has outlined some of the key entrepreneurial concepts that should be integrated into the typical economics course. Illustrations of how these concepts might be taught are contained in the lesson plans in Part 2 of this Master Curriculum Guide. Placing entrepreneurial concepts and the entrepreneur into the standard economics course not only makes the course more reflective of the real world but it also can help to improve students’ comprehension and enjoyment of the economics course.

Business education. Perhaps the next most obvious place where entrepreneurship should be included is in the high school business education curriculum. In addition to the creative and enterprising attributes, the business education course will introduce the financial and human management skills that are necessary for the formation and survival of a new enterprise. The business education course should also have the students think of themselves as employers rather than employees in the market system. This view will enable the business student to identify with the important issues with which the entrepreneur must grapple as part of the development of a business plan. These issues include new products, process innovation, employee training and management, financing the enterprise, and assessment of the marketplace. The desired outcomes of the business education course should include the students’ ability to deal with the unknown in an enterprising way.

Government. The action of government in creating and limiting the environment for entrepreneurship should be included in courses of high school government. Government regulations and taxes have an impact on the entrepreneurial environment. Regulation is a burden for all businesses, but more especially for small entrepreneurial ones that generally have less ability to bear the costs of compliance.

Comparative studies should be undertaken about the role of entrepreneurs under alternative political systems. Why has there been a movement toward the free market in command societies? To what extent is the existence of one kind of liberty essential for the presence of the other? Can government bureaucrats be entrepreneurial? These are just a few of the questions that might
be posed in a government class with entrepreneurial content.

**Psychology.** A course in psychology is an excellent place for students to understand the psychological characteristics of the entrepreneur and to assess their own characteristics and capacities to be entrepreneurial. A psychology course that allows students to develop their own concepts of self-worth and inner control would be a welcome addition to the process of entrepreneurship education.

**Sociology.** The study of the sociology of entrepreneurship is in its infancy, but there are several ideas that are consistent with the thrust of entrepreneurship education. Students should realize that entrepreneurs shape and are shaped by the culture in which they live. Why do some ethnic groups seem to be more entrepreneurial than others? How does entrepreneurship permit minority groups to enter the economic and social mainstream? These are but two of the myriad questions that link entrepreneurship and sociology, and high school courses can now begin to explore them.

**History.** History courses are a natural place within the curriculum to discuss how entrepreneurs have helped determine the course of human events. History courses too often focus on politicians, rulers, and military leaders. History teachers can do a great deal to expand the horizons of their students by focusing on case studies of entrepreneurs who have contributed to the betterment of humankind. Case studies are particularly valuable if a variety of alternative stories are included that allow the students to relate to entrepreneurs of their same race and/or gender. Entrepreneurial history can help students understand that most progress is made in small steps. While the “mega” innovations are important, progress really happens as ideas are adapted and refined. The cumulative process of improving and changing old ideas in an incremental way to better satisfy consumer or producer needs is the form most entrepreneurial activity takes and in so doing makes history.

**Science.** Entrepreneurship can also be a thread woven into the fabric of science courses. Since technological advance often begins with scientific insight and continues because of entrepreneurial persistence, students should understand the relation between scientific discovery and entrepreneurship. Many of the great scientists were also entrepreneurs. They not only invented the product or technology but also brought it to the marketplace. Students should understand these relationships between the laboratory and the market.

**Vocational/technical education.** For many years, entrepreneurship has been an integral part of many vocational/technical programs. The majority of American high school students are enrolled in some vocational/technical course or program. These offerings present an excellent opportunity for the spreading of entrepreneurship education over a significant number of students.

The focus of entrepreneurship education in the vocational/technical curriculum has been narrow and limited to the teaching of skills needed to start and sustain a small business, but most vocational/technical programs contain at least a module on basic economics. In this module the links between the market and the entrepreneur need to be stressed. The curriculum should be broadened beyond skills training to include an understanding of how employees can be enterprising as well as units on the nurturing of entrepreneurial traits and characteristics.

**CONCLUSION**

Those who design secondary school curricula should make sure that entrepreneurship has its place in economics, business education, history, science, psychology, sociology, and vocational/technical education. Entrepreneurship is neither a separate nor an alien concept, but one that can enrich the students’ understanding of a variety of subjects in the regular curriculum. Perhaps more important, the study of entrepreneurs and entrepreneurship can demonstrate how enterprising behavior can have a positive impact on society. Entrepreneurs are good models for students to emulate.
### Economics and Entrepreneurship and A Framework for Teaching the Basic Concepts

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<td>4. Economic Systems</td>
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<td>5. Economic Institutions and Incentives</td>
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<td>6. Interdependence</td>
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<td>7. Markets and Prices</td>
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<td>8. Supply and Demand</td>
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<td>9. Competition and Market Structure</td>
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<td>10. Market Failures</td>
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<td>11. Role of Government</td>
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xv
PART 2
LESSONS

Please note: reduced pages of student activities and answer keys follow each lesson.
LESSON 1

Entrepreneurs—then and now

TIME REQUIRED:
One Class Period

CONCEPTS:
Entrepreneur
Enterprise

INSTRUCTIONAL OBJECTIVES:
Students will:

• Define entrepreneur and give examples of outstanding entrepreneurs in American economic history

• Compile a list of characteristics and traits common to successful entrepreneurs

• Identify and discuss contributions entrepreneurs make to improve the quality of life for everyone

RATIONALE:
The American free enterprise economic system encourages individuals to take the risk of starting new businesses. A recent study indicates that approximately 8,000 new businesses are started every week in the United States.

Our country’s economic growth is directly linked to its entrepreneurial activity. Individuals see a need in the marketplace to introduce a new product, a service, or a technology. Based on their perception of that need, these individuals start a new business.

This economic activity benefits everyone’s quality of life. New businesses introduce new products into the marketplace that make our lives easier, give us more leisure time, improve our health, offer us more choices, and usually create jobs.

By studying successful entrepreneurs, we can understand the relationship of their contributions to our country’s economic growth and to our ever improving standard of living. We are also able to recognize skills and traits common to successful entrepreneurs.

MATERIALS:
• Examples of new products
• Activity 1 “Entrepreneurs—then and now”

VOCABULARY:
Entrepreneur: an individual who recognizes opportunities (wants or problems) and uses resources to implement innovative ideas for new, thoughtfully planned ventures

PROCEDURES:
1. Display on a table in the classroom approximately 10 new products with which students would probably be familiar.

Examples:
Velcro
Compact Disc
Microwaveable Food
Car Telephone
Corian Countertop
Sample
Reusuable Cold Compress
(Refrigerator type)

Post-it Notes
Nintendo Game
System
Disposable Camera
Pizza Delivery Service
Discovery Credit Card

In cases where you cannot obtain the product, display advertisements or pictures of it.

2. Discuss these products with students.
   a. Do they have any common characteristics?
   b. How do they improve our lives?
   c. How do they benefit society?
3. Encourage students to suggest other new products with which they are familiar. Introduce the concept of economic goods and services. Discuss the introduction of new service products as new businesses as well.

4. Discuss the concept of entrepreneurship with students. The word was introduced by the French economist J. B. Say in 1803. It means "to undertake"; someone who starts his or her own new business.

5. Ask a student to go to the chalkboard. Encourage other students to call out products and individuals associated with them. Examples:
   - Car—Henry Ford
   - Fried chicken—Colonel Sanders
   - Apple computer—Steve Jobs

6. Discuss the relationship of these products to starting entire industries—automobiles, fast food, personal computers, etc.

7. Distribute to each student one of the stories provided in Activity 1 about an entrepreneur from American history. (You may wish to substitute other stories, particularly stories about entrepreneurs in your community or region.)

8. Ask each student to read the story and be prepared to:
   a. identify and describe the product or products the entrepreneur introduced to the marketplace
   b. discuss any unique characteristics of the entrepreneur and/or the product and business
   c. list any benefits to society contributed by the product and business

9. Divide the class into small groups. Each of the students in the group should have a story about a different entrepreneur. Have each student share with his or her group the assignment as described in procedure 8 above.

10. After each group has learned about the individuals portrayed in their assignment, ask the students to compile a list of strengths, special traits, and characteristics of the successful entrepreneurs. Request each group to appoint a group member to record their findings.

11. After the groups are finished with this activity, ask the recorders to share their conclusions with the group. The teacher or a student should assemble the class list on the board for discussion and review. Leave the list on the board if you plan to conduct Lesson 2.

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**ACTIVITY 1 • PART A**

Entrepreneurs—then and now

Benjamin Franklin

1706–1790

Benjamin Franklin was one of 17 children of a poor but honest family in Boston. There was not enough money to allow him to go to school to become an apprentice printer to his brother. This was an unhappy relationship because, as many brothers, they agreed on little and did not work well together. While a student, Franklin ran away to try his skills as a printer.

He returned to the United States and was recognized as one of the most skilled printers in the colonies. He moved to Philadelphia in the late 1720s. He found it was difficult to establish a business. There was a large number of printer already in business. The only way he could succeed was to the best. He started a new newspaper, The Pennsylvania Gazette. What made his paper successful was that it included many entertaining and clever essays, or articles being written in a light and sometimes satirical manner.

But by far Franklin's most profitable invention was Poor Richard's Almanac, which he published annually between 1732 and 1758. What made Poor Richard's Almanac unique was that it was "a book for every member of the family." It included essays, poetry, astronomical data, maps, and the times of the moon's phases. For example, the almanac was arranged so that they could use it to teach their children the alphabet and how to read. The sales of Poor Richard's Almanac annually reached $10,000 in a year—second only to the Bible in sales.

Franklin was also the first person to believe in newspaper advertising. He recognized that the price of newspapers in this country could be kept down if part of the cost was picked up by advertising. But he could not convince other businessmen to advertise in his newspaper. To be begin by selling an issue, as his own, the Franklin almanac. The news was an ingenious idea that was a superior way of making cold and deadly colonial homes. Tales of his success brought in advertising.

Other colonial merchants began to advertise too. In addition to being a successful businessman, Franklin was also an inventor. He, in fact, wrote Thomas Edison's more in various forms before than Benjamin Franklin. He experimented with electricity. He patented light- and- dark glasses. He invented a survey of medication.

Franklin became one of America's greatest statesmen. He was also a great philosopher. It was said of him that he killed the unique elements that are identified in his American business, science, politics, education, entrepreneurship, self-reformation, research and invention, community service, and philanthropy.

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**ACTIVITY 1 • PART B**

Entrepreneurs—then and now

Milton Bradley

1896–1911

Milton Bradley, when Abraham Lincoln first grew a beard during the 1860 presidential campaign, is almost equal to Washington as a great businessman. He invented the game of chess, a game in which players are placed opposite while viewing them with new and different businesses. Bradley had a very successful business. Milton Bradley is sometimes referred to as the father of American business. He was a successful businessman in the United States, a manufacturer and—probably—was the biggest of all the American entrepreneurs.

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ACTIVITY 1 • PART C

Entrepreneurs—then and now
Maurice McDonald
1992–1971
Richard McDonald
1909–

McDonald's Hamburgers

Brothers Maurice and Richard McDonald led their New
Hamburgers village of Oakland for Hollywood in 1912
wishes of becoming actors.

It wasn't an obvious career, however, but under
the urging of a San Francisco-based civic group
which had seen their name in the papers. After
taking an acting class, the McDonalds ran
several businesses, including a movie theater, before
opening their hamburger stand in 1914. Unlike similar
restaurants that were passing fads in order, the
McDonalds stood firm and provided a dependable
hamburger for 5c.

In 1964 their business suffered the stomach of Bay

From Reader's Digest, The World of Business, October 1976, p. 11.

ACTIVITY 1 • PART D

Entrepreneurs—then and now
Berry Gordy, Jr.
1929–

Creator of the Motown Sound

There are very few individuals in this country, and proba-
bly around the world, who have not heard of Motown Records. Berry Gordy, Jr. was a true entrepreneur who was not kept down even by his early setbacks. At the age of 20, Berry Gordy, Jr. and his company Motown Records had just started and was already well
established in the music industry. The company was con-
tinued to roll out the hits and these new records became
quite popular among listeners. The company was named after his mother, who had wanted him to become a singer. However, Berry Gordy, Jr. was not deterred by these setbacks and continued to work hard to make his dream a reality.

From Reader's Digest, The World of Business, October 1976, p. 3.

ACTIVITY 1 • PART E

Entrepreneurs—then and now
Laura Clough Scudder
1881–1959

Although Laura Clough Scudder had already achieved
a place in history in 1913 as the first female attorney
in Utah, California, when she died in 1959 she was hailed
as the "Pioneer Queen of the West." During her
lifetime, Laura Scudder paved the way for women in law
and justice, and she continued to push for women's rights
in the face of adversity. She was one of the first women
in the west to practice law, and she fought tirelessly for
women's rights and social justice.


ACTIVITY 1 • PART F

Entrepreneurs—then and now
Mary Anne Jackson
1964–

Arguing a cause and motherhood, Mary Anne Jackson,
found herself devoting Sunday afternoons in the 1950s
to the work of the NAACP. In the 1960s, she opened
a small restaurant in Washington, D.C. She then
founded the National Civil Rights Museum in Memphis,
Tennessee, which opened in 1968. The restaurant
quickly became successful, and the museum soon
became a major attraction.

From Reader's Digest, The World of Business, October 1976, p. 5.
LESSON 2

Can I be an entrepreneur?

TIME REQUIRED:
One Class Period

CONCEPTS:
Entrepreneur
Human Capital

INSTRUCTIONAL OBJECTIVES:
Students will:

- Identify and discuss the common characteristics of people who become entrepreneurs
- Rate the importance of specific characteristics to the success of entrepreneurs
- Compare their rating of specific characteristics with the rating given by entrepreneurs
- Evaluate themselves in terms of the characteristics common to entrepreneurs

RATIONALE:
Entrepreneurs tend to exemplify some unique "packages" of characteristics that tend to distinguish them from other people in the economy. Their principal motivation is the need for achievement coupled with a strong desire for independence.

While money is important, and no entrepreneur launches an initiative with the expectation of going broke, the earning of money tends to be a secondary consideration. Money tends to serve more as a barometer of success and accomplishment than as a goal in and of itself.

The following are characteristics that are generally common to entrepreneurs: independent, responsible, goal oriented, self-confident, creative, and willing to take calculated, somewhat controllable risks. Deficiencies in any one of these characteristics tend to limit entrepreneurial activity.

The most essential characteristic of an entrepreneur is self-confidence, or what psychologists call "inner control." This is simply a belief in oneself; a belief that one can do it. Entrepreneurs see their ideas worthy of pursuit and themselves capable of seeing the venture through to a successful conclusion. Entrepreneurs are agents of change. If entrepreneurs do not believe in themselves, they are likely to abandon the effort when faced with resistance.

While research has revealed a number of characteristics and traits that are common to successful entrepreneurs, it has also shown that many of the skills and traits of successful entrepreneurs can be acquired. Entrepreneurs have developed abilities through education, training, experience, apprenticeships, and role-model experiences that assist them in their entrepreneurial ventures.

It is important for potential entrepreneurs to acquire personal insight into their own abilities, strengths, and weaknesses. Anyone exploring entrepreneurship should develop a personal profile to focus their abilities and to pursue initiatives compatible with their strengths rather than their weaknesses.

MATERIALS:
- Activity 2 "Important traits for the successful entrepreneur"
- Activity 3 "Ratings of traits by entrepreneurs"
- Activity 4 "My entrepreneurial traits"

VOCABULARY:
Entrepreneur: an individual who recognizes opportunities (wants or problems)
and uses resources to implement innovative ideas for new, thoughtfully planned ventures.

**Human Capital**

the productive capacities of human beings as income-producing agents in the economy

**PROCEDURES:**

1. Ask students to review the characteristics of entrepreneurs that were listed in Lesson 1. (If using Lesson 2 without Lesson 1, ask students to brainstorm characteristics of people who have started successful businesses.)

2. Distribute Activity 2. After discussing the various traits to assure that students understand their meaning, ask students to place an X in the appropriate box for each trait.

3. Tabulate the students’ ratings of the traits. Add the numbers assigned to each trait by each student. The higher the total figure for each trait, the more important its ranking.

4. Distribute Activity 3. Compare students’ ratings with the list given by entrepreneurs. Numbers in parentheses correspond with numbers on Activity 2. Discuss the three levels of traits. Be sure that each student is able to define these characteristics.

5. Distribute Activity 4. Ask students to complete the evaluations of themselves.

6. Have students compare their entrepreneurial traits with those ranked by entrepreneurs (Activity 3).

**EVALUATION:**

As a homework assignment, have students answer this question in a one-page composition: “How Entrepreneurial Am I?”
### ACTIVITY 2

**Important traits for the successful entrepreneur**

Rate the traits below in terms of how important you think they are for entrepreneurial success. A "1" would indicate that you believe the trait is not important at all. A "5" would indicate that you believe the trait is very important. A "3" would indicate that you believe the trait is important.

<table>
<thead>
<tr>
<th>Trait</th>
<th>Least important</th>
<th>Most important</th>
<th>Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ability to see the opportunity</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<tr>
<td>2. Good physical health</td>
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<td>3. Ability to take risks</td>
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<td>6. Need to be clear about with others</td>
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<td>10. Patience and ability to do something small</td>
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From: Adapted from Entrepreneurship in Action & Entrepreneurs, Career Foundations for Economic Education, 1986

### ACTIVITY 3

**Ratings of traits by entrepreneurs**

A. **Most important for success**

- **Persistence** (18)
- Desire and willingness to take the initiative (15)
- Competitiveness (14)
- Self-reliance (12)
- Ability to get along with employees (9)
- Versatility (7)
- Desire to create (6)
- Innovativeness (4)
- Good physical health (2)

B. **Important for success**

- Ability to lead effectively (20)
- Willingness to tolerate uncertainty (18)
- Ability to deal with uncertainty (16)
- Patience (15)
- Strong desire for money (14)
- Need for power (12)
- Need for self-expression (11)

C. **Least important for success**

- Ability to lead effectively (1)
- Willingness to tolerate uncertainty (1)
- Desire to create (1)
- Need for power (1)
- Need for self-expression (1)
- Willingness to tolerate uncertainty (1)
- Ability to deal with uncertainty (1)
- Patience (1)
- Strong desire for money (1)

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### ACTIVITY 4

**My entrepreneurial traits**

To what degree do you believe you possess entrepreneurial traits?

Indicate your opinion by checking the box below.

A "1" would indicate that you feel you possess the trait to a minor or negligible degree.

A "3" would indicate that you feel you possess the trait to a moderate degree.

A "5" would indicate that you feel you possess the trait to a major or significant degree.

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<tr>
<th>Trait</th>
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**Note**: The text above is a sample of a document that contains various activities related to entrepreneurship, focusing on rating the importance of certain traits for entrepreneurial success.
LESSON 3
What does the entrepreneur need to know?

TIME REQUIRED:
One to Two Class Periods

CONCEPTS:
Human Capital
Opportunity Cost

INSTRUCTIONAL OBJECTIVES:
Students will:
• Define human capital and list reasons why the entrepreneur is interested in developing his or her human capital

• Analyze problems of an entrepreneurial enterprise to ascertain needs for human capital development and the opportunity costs involved

• List ways in which human capital is and can be developed

• Compare data on the educational background of entrepreneurs with that of the general public

• State possible reasons why new entrepreneurs generally have a higher formal educational background than the general public

RATIONALE:
Besides having certain personality and physiological characteristics, such as independence and a high energy level, the successful entrepreneur must generally also have some knowledge of business practices and procedures before starting a business. This has become more important as our business and economic world has become increasingly more complex. Successful entrepreneurs start their businesses with some expertise in one or more of the following areas: managing people and resources, marketing goods and services, keeping business records, acquiring finances, producing goods and services, and understanding the economic environment in which the business operates.

This does not mean that entrepreneurs must be experts in each of these areas. They should know enough about or be willing to gain more knowledge about the aforementioned areas in order for their businesses to be successful. If other people are hired to do some of these functions, the entrepreneur should at least have a general idea of what should be done in the functional area for which an individual is hired.

Economists call the development of such knowledge and understanding “human capital.” What this basically means is that the person is being educated to be more productive.

Human capital can be developed in many different ways—the formal school setting, self-education, business-sponsored training programs, and on-the-job experiences. As will be shown in the activities to follow, many entrepreneurs use one or more sources to develop the knowledge and understanding necessary for operating a successful business.

MATERIALS:
• Activity 5 “Julie’s dream”

• Activity 6 “Additional courses and training taken by new business owners prior to starting new businesses”

• Activity 7 “Owner age when business formed”

• Activity 8 “Formal education of new business owners and the adult public”
VOCABULARY:
Human Capital  the productive capacities of human beings as income-producing agents in the economy
Opportunity Cost  the highest valued alternative that must be foregone because another option is chosen

PROCEDURES:
1. Have students brainstorm the competencies generally required of all entrepreneurs—whether they operate a shoe store or a record shop. Try to categorize the responses into such groupings as finance, marketing, management, production of a product or service, general knowledge about the economy, etc.

2. Optional. Have students ask people in the community who own small businesses to list the five most important things they needed to know for success in their business. Have students report on the interviews. Attempt to categorize the responses of the small business owners according to such groupings as finance, marketing, management, production, accounting, general knowledge of the economy. Determine the category that seemed to be mentioned most frequently.

3. Distribute Activity 5. Introduce the activity to the class by indicating that this case problem describes a business that is having some difficulties—difficulties that are typical for a new small business to encounter. Have the students read the case situation and answer the questions. Individual or group work can be used to complete this assignment. The responses are somewhat open-ended.

4. Have students discuss their answers. Students may respond in ways other than those indicated on the answer key. This is particularly true for the first three questions. If the responses are reasonable, they should be accepted. When considering the procedures used for developing human capital, you may want to use Activity 6 and Activity 7 either as transparencies or as handouts. Activity 6 shows the additional types of formal training that new owners indicated they had taken before starting a new business. On-the-job training or experiences working as an employee for another business are not mentioned here. Activity 7 alludes to the experiential factor, since most new owners start a business after having worked for someone else. Less than 10 percent of new owners, for example, are under 25 years of age, indicating that most gain some experience working for others prior to starting their own business.

5. Distribute Activity 8 which shows by a pie chart a comparison of the formal educational background of new business owners compared to the adult public. Students may have difficulty working with this at first. Some instruction on how to read pie charts probably would be helpful, such as the entire pie equals 100 percent, half the pie equals 50 percent, and a quarter of the pie equals 25 percent.

EVALUATION:
After the students have completed the activities, ask the following questions:
1. What is human capital?
2. Why is human capital important to a small business?
3. What are some ways to improve the human capital of a firm?
4. Why do you believe new business owners have more formal education than the general public?
ACTIVITY 5

Julie's dream

Read the story below, then answer the questions that follow.

As a high school and college student, Julie's dream was to own a business. She always dreamed of being her own boss and working on her own terms. But she knew that starting a business was not easy. Julie had to work hard and save money to make her dream come true.

After college, Julie worked as a teacher in a private school. Her students loved her, and she enjoyed teaching them. But she realized that she wanted more control over her work. She decided to start her own business.

She started a small consulting firm, helping businesses improve their efficiency. She worked long hours, but she loved the independence and freedom that came with running her own business. Julie's dream was finally coming true.

What are some problems that Julie had to overcome to start her business?

1. What are some problems that Julie had to overcome to start her business?

(a) Julie had to save money to start her business.
(b) Julie had to work long hours to make her business successful.
(c) Julie had to hire employees and manage them.
(d) Julie had to deal with difficult clients.

2. What are some problems that Julie had to overcome to start her business?

(a) Julie had to save money to start her business.
(b) Julie had to work long hours to make her business successful.
(c) Julie had to hire employees and manage them.
(d) Julie had to deal with difficult clients.

ACTIVITY 6

Additional courses and training taken by new business owners prior to starting new businesses

<table>
<thead>
<tr>
<th>Course/Training Type</th>
<th>% of Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licenses/Certificates</td>
<td>10</td>
</tr>
<tr>
<td>High School Vocational Courses</td>
<td>20</td>
</tr>
<tr>
<td>Occupational Training in Military</td>
<td>10</td>
</tr>
<tr>
<td>Courses in General Business Skills</td>
<td>30</td>
</tr>
<tr>
<td>Courses in Technical Skills</td>
<td>10</td>
</tr>
<tr>
<td>Employee-Sponsored General Business Skills</td>
<td>10</td>
</tr>
<tr>
<td>Employee-Sponsored Technical Skills</td>
<td>10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percent of Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

*Note: Data compiled and presented by The Knot Foundation and supported by American Express Travel Related Services Company.*

ACTIVITY 7
Owner age when business formed

<table>
<thead>
<tr>
<th>Owner Age</th>
<th>Percent of Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td></td>
</tr>
<tr>
<td>20-24</td>
<td></td>
</tr>
<tr>
<td>25-29</td>
<td></td>
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<tr>
<td>30-34</td>
<td></td>
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<td>35-39</td>
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<tr>
<td>40-44</td>
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<tr>
<td>45-49</td>
<td></td>
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<tr>
<td>50-54</td>
<td></td>
</tr>
<tr>
<td>55-59</td>
<td></td>
</tr>
<tr>
<td>60 and Over</td>
<td></td>
</tr>
</tbody>
</table>

ACTIVITY 3
Formal education of new business owners and the adult public

INSTRUCTIONS
The pie charts below show the formal education of the adult public and the owners of businesses. Formal education is the number of educational degrees or grades achieved by an individual. Study the pie charts to answer the questions that follow.

Formal Education of New Business Owners and the Adult Public

New Owners

- High School Graduate
- Some College
- College Graduate or Professional

Adult Public

- High School Graduate
- Some College
- College Graduate or Professional

Questions:
1. Approximately what percent of the new owners are high school graduates?
   - a. 50-54%
   - b. 30-44%
   - c. 20-31%
   - d. 10-19%

2. Are any of the new business owners individuals who have not graduated from high school? If there are, approximate what percent?
   - a. approx. 5-15%

(Continued)
LESSON 4

Have you ever had to make up your mind? (scarcity)

TIME REQUIRED:
Two Class Periods

CONCEPTS:
Scarcity
Factors of Production
Production Possibilities Curve
Opportunity Cost/Trade-offs

INSTRUCTIONAL OBJECTIVES:
Students will:
• Identify and explain the concept of scarcity as it exists in situations in their own lives and in an entrepreneurial enterprise
• Identify and define the four factors of production
• Explain the meaning of a production possibilities curve
• Define the term opportunity cost and explain how this term is demonstrated by the trade-offs made in a production possibilities curve
• Construct a production possibilities curve based on the data provided

RATIONALE:
Scarcity is the central economic problem. It exists because of our limited ability to produce goods and services to satisfy our unlimited wants. We can't make as many goods and services as we want because there is a finite amount of resources we have to use. Production is the result of the combination of the four factors of production: land, labor, capital, and entrepreneurship. These factors exist in limited quantities so we cannot satisfy all of our wants. Scarcity necessitates choice. Every time we choose to use scarce resources to make one product, we must give up the opportunity to use those resources to make something else. This process of making trade-offs is the environment in which all American businesses exist and should be examined by students enrolled in programs in entrepreneur education.

MATERIALS:
• Activity 9 “Tony’s production choice”
• Activity 10 “What would you do if you won the lottery?”
• Activity 11 Comprehension quiz, lesson 4

VOCABULARY:
Scarcity the central problem in economics resulting from the imbalance between relatively unlimited wants and limited resources
Factors of Production resources necessary for production, including land, labor, capital, and entrepreneurship
Land natural resources (“gifts of nature”) before they are changed by human effort; a factor of production
Labor human effort used to produce goods and services; a factor of production
Capital tools of production; goods used to produce other goods and services; a factor of production (not money)
Entrepreneurship: the combining of other factors of production to create goods and services; a factor of production

Production Possibilities Curve: a graphic representation of the different combinations of two products that can be made from a finite set of resources

Opportunity Cost: the value of a second choice that is given up when a first choice is taken; the highest valued alternative that must be foregone because another option is chosen

PROCEDURES:
1. Ask students to identify (make a list of) three different things they like but don't have enough of. Compile a list of these on the board and discuss how they relate to or demonstrate the central economic problem of scarcity.

2. Choose one of the items from the list compiled in procedure 1 above. Be sure the item selected will clearly require examples of each of the four factors of production to produce. Ask your students to identify the resources that are used to produce the designated product. Guide this discussion into an explanation of each of the four factors of production. The fact that we have limited supplies of these factors causes scarcity and forces us to make choices.

3. Define and give examples of opportunity costs. Ask individual students to describe a situation in which they were forced to make a choice and to identify the opportunity cost of their decision.

4. Distribute Activity 9. Students may work on the exercise individually or in groups. It may be necessary to help less able students complete their work. When the students are finished, go over the work together. Discuss the parts that they found difficult.

5. Point out the fact that in this example there is a constant ratio, or trade-off, between the production of pizzas and the production of spaghetti dinners. Each time Tony makes another pizza, he must make three fewer plates of spaghetti.

- You may want to explain that this often isn't how production works in reality. Usually there isn't an even one-for-one trade-off between two types of products because not all resources are equally well suited to all types of production. A cook who makes good spaghetti may make a poor pizza. If we require people to work at jobs for which they are not trained, they will not be very productive. If they are reassigned to a task for which they are better suited, their production should increase.

- Discuss with your students the kinds of things they do well or poorly. Ask them why they are better at some tasks than at others.

EVALUATION:
Evaluate this lesson using Activity 10 or Activity 11.
**ACTIVITY 9**

Tony's production choice

Tony runs a small Italian restaurant where he makes takeout pizzas and spaghetti dinners. He doesn't have much space in the kitchen as there is a limit to the amount of food he can prepare during each evening. He makes either pizza or spaghetti, but not both. On the nice beat, he could produce 180 pizzas. On the nice beat, he could produce 100 spaghetti dinners. He can make only spaghetti. He could also make different combinations of the two products.

Each additional pizza he makes means he is able to make three fewer spaghetti dinners, and vice versa. Study the table Tony has made below and answer the following questions:

<table>
<thead>
<tr>
<th>Time spent per product</th>
<th>Number of pizzas</th>
<th>Number of spaghetti dinners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/10 hour</td>
<td>20 pizzas</td>
<td>0 dinners</td>
</tr>
<tr>
<td>1/15 hour</td>
<td>13 pizzas</td>
<td>75 dinners</td>
</tr>
<tr>
<td>1/20 hour</td>
<td>10 pizzas</td>
<td>150 dinners</td>
</tr>
<tr>
<td>1/25 hour</td>
<td>8 pizzas</td>
<td>225 dinners</td>
</tr>
<tr>
<td>1/30 hour</td>
<td>6 pizzas</td>
<td>300 dinners</td>
</tr>
</tbody>
</table>

1. If Tony wants to make 75 pizzas a night, how many spaghetti dinners will he be able to make?
2. If Tony decides to reduce his pizza production to 50 from 75, how many more spaghetti dinners will he be able to produce than before?
3. Identify examples of each factor of production that most have been used to produce one of Tony's products. Analyze why, in the context of responses above:
   Land: on which the wheels of the four-wheeler, trees used to make paper
   Labor: Tony's efforts to make pizza and spaghetti
   Capital: The ovens and pans Tony uses
   Entrepreneurship: Tony starting and operating his pizza/spaghetti business

(Continued)

**ACTIVITY 10**

What would you do if you won the lottery?

Choose five people (at least one male) to ask what they would buy if they won $1,000,000 in a lottery. Write down their answers in the spaces below. Be prepared to talk in class about their answers and the questions at the bottom of the page.

PERSON NO. 1:

NAME:

AGE:

SEX:

 Điểm: 

Choose the person:

This person would buy:

PERSON NO. 2:

NAME:

AGE:

SEX:

 Điểm: 

Choose the person:

This person would buy:

PERSON NO. 3:

NAME:

AGE:

SEX:

 Điểm: 

Choose the person:

This person would buy:

PERSON NO. 4:

NAME:

AGE:

SEX:

 Điểm: 

Choose the person:

This person would buy:

PERSON NO. 5:

NAME:

AGE:

SEX:

 Điểm: 

Choose the person:

This person would buy:

8. Why do people choose the things they want?
9. How do people choose the things they want?
10. Why do different people want different things?

**ACTIVITY 11**

Comprehension quiz, lesson 4

**PART I**

Read the statements below. Place an "X" in front of each statement you think is true and an "O" in front of each statement you think is false. Then write the statement correctly in the space provided.

1. Shortages exist because many people do not have enough money.
   - X
   - O
   Shortages exist because there are not enough productive resources to satisfy all of our wants.

2. It is necessary to have all four factors of production for production to take place.
   - X
   - O
   The four factors of production are land, labor, capital, and entrepreneurship.

3. A production possibilities curve shows different combinations of two products that can be produced from a set of resources.
   - X
   - O
   A production possibilities curve shows different combinations of two products that can be produced from a set of resources.

4. If I decide to spend $50 to go to a movie instead of using the money to buy a book, my opportunity cost is the value of the $50 spent on the movie. My opportunity cost is the value of the book that I would have bought as my second choice.

**PART II**

Study the graph to the right and answer the following questions.

6. If I'm holding $50 in cash, how many pizzas can be bought?
   - 4
   - 3

7. If I increase to $50 in cash, how many pizzas can be bought?
   - 4
   - 3

8. What would be John's opportunity cost if he decided to use all his resources to make $50 pizza?
   - The last value of the $50 in cash that he would have produced as a second choice.

LESSON 5
The role of entrepreneurs in our economy

TIME REQUIRED:
Two Class Periods

CONCEPTS:
Economic Systems (traditional, command, market, mixed)
Competition

INSTRUCTIONAL OBJECTIVES:
Students will:
• Identify and compare the basic types of economic systems in which an entrepreneur can operate
• State at least five contributions of competition and give examples of each
• State and give examples of at least three benefits of entrepreneurship to society

RATIONALE:
Societies develop economic systems to provide a structure for determining how limited resources will be used to meet the unlimited wants of their members. To date societies have developed three basic types of economic systems: traditional, command, and market. A fourth, the mixed economic system, is a combination of the first three systems for making economic decisions.

Entrepreneurs flourish in the market economy because this system empowers individuals to make economic decisions. Profit serves as the incentive to encourage individuals to take the risk to start a new business venture.

Through personal initiative and the effective implementation of innovative ideas, entrepreneurs respond to economic wants and in so doing make a significant contribution to the betterment of any society. Entrepreneurs are always looking for ways to improve the efficiency of the economy, and when they are successful, they stimulate economic growth. The result of this improved efficiency, economic growth, and job creation is expanded economic opportunities for each one in the economy.

MATERIALS:
• Activity 12 “Basic economic systems”
• Activity 13 “Scenarios for economic systems comparison” and “Response page”
• Activity 14 “Contributions of competition”
• Activity 15 “Product competition in a market economy”
• Activity 16 “Benefits of entrepreneurship to society”
• Activity 17 Case studies (Part A and Part B)

VOCABULARY:
Entrepreneurship the human resources that assume the risk of organizing other resources to produce goods and services
Economic System the institutional framework that people use to allocate resources to produce and distribute goods and services. Economic systems operate to answer the three basic economic questions: What is to be produced? How is it to be produced? For whom is it to be produced?
Traditional Economic System  an economic system in which production and distribution decisions are largely determined by custom, i.e., the way things have been done in the past

Command Economic System  an economic system in which a central authority makes the major production and distribution decisions; a system in which a central authority, usually government (e.g., politicians, civil servants, and military), decides what to produce, how to produce it, and for whom it shall be produced

Market Economic System  an economic system in which the major decisions about production and distribution are made in a decentralized manner by individual households and business firms following their own self-interest. In a market economic system, individual consumers and producers make decisions based on prices about what is to be produced, how it is to be produced, and for whom it is to be produced, based on decisions they believe will benefit them individually.

PROCEDURES:

DAY ONE

1. Discuss with students the differences among the three economic systems. Use examples of the three systems, both in past times and in modern times.

2. Distribute Activity 12.

3. Divide the class into six groups. Assign two groups to be traditional, two to be command, and two to be market economic systems. Give each group Activity 13.

4. Assign different situations to different groups or the same one to all groups. Instruct the groups as follows:

- *discuss among group members how the economic system will react to this new situation
- *have the group record answers on Part B.

5. Have each group share its answers with the class.

NOTE: Procedures 1–5 can take one class period depending on how many situations students must respond to.

DAY TWO

6. Distribute Activity 14. Discuss it with the class. (This handout could be assigned as homework to be read prior to class.)

7. Divide the class into groups. (Change the composition of the groups from the previous day.) Assign each group a product. (Teacher can have the products written on separate pieces of folded paper.) Suggestions of products for the activity are: cars, sodas, sneakers, pizza, jeans, toothpaste. Using Activity 14 as a guide, tell each group to give an example of how a business in its product line accomplished each contribution. Example:

A. Can lead to lower prices
   1. cars—rebates
   2. sodas—discount coupons
   3. sneakers—seasonal sales
   4. jeans—free shirt with pair of jeans
   5. pizza—large pizza for price of medium
   6. toothpaste—redemption prize

Distribute Activity 15 for students to record their responses.

8. Have each group share its answers with the class.

9. Have each group share its answers with the class.

10. Give each student a copy of Activity 16, or use as a transparency. Discuss the list of benefits with the class, making sure all students understand the benefits. Ask the students to give examples.

11. Distribute Activity 17. Depending on the amount of time available, have students complete the activity in class or as homework.

EVALUATION:

Ask the students to find a current entrepreneurial case study example in newspapers or business journals, such as *Money, Inc., Entrepreneur*, etc. They should read the article and list examples of benefits to society that resulted from the entrepreneurial activity.
### ACTIVITY 12

**Basic economic systems**

All resources have developed economic systems in ways of producing and distributing goods and services. Economic systems are used to answer the three basic economic questions: What goods and services are to be produced? How are goods and services to be produced? For whom are goods and services to be produced? Different types of economic systems have different mechanisms (methods) for answering these questions.

<table>
<thead>
<tr>
<th>Type of economic system</th>
<th>What to produce?</th>
<th>How to produce?</th>
<th>For whom to produce?</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARKET ECONOMY</td>
<td>Business firms produce goods and services that consumers are willing and able to buy at prices that will yield profits for the firms.</td>
<td>Compete (profitably in the market) for consumer dollars</td>
<td>Finished goods and services are sold to individuals and businesses who are willing and able to buy them.</td>
</tr>
<tr>
<td>COMMAND ECONOMY</td>
<td>Central planning authority (government agency) decides what goods and services will be produced</td>
<td>Central planning authority (government agency) decides what combinations of productive resources will be used in producing goods and services</td>
<td>Finished goods and services are allocated to producers and available to consumers.</td>
</tr>
<tr>
<td>TRADITIONAL ECONOMY</td>
<td>The goods and services produced today are the same as those produced in previous generations</td>
<td>The combinations of productive resources used in producing goods and services are the same as those used in previous generations</td>
<td>Finished goods and services are traded locally for other finished goods and services.</td>
</tr>
</tbody>
</table>

### ACTIVITY 13 • PART A

**Scenarios for economic systems comparison**

1. A new strain of low-cholesterol corn is developed.
2. The country's landfills are becoming scarce.
3. A baby boom has started.
4. There is an excess supply of steel.
5. A livestock killer bee has invaded the country.
6. The cost of milk has sharply increased.
7. Two neighboring countries are at war.
8. A shortage of nurses has occurred.
9. Denim coats are the new look.
10. Medical research proves that amino acids cause high blood pressure.
11. Vanas cause great damage to highways.
12. Vocational jobs are plentiful.

### ACTIVITY 13 • PART B

**Response page**

<table>
<thead>
<tr>
<th>Situation No.</th>
<th>Type of economic system</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Response of economic system to the situation</td>
</tr>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

### ACTIVITY 14

**Contributions of competition**

- Can lead to lower prices
- Can lead to improved quality
- Can lead to larger variety of goods and services
- Can lead to better service
- Can lead to increased efficiency
- Can lead to greater sensitivity to consumers' needs and wants
- Can lead to faster responses to consumers' needs and wants
- Can lead to greater innovation
**ACTIVITY 15**

**Product competition in a market economy**

**PRODUCT:**

<table>
<thead>
<tr>
<th>Price</th>
<th>Quality</th>
<th>Variety</th>
<th>Service</th>
<th>Efficiency</th>
<th>Benefits:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Response:**

**Innovation:**

---

**ACTIVITY 16**

**Benefits of entrepreneurship to society**

Entrepreneurs generate at least six overall benefits to society:

1. Increased competition
2. Economic growth
3. Increased employment
4. Altered distribution of income
5. Economic efficiency
6. Increased opportunities for all individuals

---

**ACTIVITY 17 • PART A**

**Entrepreneurs turn idle grain mill into highly automated flour producer**

Entrepreneurs are turning an empty farm into a highly automated office that produces flour for craftsmen and home remanufacturers. John C. Roper, president of the company that purchased the operation, said that the friendly environment at a new farm for farmers and would not attract more than 200 people such as pet food, animal feed, and small feed companies.

The original mill was built shortly after WWI to produce flour for feed, but since 1967 it has been idle. Earlier this year the mill was renovated and new automated machinery was installed. Mr. notes that the company has enough orders to operate the mill at capacity and net earnings. He said the demand for flour has been climbing at an average of 3% per year in the past eight years and that the company will increase 1,000 tons per year.

The plant, which is now a company-owned property, only employs one person per shift to operate the new machinery. Other workers are needed for maintenance, job work, and other tasks. The 12-hour work force of 30 is expected to expand to 40 by January.

**QUESTIONS**

1. What product was being produced by these entrepreneurs?

2. What did they do that was entrepreneurial?

3. List at least three benefits to society from the entrepreneurial effort

---

**ACTIVITY 17 • PART B**

**Entrepreneurship and employment**

A recent report issued by the United States Small Business Administration contains the following information. Last year, 2.5 million new jobs were created in the American economy. At least 4 million new jobs will be created in 1982. Almost all of these jobs were started by new or growing entrepreneurial businesses. In 1982, larger businesses actually reduced their overall level of employment by about 1.7 million workers. Increasingly, the United States economy is becoming an open-market economy with more and more employment in small businesses. A new study indicates that the number of jobs that are created by small businesses is increasing in importance to the economy. Over 90 percent of American workers now work for a small and growing business. These businesses provide the first employment opportunities to which workers turn after the skills and experience necessary to enter larger firms.

In effect, every job that creates an entrepreneur is a new job. Even as public sector jobs, such as police officers, teachers, and government workers, must be paid out of federal funds, which are reserved for large enterprises, the government employs the small entrepreneur to provide services. An entrepreneurial economy guarantees the additional tax dollars needed to support public services and public employment.

**QUESTIONS**

1. What created most of the new jobs in the economy?

2. Most entry level jobs are to be found in what kind of firms?

3. Why are government jobs dependent upon the efforts of entrepreneurs?

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**Source:** From Roper, J. (1982). *Small Business Administration.*

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LESSON 6
Markets in the circular flow of the economy

TIME REQUIRED:
One or Two Class Periods

CONCEPTS:
Markets
Circular Flow Model
Product Market
Factor Market

INSTRUCTIONAL OBJECTIVES:
Students will:
• Identify and trace the flow of goods and services, factors of production, and money through a circular flow model
• Explain the relationship between transactions that occur in the product market and those that happen in the factor market
• Describe the significance of the role played by entrepreneurs in connecting transactions in the factor market with those in the product market

RATIONALE:
In the United States, all firms exist within the context of our economic system, which economists represent with a circular flow model. In this model, businesses sell goods and services to households in the product market. The money that firms earn in the product market is used to purchase factors of production from households in the factor market.

There are two flows of value in the model. Goods and services and factors of production move in a counterclockwise direction. At the same time, there is a flow of money of equal value, which circulates in the opposite direction. In their effort to earn profits, entrepreneurs help keep these flows moving and the economy healthy. By studying this model, students will gain an appreciation of the role firms play in the functioning of the economic system.

MATERIALS:
• Activity 18 “The circular flow of resources, goods, services, and money payments”
• Activity 19 “What happened in Upper Utopia?”
• Activity 20 “My family and me in the circular flow model”
• Activity 21 Comprehension quiz, lesson 6

VOCABULARY:
Market a situation in which exchanges between buyers and sellers of a product or service are made
Circular Flow Model a representation of the interactions between households and producers in product and resource markets; a representation of the economy, which shows the flows of money, goods and services, and factors of production through the product and factor markets
Product Market any setting where goods and services are exchanged by producers and consumers
Factor Market any setting where factors of production are exchanged by owners (sellers) and buyers (firms)
PROCEDURES:

1. Make a transparency of the circular flow model included in Activity 18 or draw a circular flow model on the chalkboard so that it can be easily seen by all students. Trace the flows of goods and services, factors of production, and money through the system. Distribute Activity 18, which includes a desk copy of the model and a list of events, to each student. Tell students to determine where each event should be placed on the chart. They may do this as individuals, as pairs, in small groups, or together as a class. When they have finished, discuss what they have done. Be sure they understand any mistakes made in placing the events correctly on the chart.

2. Using an enlarged copy of the circular flow model or the transparency made in procedure 1 above, help students identify which parts of the model would be affected by each of the following events. Emphasize the fact that an interruption of any flow at any place in the model will affect all other parts of the flow model. This shows that economic events in one part of the system inevitably affect its other parts.

EVENTS:

- all the members of a large union go on strike
- a major manufacturer of automobiles goes out of business
- many workers are worried about being laid off and spend less
- a war in another part of the world cuts off our supply of imported crude oil

3. Distribute copies of Activity 19 to each student. Ask students to read the paragraph at the top of the page and be prepared to discuss the questions that follow. Go over the questions with your students. Define the term "derived demand" for them. Discuss how the situation they read about demonstrates the derived demand for labor and the relationship between the factor and product markets. Emphasize that an interruption of any flow at any place in the model will cause a disruption of the entire economic system.

EVALUATION:

Evaluate the lesson using either Activity 20 or Activity 21.
**ACTIVITY 18**

**The circular flow of resources, goods, services, and money payments**

**INSTRUCTIONS**

Read the events below. Place the number of each in the correct areas on the circular flow model.

1. The ABC Blotom镜镜 bought one item at the store.
2. Tom bought some food at the market.
3. Mr. Smith received $1200 from the government program for a new home.
4. Sally sold a car to buy a new car on the street.
5. Mr. Johnson saved $12,000 for the beauty shop she owns.
6. Tony paid the landlord for a new apartment.
7. Mr. Johnson received $5000 in unemployment benefits.
8. Mr. Johnson paid the government for the beauty shop.

**ACTIVITY 19**

**What happened in Upper Utopia?**

Read the case study below, then answer the questions that follow.

For many years the economy of Upper Utopia worked well. Farm and manufacturing workers were paid wages, farmers had good crops, and everyone had a good standard of living and was quite happy. However, one man was really rich.

Some workers and some farmers were a bit unhappy with their work. The workers who took higher wages were employed by the business owners who preferred lower wages. When the workers demanded higher wages, the owners reduced the price of their products even more. Soon the sales were down. The owners made no profits and were unable to pay the workers. The workers left and did not buy goods or services. Eventually the town went out of business.

These events hurt other workers and businesses in the economy. The food and clothing were made by buyers who were paid the workers and were unable to buy goods or services. In a result, the entire economy went into a recession, which hurt everyone.

1. Where do farmers receive the revenue that allows them to pay for the factors of production?
   - They earn the revenue in the factor market.

2. Where do people earn the money that allows them to buy goods and services?
   - They earn the revenue in the factor market.

3. Why do farmers not earn more money, and what will happen to the ability of farmers to purchase goods and services?
   - Farmers do not receive revenue, which will happen to the ability of farmers to purchase goods and services.
   - Farmers do not receive revenue, which will happen to the ability of farmers to purchase goods and services.

**ACTIVITY 20**

**My family and me in the circular flow model**

Below is a blank copy of the circular flow model. Label each part with the appropriate name. There is a letter at the start of each of the areas. The name appears opposite the blank area below the chart. Fill in the letters after numbering yourself or a member of your family, then fill in the blanks on the circular flow model.

**ACTIVITY 21**

**Comprehension quiz, lesson 6**

**PART I**

From the box below, choose the phrases that correctly complete the sentences and write the phrases in the appropriate blanks.

<table>
<thead>
<tr>
<th>Factor market</th>
<th>derived product market</th>
<th>derived money payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Circular flow model</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>1. A. Share</td>
<td>B. Is not a factor of production through the money market.</td>
<td>C. Is a factor of production through the money market.</td>
</tr>
<tr>
<td>2. Food, clothes, and shoes are</td>
<td>B. right and sold in the --- factor market.</td>
<td>C. left and sold in the --- factor market.</td>
</tr>
<tr>
<td>3. A. Labor, capital, and entrepreneurship are</td>
<td>B. right and sold in the --- factor market.</td>
<td>C. left and sold in the --- factor market.</td>
</tr>
<tr>
<td>4. A. Price</td>
<td>B. is part of the flow of money between the business and household that passes through the factor market.</td>
<td>C. is part of the flow of money between the business and household that passes through the factor market.</td>
</tr>
<tr>
<td>5. A. Money payment</td>
<td>B. is part of the flow of money between the business and household that passes through the product market.</td>
<td>C. is part of the flow of money between the business and household that passes through the product market.</td>
</tr>
<tr>
<td>6. Environmentally call the demand for factors of production --- derived --- demand.</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

**PART II**

Read the paragraphs below and answer the following questions.

In 1926, when food prices were low, farmers were enjoying a high demand for their products. Many people were willing to buy the food and drink at low prices. Some farmers sold more food than they could use or store. Farmers were producing more food than the demand for it.

7. Why were farmers able to sell so many more goods in that part of California at the food price?
   - Some farmers sold more food than they could use or store.
   - Some farmers sold more food than they could use or store.

8. Why did some people on the farm working in stores have more money?
   - Some farmers sold more food than they could use or store.
   - Some farmers sold more food than they could use or store.

9. Why did the demand for food change?
   - Some farmers sold more food than they could use or store.
   - Some farmers sold more food than they could use or store.

10. How does this example demonstrate the idea of derived demand?
    - The demand for food changed as the demand for food increased.
    - The demand for food changed as the demand for food increased.

**ACTIVITY 18**

**INSTRUCTIONS**

Read the events below. Place the number of each in the correct areas on the circular flow model.

1. John paid his bill at the local department store.
2. Matt took a new job at the store.
3. Tom sold a car to buy a new car on the market.
4. Sally paid the government for the beauty shop.
5. Mr. Johnson saved $12,000 for the beauty shop.
6. Tony paid the landlord for a new apartment.
7. Mr. Johnson received $500 for a new home.
8. Mr. Johnson paid the government for the beauty shop.

**ACTIVITY 19**

**What happened in Upper Utopia?**

For many years the economy of Upper Utopia worked well. Farm and manufacturing workers were paid wages, farmers had good crops, and everyone had a good standard of living and was quite happy. However, one man was really rich.

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   - Farmers do not receive revenue, which will happen to the ability of farmers to purchase goods and services.
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**ACTIVITY 20**

**My family and me in the circular flow model**

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**ACTIVITY 21**

**Comprehension quiz, lesson 6**

**PART I**

From the box below, choose the phrases that correctly complete the sentences and write the phrases in the appropriate blanks.

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<tr>
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<td>C. left and sold in the --- factor market.</td>
</tr>
<tr>
<td>4. A. Price</td>
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<td>C. is part of the flow of money between the business and household that passes through the factor market.</td>
</tr>
<tr>
<td>5. A. Money payment</td>
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</tr>
<tr>
<td>6. Environmentally call the demand for factors of production --- derived --- demand.</td>
<td>---</td>
<td>---</td>
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</tbody>
</table>

**PART II**

Read the paragraphs below and answer the following questions.

In 1926, when food prices were low, farmers were enjoying a high demand for their products. Many people were willing to buy the food and drink at low prices. Some farmers sold more food than they could use or store. Farmers were producing more food than the demand for it.

7. Why were farmers able to sell so many more goods in that part of California at the food price?
   - Some farmers sold more food than they could use or store.
   - Some farmers sold more food than they could use or store.

8. Why did some people on the farm working in stores have more money?
   - Some farmers sold more food than they could use or store.
   - Some farmers sold more food than they could use or store.

9. Why did the demand for food change?
   - Some farmers sold more food than they could use or store.
   - Some farmers sold more food than they could use or store.

10. How does this example demonstrate the idea of derived demand?
    - The demand for food changed as the demand for food increased.
    - The demand for food changed as the demand for food increased.

LESSON 7
What is an entrepreneurial innovation?

TIME REQUIRED:
One Class Period

CONCEPTS:
Entrepreneur
Factors of Production
Innovation
Invention
Entrepreneurial Ideas
Entrepreneurial Opportunities

INSTRUCTIONAL OBJECTIVES:
Students will:
• Differentiate between an inventor and an entrepreneur
• Differentiate between an entrepreneurial opportunity and an entrepreneurial idea
• Define innovation
• Given a list of entrepreneurial opportunities, suggest entrepreneurial ideas for responding to each

RATIONALE:
Entrepreneurs use innovation as a tool to effect change and to develop better products, services, and processes that are wanted by others. Innovation is a driving force for change and is given birth by inventors. It is the entrepreneur who brings the innovation to “life” and uses it to make a valuable contribution to change, development, and progress in the economy.

A new idea is meaningless to the economy unless it is brought to market and made available for others to enjoy and utilize in meeting their wants. Therefore, it is essential that entrepreneurs focus their ideas on a specific opportunity, a want (perhaps not yet recognized) that needs to be satisfied, a problem that has to be overcome, or a challenge that has to be met.

MATERIALS:
• Activity 22 “Responding to an entrepreneurial opportunity”
• Activity 23 “Brainstorming technique”
• Activity 24 “Invention, innovation, and entrepreneurship”

VOCABULARY:
Entrepreneur
an individual who recognizes opportunities (wants or problems) and uses resources to implement innovative ideas for new, thoughtfully planned ventures

Factors of Production
resources necessary for production, including land, labor, capital, and entrepreneurship

PROCEDURES:
1. Ask students to define “inventor.” Through class discussion, elicit a definition similar to the following: An inventor develops something new and creates new products, services, and/or processes.

2. Place the following statement on the board: “An inventor and an entrepreneur actually do the same thing.” Ask students if they agree with the statement. The discussion should lead to the idea that inventing something is one process, but getting it widely accepted, produced, and distributed is the domain of the entrepreneur. Many inventions, for example, are never duplicated because no entre-
3. Ask students to define "innovation" in an entrepreneurial sense. Conclude the discussion by generating a definition such as "to be innovative means to develop something of value and useful to others, not just something that is simply new and different."

4. Spend some time discussing how entrepreneurs generate innovation. Distribute Activity 22. Direct students' attention to the definitions of an entrepreneurial opportunity and an entrepreneurial idea. Use the examples to point out the differences and relationship between the two.

5. Divide the class into brainstorming groups and ask each group to identify entrepreneurial opportunities in their school and community. If students need help or instructions in brainstorming, distribute or review with them the rules in Activity 23. Appoint a recorder/reporter for each group. Allow 10 minutes for the brainstorming session.

6. Have each reporter present the group's best entrepreneurial opportunity. As each opportunity is presented, evaluate it as a class. List the opportunities on the board. At the end of the exercise, have the class select what it perceives to be the one best opportunity.

7. Ask each student to write three to five specific ideas, being as innovative as possible, that could be considered as a response to the opportunity selected by the class in procedure 6 above. When this is done, have the students share what each considers his or her best entrepreneurial idea with the class.

EVALUATION:
Have students work in cooperative groups to complete Activity 24.
**Activity 22**

**Responding to an entrepreneurial opportunity**

<table>
<thead>
<tr>
<th>Entrepreneurial Opportunity</th>
<th>Entrepreneurial Idea</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Description</td>
</tr>
<tr>
<td>A need, problem, or challenge that can be a business idea, and is validated by an innovative solution</td>
<td>A specific innovative way to satisfy a need, overcome a problem, or meet a challenge</td>
</tr>
<tr>
<td>Examples</td>
<td>Examples</td>
</tr>
<tr>
<td>People are currently unaware of the need they have and the service they desire</td>
<td>A new form of health club</td>
</tr>
<tr>
<td>There is a need for different education program for AIDS</td>
<td></td>
</tr>
<tr>
<td>Many people are affected by</td>
<td>A new entertainment program for parents</td>
</tr>
<tr>
<td>Many people think, feel or vote</td>
<td>A new type of program to combat violence</td>
</tr>
<tr>
<td>Australia is very &quot;a&quot;</td>
<td>An Australian film festival</td>
</tr>
</tbody>
</table>

---

**Activity 23**

**Brainstorming technique**

1. Don't criticize another person's ideas. Group members will tend to (a) lose faith in the group or (b) be afraid to speak up.
2. Encourage brainstorming. The wider the ideas, the better. It is necessary to have some bad ideas in order to find a good one.
3. Try for quantity. The larger the number of ideas, the better the chance of getting a good one.
4. Combine and build on the ideas in your group. Never revise ideas. They should also probably have the idea of making a list be turned and before closing. Sometimes two or three ideas can be joined to form another idea.

One person started a brainstorming session by saying, ""Some new products not new automobiles are needed for the home. Here is a project I am working on in all these areas: appliances, etc., that you believe would make life more enjoyable."

There are a few of the ideas generated in the meeting:

- Section rings on the bottom of egg stamps to prevent chipping in the bowl
- Vacuum blinds so constructed that the blinds in the upper or lower half can be opened or closed independently of the other half
- Vacuum dusting so you can turn them all when children are mixing or when you don't want to be disturbed.

But together with two or three people to provide brainstorming:

Start with the sentence, "How many ways can you use for empty plastic shampoo bottles?" How many did you get in your mind? It will be interesting to compare your list with those of other groups in the class. It is always possible that we need to alter a group, you can then write a new. Follow these rules for individual brainstorming:

1. Don't judge your own idea until you have finished the list. Never stop or write off an idea.
2. Do some free thinking. Don't be afraid to write down some wild or absurd ideas.
3. Try for quantity. Remember, by writing down ideas to increase your chances of getting good ideas.
4. Combine and improve. Have down all ideas that seem to need. Then add to the list by combining and improving ideas.

---

**Activity 24**

**Invent on, innovation, and entrepreneurship**

1. Answer the following questions:
   a. What is the difference between an inventor and an entrepreneur?
   b. Can an inventor and entrepreneur be the same person? Explain your answer.
   c. Are the same skills needed for the two roles?

---

Note: All images have been cropped and scaled down to fit within the constraints of the input/output format. The text is presented in a clear and legible manner, with proper formatting and layout.
tion? The discussion of these questions should lead to an analysis of the concept of economic interdependence in that the economic actions of one person affect other people—it opens and closes opportunities. As an example, have the class think about the impact of the automobile on several of the following: (a) horse traders, (b) hotel builders, (c) railroads, (d) saddle makers, (e) map makers, (f) city planners, (g) retail stores, (h) insurance companies, (i) oil companies, (j) blacksmiths.

3. Distribute Activity 25. Discuss the interdependence that this diagram reveals. You may need to explain some of the terms and reasons why different industries or businesses are affected. For example, because of computer software packages, the adding machine and the appointment calendar will not be in as much demand, or corrections of copy can be made electronically by a microcomputer; thus, correction devices are not needed as much as they once were. Ask what new industries have risen because of the microcomputer innovation.

4. Distribute Activity 26, Activity 27, and Activity 28. Go over the instructions for having the students indicate the products/services that are positively and negatively affected by each of the innovations. (You may wish to divide the class into small groups or pairs and assign one of the innovations to each.) Have the groups report their findings to the class. Discuss ways in which the responses from groups working on the same innovation were similar or different and reasons for these similarities or differences.

5. Optional. As an alternative to procedure 4 above, distribute Activity 29 and have each student or group identify an innovation and name the producers who were positively and negatively affected by its introduction.

6. Spend some time explaining how innovation encourages the mobility of factors of production. Explain that the factors of production are land, labor, capital goods, and the entrepreneur. When an innovation is accepted, the entrepreneur uses an increasing amount of factors of production to produce his or her product. Other entrepreneurs who start businesses related to the innovation use additional factors of production necessary to make their goods or services.

**EVALUATION:**
Have students complete Activity 30.
ACTIVITY 27
Ripple effects in the marketplace: vacuum cleaners

INSTRUCTIONS
Fill in the outer segments of the diagram below with the names of producers of goods and services who were positively and negatively affected by the introduction of the vacuum cleaner.

ACTIVITY 28
Ripple effects in the marketplace: permanent-press fabrics

INSTRUCTIONS
Fill in the outer segments of the diagram below with the names of producers of goods and services who were positively and negatively affected by the introduction of permanent-press fabrics.

ACTIVITY 29
Ripple effects of an innovation

INSTRUCTIONS
Write the names of an innovation in the blank spaces provided in the outer segments. Fill in the outer segments of the diagram below with the names of producers of goods and services who were positively and negatively affected by the introduction of the innovation.

ACTIVITY 30
Comprehension quiz, lesson 8

THE LEAN, MEAN FLYING MACHINE
Let’s suppose the activities of an entrepreneur result in the invention and successful marketing of a compact, inexpensive airplane that takes off without an expensive runway or airport!

What businesses might be positively affected by the innovation?
Also imagine that the new airplane is easy to operate as an automobile. What businesses/industries might be negatively affected by the innovation?

Write your answers in the spaces provided.

Businesses/industries that might be positively affected

Businesses/industries that might be negatively affected


ACTIVITY 27
Ripple effects in the marketplace: vacuum cleaners

INSTRUCTIONS
Fill in the outer segments of the diagram below with the names of producers of goods and services who were positively and negatively affected by the introduction of the vacuum cleaner.

ACTIVITY 28
Ripple effects in the marketplace: permanent-press fabrics

INSTRUCTIONS
Fill in the outer segments of the diagram below with the names of producers of goods and services who were positively and negatively affected by the introduction of permanent-press fabrics.

ACTIVITY 29
Ripple effects of an innovation

INSTRUCTIONS
Write the names of an innovation in the black ovals provided in the outer segments. Fill in the outer segments of the diagram below with the names of producers of goods and services who were positively and negatively affected by the introduction of the innovation.

ACTIVITY 30
Comprehension quiz, lesson 8

THE LEAN, MEAN FLYING MACHINE
Let’s suppose the activities of an aerospace firm result in the invention and successful marketing of a compact, inexpensive airplane that takes off without an expensive runway or aisle.
What businesses might be positively affected by the invention?
Also suppose that the new airplane is easy to operate as an automobile. What businesses/industries might be negatively affected by the invention?
Write your answers in the space provided.

Businesses/industries that might be positively affected

Businesses/industries that might be negatively affected
LESSON 9

How much are consumers willing to pay? (demand)

TIME REQUIRED:
Two Class Periods

CONCEPTS:
Demand
Law of Demand
Demand Curve
Determinants of Demand
Shift in Demand

INSTRUCTIONAL OBJECTIVES:
Students will:
• Define demand and demonstrate knowledge of how the law of demand functions
• Explain why demand is necessary to the success of any enterprise including entrepreneurial ventures
• Identify and explain determinants of demand
• Construct and read a demand curve
• Recognize situations that result in a shift in demand and determine the direction and economic consequences of the shift

RATIONALE:
Although the primary objective in running a business is to earn a profit, this is impossible if no one wants to buy the product being offered for sale. Entrepreneurs need to know how many products they will be able to sell at various prices in the market they serve. They must be aware of factors that have the potential of changing demand for their products. Finally, they need to understand the impact that changes in price would have on the number of products they can sell. Without a basic knowledge of these market forces, entrepreneurs are less likely to succeed in earning a profit.

MATERIALS:
• Activity 31 “The demand for ‘Kookies’”
• Activity 32 “What is happening to the demand for canned tuna?”
• Activity 33 “Factors affecting demand”
• Activity 34 Comprehension quiz, lesson 9

VOCABULARY:
Demand: the schedule of how much consumers are willing and able to buy at all possible prices in a given period of time

Law of Demand: everything else being equal, more products will be demanded at a lower price than at a higher price

Determinants of Demand: factors (incomes, tastes, and preferences, the prices of substitute or complementary products, expectations for the future) that cause the demand for a product to change

Demand Curve: a graphical representation that shows the number of products that will be demanded at various prices; a graphical representation that shows the relationship between different prices for a product and how much of it peo-
Shift in Demand

people will be willing to buy at each price

an increase or decrease in demand that results from a change in a determinant of demand for a product

PROCEDURES:

1. Distribute a copy of Activity 31 to each student. Ask them to read Part A and to complete the table.

2. Tabulate your students' answers on the board as follows:

<table>
<thead>
<tr>
<th>Price</th>
<th>Total number of &quot;Kookies&quot; students in this class would buy</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ .20 each</td>
<td></td>
</tr>
<tr>
<td>.40 each</td>
<td></td>
</tr>
<tr>
<td>.60 each</td>
<td></td>
</tr>
<tr>
<td>.80 each</td>
<td></td>
</tr>
<tr>
<td>1.00 each</td>
<td></td>
</tr>
</tbody>
</table>

3. Discuss the meaning of the terms demand and the law of demand with them.

4. Plot a demand curve on the board based on the data collected from your students. Have each student do the same on Part B of the activity. Point out how the law of demand is demonstrated by their graphs (the number of "Kookies" that would be demanded at a low price is greater than that which would be demanded at a higher price).

5. Ask your students what would happen to the number of "Kookies" they would buy at each price as the result of each of the following events:

   - their weekly income went up $20
   - their girlfriend or boyfriend developed a mad craving for "Kookies"
   - the drugstore down the street had a sale on candy bars at 10 cents each
   - they heard the price of "Kookies" was going up 25 cents next week

6. Explain that the factors they considered in procedure 5 above are called determinants of demand by economists. When these things change, the number of items people are willing to buy at each price also changes. The determinants of demand demonstrated above are: income, tastes and preferences, the price of substitute goods, and expectations of the future.

7. Explain that each of the situations in procedure 5 above would cause the demand curve to move either to the left (showing a decrease in demand), or to the right (showing an increase in demand). Sketch a new demand curve on your original graph of demand for each situation and explain each shift in demand to your students. If needed, demonstrate the shifts by repeating procedures 2 and 4.

   New demand curve:

   - an increase in income would cause the demand curve to shift to the right (income)
   - an increase in your girlfriend's or boyfriend's desire for "Kookies" would cause your demand curve to shift to the right assuming you bought more for your friend (tastes and preferences)
   - a sale on candy bars would cause the demand curve to shift to the left because many people would substitute candy for "Kookies" (the price of substitutes)
   - the expectation of a future price increase would cause today's demand curve to shift to the right as customers stock up on "Kookies" before the price goes up (expectations of the future)

8. Distribute Activity 32. Have your students complete these either as individuals, as pairs, in small groups, or as homework. When they have finished this work, go over the results in class. Review your explanation of shifts in demand and discuss how the situations in the worksheet demonstrate examples of these shifts.

EVALUATION:

Evaluate the lesson using either Activity 33 or Activity 34.
**ACTIVITY 31**
The demand for "Kookies"

**PART A**
Outline a history time to your school has decided to produce and market bars of chocolate chip cookies which they have given the trade name "Kookies." The owners of the firm have not decided what price to charge. They want to know how many they could sell at various prices.

To help them find out the information they want to know, compare the table below.

<table>
<thead>
<tr>
<th>All that price</th>
<th>I would probably buy this many &quot;Kookies&quot; per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00 each</td>
<td>100</td>
</tr>
<tr>
<td>0.50 each</td>
<td>150</td>
</tr>
<tr>
<td>0.25 each</td>
<td>250</td>
</tr>
<tr>
<td>0.10 each</td>
<td>350</td>
</tr>
<tr>
<td>0.05 each</td>
<td>450</td>
</tr>
</tbody>
</table>

**PART B**
Construct a graph to show the total number of "Kookies" students in your room are willing to buy at each price.

**ACTIVITY 32**
What is happening to the demand for canned tuna?

**PART 1**
Mary runs the only grocery mart in a small town of a large city. Most of her customers are elderly and don't have much income. Mary sells cans of canned tuna fish. Its last two advertisements claimed that Mary charges 25 cents one day, 20 cents two days, and 15 cents three days. If the demand for canned tuna fish changed on each of the following situations.

1. When a hamburger went up 20 cents a pound, Mary sold about 80 more cans of canned tuna fish each day. The profit happened because

   when the price of hamburger went up, some of Mary's customers probably substituted canned tuna fish.

2. Mary sold about 100 more cans of canned tuna fish a day at the start of a month than at the end of a month. This probably happened because

   many retired people receive their income in a check at the beginning of the month, causing them to demand more of canned tuna fish. By the end of the month, they may have spent all of their money and decide to spend less.

3. For a day after there was a story in the newspaper about how healthy tuna fish is, Mary's sales increased 80 more cans a day. The probably happened because

   the article may have caused some of Mary's customers to change their tastes or preferences for tuna if they thought it would help them stay healthy.

4. There was a truck drivers' strike and food delivery services were interrupted. Mary sold 100 more cans a day. This probably happened because

   some of Mary's customers probably decided to stock up on tuna because they were afraid they would not be able to buy it in the future if the strike lasted a long time.

   (Continued)

**ACTIVITY 33**
Factors affecting demand

**PART I**
Cut out advertisements from newspapers or magazines for two totally unrelated products. Consider the advertisements, and then answer each of the following questions.

1. In which of the four determinants of demand, income, tastes and preferences, the price of substitutes, or expectations of future changes in each advertisement you are trying to appeal? Explain how you know this.

   Advertisement No. 1 appeals to ____________________________________________

   Advertisement No. 2 appeals to ____________________________________________

2. What would you estimate the price of each product is now?

   Product No. 1: ___________________________  Product No. 2: ___________________________

3. Because the law of demand in your own words

   ___________________________

4. If the price of each of these products went up 10%, which one do you believe would suffer the greater loss in sales? Explain why.

   I believe product No. _____________________________ would lose the greater percentage loss in sales because

   ___________________________

5. Describe how firms that sell the product you identified in question No. 4 might try to reduce their sales loss.

   ___________________________

   ___________________________

   ___________________________
## ACTIVITY 34
### Comprehension quiz, lesson 9

**PART I**

Answer the following by placing the letter of the correct definition in the blank in front of each term.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. demand</td>
<td>A. a graphic representation of the number of items that will be demanded at various prices</td>
</tr>
<tr>
<td>2. determinate demand</td>
<td>B. a graphic representation of the number of items that will be demanded at various prices</td>
</tr>
<tr>
<td>3. demand curve</td>
<td>C. the willingness and ability to buy something</td>
</tr>
<tr>
<td>4. substitution</td>
<td>D. a belief in future changes that affects one's willingness to buy products now</td>
</tr>
<tr>
<td>5. expectations</td>
<td>E. people will buy more units of a good at a lower price than at a higher price</td>
</tr>
<tr>
<td>6. law of demand</td>
<td>F. anything other than price that affects consumers' willingness to buy a product</td>
</tr>
</tbody>
</table>

**PART II**

Study the graph to the right and answer the following questions.

1. How many pairs of socks would be sold at a price of $1? 2 pairs
2. If there was a cold spell, would the demand curve for socks move to the left or to the right? It would move to the right.
3. Explain how the law of demand is demonstrated by the graph.
   - The graph shows that the demand curve moves to the left as price increases, indicating a decrease in the quantity demanded at a higher price.
LESSON 10

How much should I produce? (supply)

TIME REQUIRED:
Two Class Periods

CONCEPTS:
Supply
Law of Supply
Increasing Costs of Production
Supply Curve
Determinants of Supply

INSTRUCTIONAL OBJECTIVES:
Students will:
• Define supply and demonstrate their knowledge of how the law of supply operates
• Explain how a firm’s willingness to supply products is a function of price and its costs of production
• Identify factors that result in increasing costs of production
• Construct and read a supply curve
• Recognize situations that result in a shift in supply and determine the direction and economic consequences of the shift
• Apply the principle of increasing costs of production to solve problems related to an entrepreneurial enterprise

RATIONALE:
Enterpreneurs produce and offer products for sale when they have the expectation of earning a profit. This expectation depends on the price that can be charged for their products and on their costs of production. As businesses produce more products, they are likely to experience increasing costs per unit. Eventually a level of production is reached where the cost of making another item is greater than the price it can be sold for. At this point, the firm should stop producing more goods. Entrepreneurs need to be aware of the relationship between price, costs, and the number of products that should be produced and offered for sale.

MATERIALS:
• Activity 35 “The supply of ‘Kookies’ ”
• Activity 36 “Arnold’s fossil farm”
• Activity 37 “What is happening to the supply of goods?”
• Activity 38 Comprehension quiz, lesson 10

VOCABULARY:
Supply
the schedule of how much producers are willing and able to sell at all possible prices in a given period of time

Law of Supply
everything else being equal, more products will be offered for sale at a higher price than at a lower price

Increasing Costs of Production
as more items are produced a point is reached where each additional unit costs more to make than the preceding unit

Supply Curve
a graphical representation that shows the number of products that will be supplied at various prices
**Determinant of Supply**

factor that causes the supply of a product to change

**Shift in Supply**

an increase or decrease in supply that results from a change in the determinants of supply for a product

---

**PROCEDURES:**

1. Explain the terms supply and the law of supply to the class.

2. Distribute a copy of Activity 35 to each student. Ask the students to read the paragraph at the top of the page and to study the table. Work through the exercise with your students or have the students complete the exercise in small groups. Be sure to go over the correct answers together and to place a copy of the supply curve on the board. Discuss the implications of increasing costs of production.

3. Plot the supply curve for “Kookies” on the board. Ask your students what would happen to the number of “Kookies” they would be willing to supply at each price in each of the following situations:
   - you find that you are able to sell many more pies at higher prices and earn large profits for each pie
   - the cost of chocolate chips goes down by one-third
   - you hear the school cafeteria is about to start selling large cookies too and you are afraid you will have to lower your price to maintain your sales

4. Explain that economists call the factors considered in procedure 2 determinants of supply. When these things change, the number of items firms are willing to produce and offer for sale at each price also changes. Determinants of supply include changes in the costs of production, changes in the prices of other products that could be made, and expectations of the future.

5. Explain that each of the situations described in procedure 3 above would cause the supply curve to move either to the left (showing a decrease in supply), or to the right (showing an increase in supply). Sketch a new supply curve on your original graph of supply for each situation and explain each shift in supply to your students.
   - an increase in the price you could charge for pies would cause you to allocate your scarce resources to pies, thereby causing the supply curve for cookies to shift to the left
   - a decrease in the cost of chocolate chips would result in an increase in your unit profit and your willingness to supply products; the supply curve would shift to the right
   - the expectation that competition will result in lower prices will discourage you from making the product, and the supply curve will shift to the left

6. Distribute copies of Activity 36. Divide the class into small groups and ask them to read and discuss the handout. Tell them to determine how the story demonstrates the law of supply. Each group should choose a spokesperson who will explain his or her thoughts to the rest of the class. Spend time explaining how Arnold’s problems are typical of those experienced by other business people.

7. Ask students to explain what would happen to the number of fossils Arnold would supply in each of the following cases. How would his supply curve shift in each situation? Sketch these shifts in his supply curve on the board.
   - Arnold’s salary at his regular job went up to $30 an hour
   - The cost of getting to Wyoming increased by $100
   - The number of specimens he could find per unit of time grew by 50 percent

---

**EVALUATION:**

Evaluate the lesson by using Activity 37 or Activity 38.
**ACTIVITY 35**

**The supply of “Kookies”**

Suppose you own a small bakery near the local high school. It serves moonpies and natural cakes. Your employees are nice little kids who do odd jobs and deliver treats. You want to be able to sell as much as possible and make as much money as possible. You can sell moonpies and natural cakes, but you only have one oven for baking. Your employees have only as many hours as they want to work. You don’t want to turn any of your employees away, but you would like to pay your workers as little as possible.

Your bakery makes moonpies and natural cakes. You can make as many as you want, but the more you make, the less you can sell.

1. **ACTIVITY 35**
   - **All the prices**
   - **I would supply this many “Kookies” per week**

<table>
<thead>
<tr>
<th>All the prices</th>
<th>I would supply this many “Kookies” per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.00</td>
<td>100</td>
</tr>
<tr>
<td>$3.00</td>
<td>50</td>
</tr>
<tr>
<td>$6.00</td>
<td>25</td>
</tr>
<tr>
<td>$10.00</td>
<td>10</td>
</tr>
</tbody>
</table>

1. **1. Why wouldn’t you supply any moonpies at $1.00 each?**
   - The supply curve for the number of oven hours is above the supply curve for the number of moonpies.
   - The supply curve for the number of moonpies is below the supply curve for the number of oven hours.
   - The supply curve for the number of oven hours is below the supply curve for the number of moonpies.

2. **What do you require to produce more than 100 moonpies a day?**
   - You require more than 100 moonpies a day.

3. **If you can make more than 100 moonpies a day, how many can you make if you have 10 oven hours?**
   - You can make more than 100 moonpies if you have 10 oven hours.

**ACTIVITY 36**

**Arnold’s fossil farm**

Several years ago Arnold invented a new way to make moonpies. He used the moon to make moonpies and natural cakes. He called it the moonpie farm. Arnold found that the best way to make moonpies is to use the moon to make moonpies. He also found that the best way to make natural cakes is to use the moon to make natural cakes. Arnold decided to use the moon to make moonpies and natural cakes. He also found that the best way to make moonpies is to use the moon to make moonpies.

1. **ACTIVITY 36**
   - **Fossil fuel**
   - **Time spent**

<table>
<thead>
<tr>
<th>Fossil fuel</th>
<th>Time spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>coal</td>
<td>20 hours</td>
</tr>
<tr>
<td>coke</td>
<td>60 hours</td>
</tr>
<tr>
<td>coke</td>
<td>50 hours</td>
</tr>
<tr>
<td>coke</td>
<td>40 hours</td>
</tr>
<tr>
<td>coke</td>
<td>30 hours</td>
</tr>
<tr>
<td>coke</td>
<td>20 hours</td>
</tr>
<tr>
<td>Total fossil</td>
<td>Total hours</td>
</tr>
<tr>
<td>600</td>
<td>200</td>
</tr>
</tbody>
</table>

2. **ACTIVITY 36**
   - **Supply Curve for “Kookies”**
   - **Quantity**
   - **Price**

3. **ACTIVITY 36**
   - **Explain h**
   - **the graph of a supply curve demonstrating the law of supply.**

   - **Price increases from $10 to $50, the quantity supplied increases from 100 to 2000.**

   - **Price increases from $50 to $100, the quantity supplied increases from 2000 to 4000.**

   - **Price increases from $100 to $150, the quantity supplied increases from 4000 to 6000.**

   - **Price increases from $150 to $200, the quantity supplied increases from 6000 to 8000.**

   - **Price increases from $200 to $250, the quantity supplied increases from 8000 to 10000.**

4. **ACTIVITY 36**
   - **What would you do if you were Arnold?**
   - **If you were Arnold, you would use the moon to make moonpies and natural cakes.**

5. **ACTIVITY 36**
   - **What would you do if you were Arnold?**
   - **If you were Arnold, you would use the moon to make moonpies and natural cakes.**

6. **ACTIVITY 36**
   - **What would you do if you were Arnold?**
   - **If you were Arnold, you would use the moon to make moonpies and natural cakes.**

7. **ACTIVITY 36**
   - **What would you do if you were Arnold?**
   - **If you were Arnold, you would use the moon to make moonpies and natural cakes.**

8. **ACTIVITY 36**
   - **What would you do if you were Arnold?**
   - **If you were Arnold, you would use the moon to make moonpies and natural cakes.**
ACTIVITY 37
What is happening to the supply of goods?

PART I
Mary runs the only grocery store in a 12-block area of a large city. Many of her customers don’t have much money, so she finds it difficult to raise her prices without losing sales. She has found over the years that her willingness to supply various items has changed.

Explain why Mary’s supply changed in each of the following situations.

1. When the cost of electricity went up, she took out one of her two freezers and offered fewer frozen foods for sale.

*The increase in the cost of electricity reduced the quantity of frozen foods Mary would offer for sale.*

2. When Mary found she could sell neatly to elementary school children who were going to school, she restocked half her stock and walked early.

*The increased demand for increased profits caused Mary to offer more goods for sale and lower prices.*

3. When Mary found she could rent her store near a local pool, she increased the size of her store and her inventory of products by one half.

*The low rent for the store caused Mary to increase the quantity of all goods she offered for sale.*

4. When Mary found that a big grocery store was going to move across the block, she stopped restocking the store next door and put her attention back to what she had been doing.

*The expectation for competition and a lower profit margin caused Mary to decrease the quantity of all goods she offered for sale.*

(Cornered)

ACTIVITY 38
Comprehension quiz, lesson 10

PART I
From the list below, select the phrase that correctly completes each sentence and write the phrase in the appropriate blank.

Supply right increasing cost of production supply curve left.

1. The ______ of supply ______ states that firms will offer more products for sale at higher prices than at lower prices.

2. Firms will supply more products as long as the ______ additional cost ______ of making another item does not exceed the ______ additional revenue ______ generated by the sale of that item.

3. Firms are often unwilling to supply additional products unless they are able to charge higher prices because of ______ increasing cost of production ______.

4. The number of items a firm is willing to offer for sale at various prices is called ______ supply ______.

5. A graphic representation of the number of items that will be offered for sale at various prices is called ______ supply curve ______.

6. Any event that increases the cost of production will cause the supply curve for that product to shift to the ______ left ______.

(Cornered)
LESSON 11
What's the right price?
(market equilibrium)

TIME REQUIRED:
Two or Three Class Periods

CONCEPTS:
Interaction of Demand and Supply
Surpluses and Shortages
Market Equilibrium
Equilibrium Price
Changes in Equilibrium Price

INSTRUCTIONAL OBJECTIVES:
Students will:
• Explain how differences in the quantity of a product demanded and supplied will result in either surpluses or shortages of that product
• Explain why surpluses will use prices to fall and why shortages will cause prices to rise until an equilibrium price is reached
• Given a graph of demand and supply, locate the equilibrium price and state the quantity of the product that will be supplied and sold at that price
• Use data provided to construct a graph showing the equilibrium price for a product
• Determine how shifts in supply and demand change the equilibrium price and quantity of the product that is supplied and sold

RATIONALE:
Entrepreneurs exist in markets made up of consumers who demand the products that firms supply. The price that competitive firms are able to charge is determined by the interaction of market demand and supply. A firm charges more than the market equilibrium price and find it is unable to sell all of its production. If other firms charge less than the market equilibrium price they will have more customers than they have products to sell. Entrepreneurs should realize that equilibrium prices change over time as supply and demand shift. Most businesses have limited control over the prices they can charge.

MATERIALS:
• Activity 39 "Demand for apples and equilibrium"
• Activity 40 "Supply of apples and equilibrium"
• Activity 41 "The demand and supply for 'Kookies'"
• Activity 42 "Demand and supply table"
• Activity 43 Comprehension quiz, lesson 11

VOCABULARY:
Surplus condition that results when the quantity of a product supplied at a particular price is greater than the quantity demanded at that price
Shortage condition that results when the quantity of a product demanded at a particular price is greater than the quantity supplied at that price
Market Equilibrium condition that exists when the quantity of a product demanded and quantity supplied are the same at a given price
Equilibrium Price  the price level at which the quantity of a product demanded equals the quantity supplied

Point of Equilibrium  the point of intersection between a product's demand and supply curves which indicates the equilibrium price and the quantities of the product that will be supplied and sold at that price

PROCEDURES:

1. Name a specific local store where your students frequently shop and a particular product they often buy from that store. Ask students to write on a piece of paper the price of the product named along with an estimate of the number they personally buy each year. Choose another price that is roughly 50 percent more than the current price. Ask your students to write the number of items they believe they would buy at this higher price.

2. Collect the papers and tabulate the results on the board as follows: total the number of the product your students estimate they currently demand; then total the number they would buy at the higher price.

3. Ask: What happens to the quantity demanded (i.e., the quantity the class is willing and able to buy) when the price increases? Do you think the higher price would encourage the store to offer more of the product for sale? Discuss how this situation would result in a surplus of the product in a store.

4. Ask: What do you think would happen to the quantity demanded if the price should drop to _______ (name a price 50 percent lower than the current price)? What effect is this likely to have on the quantity the store is willing to supply? Discuss how this situation would result in a shortage in the store.

5. Define and explain the concept of market equilibrium. Discuss how surpluses and shortages tend to force prices toward the equilibrium price. Demonstrate how shifts in the demand and supply curves would result in new points of equilibrium quantities and equilibrium prices.

6. Instruct students to organize into pairs. Distribute copies of Activity 39 to one student in each pair and Activity 40 to the other. Tell them they are to work together to complete their worksheets. Read through the directions with them and answer questions about what they are to do. Be sure they understand that there is one buyer (Activity 39) and one seller (Activity 40) in each pair. Each has information the other needs to complete the third column of the table. If students need additional help to get started, help them complete the top row of the table as follows:

   • Ask students who have Activity 39 (buyer) how many apples they are willing to buy at $10 a bushel. (20 bushels)

   • Tell the students with Activity 40 (seller) to write this number in the column under the heading “Quantity demanded.”

   • Ask the sellers how many apples they are willing to supply at $10 a bushel. (60 bushels)

   • Have the buyers write this number in the column under the heading “Quantity supplied.”

   • Ask: How large is the surplus? (40 bushels).

   • Ask: What happens to the quantity demanded when the price increases? (This would cause the demand curve to shift to the right; the price would increase, and the quantity demanded and sold would increase.)

   • There is a great increase in the demand for all kinds of pies. (This would cause the demand curve to shift to the right; the price would increase, and the quantity supplied and sold would increase.)

   • A new fertilizer increases the yield of apples per tree by 15 percent. (This would cause the supply curve to shift to the right; the price would decline, and the quantity demanded and sold would increase.)

7. When the students have completed the activity sheet, discuss their answers. Have them identify the point of equilibrium on their graphs.

8. Suggest that the events listed below happened. Discuss their impact on the demand, supply, and equilibrium price for apples.

   • A cold winter cuts the apple harvest in half. (This would cause the supply curve to shift to the left; the price would increase, and the quantity demanded and sold would decrease.)

   • There is a great increase in the demand for all kinds of pies. (This would cause the demand curve to shift to the right; the price would increase, and the quantity supplied and sold would increase.)

   • A new fertilizer increases the yield of apples per tree by 15 percent. (This would cause the supply curve to shift to the right; the price would decline, and the quantity demanded and sold would increase.)
• There was a report printed in many papers that said apples were treated with a chemical that might cause cancer. (This would cause the demand curve to shift to the left; the price would decrease, and the quantity supplied and sold would decrease.)

EVALUATION:
Evaluate the lesson by using Activity 41, Activity 42, or Activity 43.

<table>
<thead>
<tr>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACTIVITY 39</strong></td>
</tr>
<tr>
<td>Demand for apples and equilibrium</td>
</tr>
</tbody>
</table>

Assume you want to buy apples for your apple pie bakery. The other student you are working with wants to sell them. The number of apples you offer to buy at each price is blank. You must fill in the demand by asking the other student how many apples you will sell at each price. The final columns tell you whether there would be a surplus or a shortage at each price and how large that surplus or shortage would be. When you finish the table, answer the questions below.

**Demand and Supply for Apples**

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity demanded</th>
<th>Quantity supplied</th>
<th>Surplus or shortage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.50</td>
<td>20 bushels</td>
<td>30 bushels</td>
<td>surplus</td>
<td>10</td>
</tr>
<tr>
<td>$1.00</td>
<td>30 bushels</td>
<td>20 bushels</td>
<td>surplus</td>
<td>10</td>
</tr>
<tr>
<td>$0.50</td>
<td>45 bushels</td>
<td>10 bushels</td>
<td>shortage</td>
<td>35</td>
</tr>
<tr>
<td>$0.25</td>
<td>50 bushels</td>
<td>0 bushels</td>
<td>surplus</td>
<td>50</td>
</tr>
</tbody>
</table>

1. At what price will the number of bushels of apples supplied and demanded be the same?
   - $0.50

2. How many bushels of apples will be supplied and demanded at this price?
   - 45 bushels

3. Would there be a surplus or a shortage at any lower price?
   - There would be a **surplus**

---

<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Would there be a surplus or a shortage at any lower price?</td>
</tr>
<tr>
<td>There would be a <em>surplus</em></td>
</tr>
<tr>
<td>5. Explain why a surplus would tend to lower the price.</td>
</tr>
<tr>
<td>A surplus would encourage consumers in offer higher prices and increase the number of products that can be sold</td>
</tr>
<tr>
<td>6. Explain why a shortage would tend to lower the price.</td>
</tr>
<tr>
<td>A shortage would encourage consumers to offer lower prices and increased competition</td>
</tr>
</tbody>
</table>

1. **Draw demand and supply curves for apples on the graph below using the data on the table you completed on the previous page.**
**ACTIVITY 40**

Supply of apples and equilibrium

Assume you want to supply apples you will grow and be sold. The Obst et al. are working with you to buy them. The number of apples they will buy for you depends on the price of apples. The next columns state the number of apples you would be willing to sell at each of these prices. The third column is blank. You must fill this column by taking the other columns and how many will be at the lower price. The final column asks whether there would be a surplus or shortage at each price and how large that surplus or shortage would be. When you break the table, answer the questions below.

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity supplied</th>
<th>Quantity demanded</th>
<th>Surplus or shortage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.50</td>
<td>60</td>
<td>50</td>
<td>surplus</td>
<td>$20</td>
</tr>
<tr>
<td>$1.00</td>
<td>50</td>
<td>50</td>
<td>surplus</td>
<td>$0</td>
</tr>
<tr>
<td>$0.50</td>
<td>40</td>
<td>50</td>
<td>shortage</td>
<td>$10</td>
</tr>
<tr>
<td>$0.25</td>
<td>30</td>
<td>50</td>
<td>shortage</td>
<td>$8</td>
</tr>
<tr>
<td>$0.20</td>
<td>20</td>
<td>50</td>
<td>shortage</td>
<td>$0</td>
</tr>
</tbody>
</table>

1. At what price will the number of bushels of apples supplied and demanded be the same?
   - $1.00

2. How many bushels of apples will be supplied and demanded at this price?
   - 50 bushels

3. Would there be a surplus or a shortage at any higher price?
   - There would be a surplus


**ACTIVITY 41**

The demand and supply for "Kookies"

A bakery has decided to sell large chocolate chip cookies in 50-cent "Kookies" to local schools. A survey was taken among students who attend the nearby school. The results are given on the table below. Your teacher may ask you to use the data you gathered in your own class if you did Lesson No. 32. The number of cookies the bakery would be willing to supply at different prices is listed in the table. Study this information and answer the following questions.

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity demanded</th>
<th>The quantity supplied would be</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.25</td>
<td>1,100</td>
<td>none</td>
</tr>
<tr>
<td>$1.00</td>
<td>800</td>
<td>500</td>
</tr>
<tr>
<td>$0.50</td>
<td>700</td>
<td>700</td>
</tr>
<tr>
<td>$0.25</td>
<td>500</td>
<td>900</td>
</tr>
<tr>
<td>$0.20</td>
<td>300</td>
<td>1,100</td>
</tr>
</tbody>
</table>

1. At a price of 50 cents, how many "Kookies" would be demanded? 500
2. At a price of 50 cents, how many "Kookies" would be supplied? 900
3. Would there be a surplus or a shortage at a price of 60 cents?
   - surplus
4. How large would the surplus be at a price of 60 cents?
   - 300
5. Would the price tend to go up or down from 50 cents?
   - up
6. What is the equilibrium price in this example?
   - $0.60


55
**ACTIVITY 42**

**Demand and supply table**

 Fill in the grid below by writing the correct term in each box:

"Move left"—"Move right"—"Stay the same" for demand and supply

"Decrease"—"Increase"—"Same as supplied" for the equilibrium price.

<table>
<thead>
<tr>
<th>Event</th>
<th>The demand curve would</th>
<th>The supply curve would</th>
<th>The equilibrium price would</th>
</tr>
</thead>
<tbody>
<tr>
<td>The weekly allowance of students who buy &quot;Joyce&quot; goes up by $3</td>
<td>move right</td>
<td>stay the same</td>
<td>increase</td>
</tr>
<tr>
<td>One of the clouds in the bakery quota and the others have more work to do</td>
<td>stay the same</td>
<td>move left</td>
<td>increase</td>
</tr>
<tr>
<td>Another cloud who normally packs the bread goes out of business</td>
<td>move right</td>
<td>stay the same</td>
<td>same as supplied</td>
</tr>
<tr>
<td>The cost of gas for the bakery's ovens goes down 50%</td>
<td>stay the same</td>
<td>move right</td>
<td>decrease</td>
</tr>
<tr>
<td>The head cook at the school cafeteria goes sick and is replaced by a cook who makes less food</td>
<td>move right</td>
<td>stay the same</td>
<td>increase</td>
</tr>
<tr>
<td>There is a 20% increase in the cost of flour</td>
<td>stay the same</td>
<td>move left</td>
<td>increase</td>
</tr>
</tbody>
</table>

**ACTIVITY 43**

**Comprehension quiz, lesson 11**

**PART I**

1. At a price above the equilibrium price, there will be:
   a) a shortage of 4 pairs of socks
   b) no change
   c) a surplus of socks

2. At the market equilibrium price, why:
   a) the buyer is earning a profit
   b) the seller is earning a profit

3. If the cost of making a product increases, the supply curve will move to the left and the equilibrium price will:
   a) stay the same
   b) go down

4. If there is a shortage of a product, what do current price:
   a) above the equilibrium price
   b) below the equilibrium price

**PART II**

Draw your answers to the following on the graph to the right.

6. What is the equilibrium price for wool socks?
   a) $6

7. How many pairs of socks will be bought and sold at the equilibrium price?
   a) 4 pairs of socks

8. At a price of $4, would there be a surplus or a shortage of wool socks?
   There would be a ______ surplus

9. How large would the surplus or shortage be?
   a) 4 pairs of socks

LESSON 12
Profits and entrepreneurship

TIME REQUIRED:
One or Two Class Periods

CONCEPTS:
Total Revenue
Cost of Production
Profit
Return on Investment
Fixed Costs (Optional Activity)
Variable Costs (Optional Activity)

INSTRUCTIONAL OBJECTIVES:
Students will:
• Discuss the role of profit as the basic incentive for running a business in the United States
• Compute the cost of production for a given business venture
• Distinguish between fixed and variable costs of production and give examples of each (Optional Activity)
• Identify and explain alternative measures of profit and their implication for measuring the profitability of an entrepreneurial enterprise (Optional Activity)
• Compare revenue and cost data to determine profitability of an entrepreneurial venture

RATIONALE:
People become entrepreneurs for many reasons, including the desire to earn a profit. A commonly used measure of profit is the difference between a firm's revenue and its costs. Such a simple definition can be misleading if it excludes considerations of alternative uses for the entrepreneur's time or money. A person who spends 70 hours a week working in a business should not exclude the value of his or her time and labor from the measure of the firm's costs. Someone who invests $100,000 in a firm must realize that the same money deposited in a bank would have earned substantial interest. This too should be included in the firm's costs. Entrepreneurs who fail to recognize these facts may overstate the profitability of their firms and as a result underprice their products.

MATERIALS:
• Activity 44 “How big is the profit slice of pie?”
• Activity 45 “How is the pie divided?”
• Activity 46 “Fixed and variable costs” (Optional)
• Activity 47 “Profit projection form”
• Activity 48 “Deciding on a club enterprise” (Optional)
• Activity 49 Comprehension quiz, lesson 12

VOCABULARY:
Profit the difference between a firm's total revenue and total cost of production
Return on Investment profit as a percentage of the amount invested in a firm
Total Revenue selling price multiplied by the quantity sold
Fixed Costs costs of production that remain the same as the quantity of goods or services produced changes
Variable Costs  costs of production that change as the quantity of goods or services produced changes

Total Cost  the sum of all costs of production, both fixed and variable

PROCEDURES:
1. Select several students and ask them why they might consider becoming an entrepreneur or why they think anyone would want to be an entrepreneur. Most will probably say they want to get rich or earn a profit. Through discussion, help the students understand that the profit motive is one of the basic incentives for becoming an entrepreneur. (For discussion of other incentives, see Lesson 2.)

2. Write the definition of profit on the board. Help students to define “total revenue” and “total cost.” (It is not necessary at this time that students understand the difference between fixed and variable costs; they should, however, know the major categories of expense that are included in the cost of production, e.g., labor, rent, utilities, etc.)

3. Distribute Activity 44. Go over the instructions with the students; then have them complete the handout individually or working in pairs. Explain that the circumference of the circle is divided into 100 equal parts.

4. Allow several minutes for the students to complete the pie graph. Ask several students to tell the class how much of the pie they thought was profit. How much was spent to pay the cost of merchandise? How much to pay for operating expenses?

5. Project a transparency of Activity 45 (or use the activity as a handout). Tell students that the graph shows the results of a survey of U.S. retailers. Have the students compare this with their pie graphs. Have them discuss why they thought the amount of profit earned by retailers was more (or less) than that shown on the graph. Discuss the implications of the small profit margin for entrepreneurs.

6. Choose two local firms with which the students are familiar—one that is doing well, and one that is not. Ask the students to suggest reasons for the second firm’s apparent failure. Have the students suggest steps that the failing business could take to improve its profits. List their suggestions on the board using a chart similar to the following:

<table>
<thead>
<tr>
<th>Reasons for failure</th>
<th>Actions needed to increase profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1.</td>
</tr>
<tr>
<td>2.</td>
<td>2.</td>
</tr>
</tbody>
</table>

7. **Optional Activity: Fixed and Variable Costs**
   - From the list compiled in procedure 6, select items as examples of fixed and variable costs of production.
   - Write the definitions of fixed costs and variable costs on the board. Have the students give additional examples of each.
   - Distribute copies of Activity 46. Have students complete the exercise in small groups or as an entire class, discussing the answers as they work through the items.

EVALUATION:
Lesson without Optional Activity. Have students complete Activity 47 or select appropriate items from Activity 49.
Lesson including Optional Activity. Have students complete Activity 48 or use Activity 49.
ACTIVITY 44
How big is the profit slice of pie?

INSTRUCTIONS

Assume that you are the owner of a successful retail store, and the circle (pie) below represents the total revenue for one year.

Out of the revenue earned, you must pay for the merchandise you sold. You must also pay operating expenses. Of course, you also expect to make a profit.

Divide the circle (pie) to show what portion of the total revenue you think will be profit, what portion will be used to pay for merchandise, and what portion will be needed for operating expenses.

a. To begin, mark off and label a slice of pie to represent the amount of profit you would expect to earn.

b. Then mark off and label a slice to represent payment for the merchandise sold.

c. The slice left represents the amount set aside for operating expenses. Do you think you have set aside enough for all the expenses associated with operating a business?

d. Make any adjustments to the three portions of the pie that you think are necessary.

ACTIVITY 46
Fixed and variable costs

Sharon was going to open her own pottery shop for a long time. Last year she earned $8,000 from her uncle. She used the money to go into business as a part-time venture. Sharon, a top salesperson, was very disappointed with the business. She wrote down some of the items she gathered to help her make a decision on whether she should do this on a full-time basis.

Study the data and answer the questions below.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue 15,000 plus 150 each</td>
<td>$15,150</td>
</tr>
<tr>
<td>Investments in equipment</td>
<td>15,000</td>
</tr>
<tr>
<td>Investment in remaining rental store</td>
<td>1,000</td>
</tr>
<tr>
<td>Cost of day and other materials</td>
<td>1,200</td>
</tr>
<tr>
<td>Cost of electricity and telephone</td>
<td>900</td>
</tr>
<tr>
<td>Wages and benefits for one part-time worker</td>
<td>6,600</td>
</tr>
<tr>
<td>Rent</td>
<td>4,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,200</td>
</tr>
<tr>
<td>Advertising</td>
<td>1,000</td>
</tr>
<tr>
<td>Bookkeeping service</td>
<td>2,000</td>
</tr>
<tr>
<td>Other costs</td>
<td>2,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>12,000</td>
</tr>
</tbody>
</table>

1. Identify Sharon's costs as fixed, variable, or mixed by writing the correct word in the blank after each cost line.

2. How do you think Sharon should account for the value of her own time and labor?

Amount will vary but should reflect realization that Sharon's time is worth something, and it should be added to the other costs.
ACTIVITY 47
Profit projection form

PART I
Suppose your club wants to earn money by selling quarter-pound hamburgers at local basketball games.
You believe you could sell 2,000 hamburgers during the 15 home games at a price of $1.50 each. You must rent a booth at the gymnasium for $100 per night. Labor will be supplied free by members of the club. You need to predict your costs and profits. Complete the form below.

1. Rent for a booth for 15 nights
2. Cost of ground beef for 2,000 hamburgers
3. Cost of 2,000 hamburger buns
4. Ketchup (22 oz. bottle per 60 hamburgers)
5. Mustard (one 14 oz. bottle per 100 hamburgers)
6. Pickles (one 22 oz. bottle per 60 hamburgers)
7. Onions (one pound per 100 hamburgers)
8. Paper napkins (one per hamburger)

Total cost of producing 2,000 hamburgers

Total revenue for selling 2,000 hamburgers

Profit or loss

PART II
Read the predictions for profit or loss, would you recommend that your club sell hamburgers to earn money or would you recommend that they undertake some other activity? Why or why not?

ACTIVITY 48
Deciding on a club enterprise

Suppose your club wants to earn money by selling quarter-pound hamburgers at local basketball games.
You believe you could sell 2,000 hamburgers during the 15 home games at a price of $1.50 each. You must rent a booth at the gymnasium for $100 per night. Labor will be supplied free by members of the club. You need to predict your costs and profits. Complete the form below.

Check the price at your local grocery store for the food items included on the list.

Rent for a booth for 15 nights

Cost of ground beef for 2,000 hamburgers

Cost of 2,000 hamburger buns

Ketchup (22 oz. bottle per 60 hamburgers)

Mustard (one 14 oz. bottle per 100 hamburgers)

Pickles (one 22 oz. bottle per 60 hamburgers)

Onions (one pound per 100 hamburgers)

Paper napkins (one per hamburger)

Total cost of producing 2,000 hamburgers

Total revenue for selling 2,000 hamburgers

Profit or loss

ACTIVITY 49
Comprehension quiz, lesson 12

PART I
Complete the following by checking the letter of the best answer:

1. The owner formulas for finding a firm's profit is:
   a. profit = total revenue - total cost
   b. profit = price x number sold - cost per item
   c. profit = cost per item - price x number sold

2. Many entrepreneurs overestimate their profits because they:
   a. don't keep records of their sales
   b. don't consider the value of their time
   c. don't try to control their labor costs

3. Resources used in the firm are:
   a. either effective and profitable to the firm
   b. there is a great need for these resources
   c. they use these resources more effectively

4. If the owners of a firm have no expectation of ever earning a profit, they should:
   a. go out of business and put their money in the bank
   b. try to merge their business with another larger firm
   c. lower their prices so they can earn some money

5. Joe makes deliveries in the evening and on Sundays for a local drug store. By carrying the stores, he earns $80 each week. He has no money saved to buy $400. Joe decided to buy a used car with his money. By driving the car, he also delivered more stores and now earns $180 a week. Joe believes the car was a wise investment. Write a brief essay that explains why Joe probably is wrong.

Joe probably wrong because:

6. Probably wrong because:

If you think Joe probably wrong because the cost of owning a car or all likelihood exceeds the extra $10 a week he earns, how many weeks would it take to earn $100 as a car owner?

ACTIVITY 49
Comprehension quiz, lesson 12

PART I
Complete the following by checking the letter of the best answer:

1. The owner formulas for finding a firm's profit is:
   a. profit = total revenue - total cost
   b. profit = price x number sold - cost per item
   c. profit = cost per item - price x number sold

2. Many entrepreneurs overestimate their profits because they:
   a. don't keep records of their sales
   b. don't consider the value of their time
   c. don't try to control their labor costs

3. Resources used in the firm are:
   a. either effective and profitable to the firm
   b. there is a great need for these resources
   c. they use these resources more effectively

4. If the owners of a firm have no expectation of ever earning a profit, they should:
   a. go out of business and put their money in the bank
   b. try to merge their business with another larger firm
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5. Joe makes deliveries in the evening and on Sundays for a local drug store. By carrying the stores, he earns $80 each week. He has no money saved to buy $400. Joe decided to buy a used car with his money. By driving the car, he also delivered more stores and now earns $180 a week. Joe believes the car was a wise investment. Write a brief essay that explains why Joe probably is wrong.

Joe probably wrong because:

6. Probably wrong because:

If you think Joe probably wrong because the cost of owning a car or all likelihood exceeds the extra $10 a week he earns, how many weeks would it take to earn $100 as a car owner?

LESSON 13

What type of business should I start?

TIME REQUIRED:
Two Class Periods

CONCEPTS:
Economic Institutions
Sole Proprietorship
Partnership
Corporation

INSTRUCTIONAL OBJECTIVES:
Students will:

- Describe the three types of business organizations in a market economy and cite examples from the local community or region
- Compare the advantages and disadvantages of each type of business organization in a market economy

RATIONALE:
As each entrepreneur makes the decision to start a business, he or she must also decide what type of business organization will be most advantageous for the new business. There are three types of business organizations: sole proprietorship, partnership, and corporation. Many businesses start as sole proprietorships or partnerships and grow to become corporations. The type of business organization can change as the business expands or declines.

Entrepreneurs need to understand the advantages and disadvantages of each type of business organization. Legal liability, tax obligations, and financial responsibilities are all factors that entrepreneurs must review when deciding how to organize the new business.

MATERIALS:
- Activity 50 "Types of business organizations"
- Activity 51 "Advantages and disadvantages of types of ownership"
- Activity 52 "Entrepreneurship interview guide"

VOCABULARY:
Economic Institutions
ways of doing things that address the economic decisions of what to produce, how to produce it and who will consume it. Many economic institutions are long-lived and were originally formed in response to economic conditions that may have changed over time

Sole Proprietorship
a form of business organization that is owned and managed by one individual who assumes all risk of loss and receives all profits

Partnership
a form of business organization that is owned by two or more individuals who assume all risk of loss and receive all profit

Corporation
a form of business organization that is created by law, functions as a separate legal entity, and is owned by two or more individuals called stockholders. Stockholders are at risk only for the amount of their financial investment

Franchising
a system by which a firm expands into new neighborhoods and towns (or foreign countries) by
selling the rights to use the company's name and products to individuals. The franchising company provides training services and an advertising campaign for the purchaser of the franchise. In turn, the purchaser agrees to meet certain quality standards, provide certain products, and pay a franchise fee to the franchising organization.

**PROCEDURES:**

1. Distribute Activity 50 (or use as a transparency). Review with students the three types of business organizations. Using the local community, give students examples of each type. Stress that although the corporation is usually used by large businesses, there are many more sole proprietorships than any other type of business organization.

2. Distribute Activity 51. Review the information on the activity sheet with the students. Emphasize the legal liability, the tax obligations, and financial responsibilities for the business owner of each type of business organization.

3. Divide the class into groups. Ask each group to compile a list of questions it would like to ask an entrepreneur about his or her business.

4. Ask the groups to share their lists. Write the questions on the blackboard.

5. Distribute Activity 52 or project as a transparency and have students write the guidelines in their notebooks.

6. Invite several entrepreneurs to the next class. Using Activity 52 and the students' compilation of questions, have students interview the entrepreneurs. Students can tape these interviews with both audio and video recorders. Try to include entrepreneurs representing different types of business organizations in the group.

**EVALUATION:**

Organize the class in small groups. Using Activity 52 as a guide, have the groups identify and develop profiles of businesses in the local community that are representative of each of the three types of business organizations presented in Activity 50.
ACTIVITY 50
Types of business organizations

Sole proprietorship
A form of business organization that is owned and managed by one individual who assumes all risk of loss and receives all profit.

Partnership
A form of business organization that is owned by two or more individuals who assume all risk of loss and receive all profit.

Corporation
A form of business organization that is created by law, functions as a separate legal entity, and is owned by two or more individuals called stockholders. Stockholders are at risk only for the amount of their financial investment.

ACTIVITY 51
Advantages and disadvantages of types of ownership

<table>
<thead>
<tr>
<th>Forms of ownership</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole proprietorship</td>
<td>Low starting costs</td>
<td>Limited liability</td>
</tr>
<tr>
<td></td>
<td>Capital freed</td>
<td>Lack of security</td>
</tr>
<tr>
<td></td>
<td>All profit to owner</td>
<td>Difficulty in raising capital</td>
</tr>
<tr>
<td>Partnership</td>
<td>Easy to form</td>
<td>Limited liability</td>
</tr>
<tr>
<td></td>
<td>Low starting costs</td>
<td>Lack of security</td>
</tr>
<tr>
<td></td>
<td>Divided authority</td>
<td>Difficulty in raising capital</td>
</tr>
<tr>
<td>Corporation</td>
<td>Limited liability</td>
<td>Close competition</td>
</tr>
<tr>
<td></td>
<td>Experienced management</td>
<td>Stiff competition to organize</td>
</tr>
<tr>
<td></td>
<td>Ease of raising capital</td>
<td>Insurers record-keeping</td>
</tr>
<tr>
<td>Franchise</td>
<td>Smaller than usual start-up capital</td>
<td>Limited life franchise fee</td>
</tr>
<tr>
<td></td>
<td>Prior public acceptance of product</td>
<td>Some loss of independence</td>
</tr>
<tr>
<td></td>
<td>Better than average profit margins</td>
<td>Possible dilution in control of business</td>
</tr>
</tbody>
</table>

ACTIVITY 52
Entrepreneurship interview guide

1. Name of entrepreneur
2. Name of entrepreneur's business
3. Type of business organization
4. List products of business (goods and/or services)
5. Number of employees
6. List benefits of business to society
7. Chart growth of business since its inception
8. Challenges in operating the business
LESSON 14
Borrowing decisions and expected returns

TIME REQUIRED:
One or Two Class Periods

CONCEPTS:
Interest
Interest Rates
Investment
Expected Returns

INSTRUCTIONAL OBJECTIVES:
Students will:
• Define interest and explain the need for interest
• Explain the relationship between savings and loans
• Identify factors that influence interest rates
• Explain why businesses borrow to make investments
• Compare the cost and expected return for different investment options and decide which investment the firm should make
• Given an example, describe the relationship between interest rates, the expected return of an investment, and a firm’s willingness to borrow funds to make the investment

RATIONALE:
Entrepreneurs must possess or have access to funds to start their businesses. They may use their own funds, get others to give them funds for a share of the business and claims on future profits (equity financing); or they may borrow money from others (debt financing) with the contractual obligation to pay back the amount of money borrowed plus additional dollars called interest payments. Interest is the price of borrowing money and is usually expressed as a rate, e.g., 10 percent (10%). Thus, to borrow $1,000 for one year at an interest rate of 10 percent will cost the borrower $1,000 + $100 = $1,100, or 100/1000 = .10 = 10%. The lender is willing to provide the $1,000 because he or she wants to give up purchasing power now ($1,000) for increased future purchasing power ($1,100). The borrower wants to have money ($1,000) to spend now and is willing to give up future spending ($1,100) in order to have $1,000 today. Thus, the borrower is willing to pay back more money than is borrowed because, as a consumer, he or she values today’s purchase more than tomorrow’s, or, as an entrepreneur, he or she needs the funds today to start the business and will be willing to pay back more dollars in the future when he or she expects to be earning dollars from the investment.

In the United States economy, the funds that are available for lending come from a pool of funds called “savings.” Savings are monies that are not spent but are put aside for the future. Generally these monies are put into a variety of savings instruments by banks, including savings accounts and money market accounts. Banks pay the savers interest on their savings to attract them to their bank. Banks in turn lend these savings to others and charge them a higher rate of interest than the bank pays the saver.

The entrepreneur must consider the costs and benefits of starting a new business. The interest rate on borrowing money is a cost. The rate of return on an investment is computed by dividing the money profits by the amount of money invested (profits/investment = rate of return). The rate of return on the investment should be greater than the rate of interest for the entrepreneur to borrow the money.
VOCABULARY:

Interest payment for the current use of someone else's money

Interest Rate the percent of the principal of a loan that must be paid by a borrower to a lender in a period of time

Investment the purchase of capital goods by a business to increase or maintain its ability to produce products and earn a profit

Expected Return the return as a percent of the cost of an investment an entrepreneur believes an investment will generate

Prime Interest Rate the rate of interest charged by banks to their large business customers

Variable Rate Loan the rate of interest on a loan that varies from time to time because of a varying rate of interest in the financial markets

MATERIALS:

- A copy of “Money Rates” from a recent Wall Street Journal
- Activity 53 “What’s the rate of interest?”
- Activity 54 “Interest rates and expected returns”
- Activity 55 Comprehension quiz Lesson 14

PROCEDURES:

1. Distribute Activity 53. Ask students to do a survey of area banks to determine interest rates given on savings plans and what that same bank charges on various types of loans. Have them record their findings on the activity sheet.

2. After the students report their findings to the class, ask what the bank does with the money that is deposited. Discuss the “spread” (difference) between the interest rate paid to depositors and the rate charged borrowers. Explain what the spread is used for (cover expenses of the bank and provide a profit).

3. Ask the students to bring copies of the business section of their local newspaper to class. The teacher should obtain a copy of the “Money Rates” from the third section of a recent Wall Street Journal. Help the students find the current prime interest rate in the papers. Explain that most business loans are made at the prime interest rate plus some percent (prime + 2%, for example). Only large businesses are able to borrow at prime. Smaller firms are charged a higher rate by banks because of the greater risk of the loan. Be sure to point out the fact that the prime interest rate changes over time, and, therefore, a business may not know what rate it will end up paying when it takes out the loan.

4. Distribute Activity 54 and ask the students to complete it individually, in pairs, or as a class. When the students have finished, discuss the relationship between a firm’s expectation of return for an investment and its willingness to borrow funds at different interest rates. Emphasize that a firm should not agree to pay more interest than it expects to earn in additional income. Ask them to consider how the fact that most business loans have variable interest rates affects many firms’ demand for credit.

5. Optional: You may wish to spend some time discussing how some businesses raise capital through the issuance of stock. Small businesses as well as large ones issue stock.

EVALUATION:

Have students complete Activity 55.
ACTIVITY 53

What's the rate of interest?

INSTRUCTIONS
Please use a brief bank to determine the current rate that they provide interest and charges borrowers on various types of accounts. For each account below, give a short description of the account plus or minus in addition to the rate.

<table>
<thead>
<tr>
<th>Service Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Savings account</td>
</tr>
<tr>
<td>Rate</td>
</tr>
<tr>
<td>Description</td>
</tr>
<tr>
<td>II. Money market account</td>
</tr>
<tr>
<td>Rate</td>
</tr>
<tr>
<td>Description</td>
</tr>
<tr>
<td>III. Certificate of deposit</td>
</tr>
<tr>
<td>Rate</td>
</tr>
<tr>
<td>Description</td>
</tr>
<tr>
<td>IV. Others</td>
</tr>
<tr>
<td>Rate</td>
</tr>
<tr>
<td>Description</td>
</tr>
</tbody>
</table>

(Continued)

Name

ACTIVITY 54

Interest rates and expected returns

INSTRUCTIONS
Write the current prime interest rate in the appropriate space in the first paragraph. Calculate the total interest rate and write the number in the appropriate space in the fourth paragraph.

Ted and Mary opened a thrift shop about two years ago. Their business has been quite successful, and they are thinking about expanding. They would like to move out of their rented stores into a larger building of their own. They need a deposit check and a new name so they can keep more money for their growing sales.

Finally, they would like to replace their old outdated cash register with a new electronic one that would help keep inventory, tax records, and other accounting data for the business.

Ted and Mary have assets worth $14,000, which they could borrow against (their home and rental property), and $20,000 to back their dream earned $20,000 after taxes on total sales of $200,000 in the past year, most of which they need to support themselves.

They went to several banks that all told them the same thing. They would have to pay $15,000 at the prime interest rate currently 5% plus an additional 4% for a total interest rate of 9%. Mary has studied a few simple investments and has outlined the return they would be expected to earn. She has hand the following table below. Study the data provided in the table below and answer the questions that follow.

<table>
<thead>
<tr>
<th>Investment</th>
<th>Cost</th>
<th>Expected return</th>
</tr>
</thead>
<tbody>
<tr>
<td>New building</td>
<td>$100,000</td>
<td>15%</td>
</tr>
<tr>
<td>Old stock</td>
<td>$1,000</td>
<td>15%</td>
</tr>
<tr>
<td>New oven</td>
<td>$500</td>
<td>15%</td>
</tr>
<tr>
<td>New sink and inventory items</td>
<td>$1,000</td>
<td>15%</td>
</tr>
</tbody>
</table>

1. Which of these investments should Ted and Mary make at the interest rate they have to pay? (Assume her predictions are correct.)

(Continued)

2. Explain why firms should always consider expected returns and interest rates before they borrow money to make investments.

To determine whether the loan will enhance or decrease their profit, they need to analyze the effect of the loan on their income. The bank's interest rate of 9% will decrease their expected returns. If they borrow money to make their investment, they will have to pay more than 9% interest on the loan.

3. Do you believe Ted and Mary should spend all of the $15,000 they have on a loan before they borrow from a bank? Explain your answer.

Yes, because they need the loan to pay for their new investment.

4. If the prime interest rate increased by 2% after Ted and Mary borrow $150,000 from the bank, how much more would they have to pay at interest that year if they had a loan that carried with the increase or decrease of the market interest rate? How important do you believe this might be in the financial success of their business? Explain your answer.

Assuming the new and higher rate remains in effect for a year, it will not. If interest increases, the amount paid on the loan will increase, but the overall amount paid will remain the same.

(Continued)

Type of Loan

| Rate | |
| Description | |
| Commercial loan | |
| Rate | |
| Description | |
| Car loan | |
| Rate | |
| Description | |
| Mortgage loan | |
| Rate | |
| Description | |

(Continued)

76

77

51
ACTIVITY 55
Comprehension quiz, lesson 14

PART I
Answer the following by circling the letter of the best answer.

1. The rate of interest that a borrower must pay depends on all of the following EXCEPT
   a. the rate of interest the bank pays on savings
   b. the risk the lender is taking
   c. the cost of the loan to the borrower
   d. the price of the commodity the borrower sells

2. A firm should borrow money to buy a new machine if
   a. its expected rate of return is greater than the interest rate
   b. it will sell the machine for more than the interest rate
   c. the cost of the loan to the borrower is less than the interest rate

3. Banks earn money by charging
   a. the same interest rate that they charge borrowers
   b. a lower interest rate than they charge borrowers
   c. a higher interest rate than they charge borrowers

PART II
A business needs additional appliances, Inc., has three investments it is considering: borrowing money to finance. At the present time it must pay 15% for any money it borrows. However, if the price were a 10% growth rate or more in the future, the rise in the company must pay over time will be too or fall. The investments the company is considering are:

a. an asset which should return 15% a year
b. a machine which should return 15% a year
c. a machine that pays twice as much which should return 15% a year

4. Decide if the firm should or should not borrow to make the investment involved. Underline the section you think the firm should take and write your decision.

   a. The firm should (or should not) buy the asset because...
LESSON 15

Competitive markets

TIME REQUIRED:
Two Class Periods

CONCEPTS:
Pure Competition
Product Differentiation
Monopolistic Competition

INSTRUCTIONAL OBJECTIVES:
Students will:
- Identify and explain the economic characteristics common to firms in pure competition
- Explain why competitive firms are "price takers"
- Give examples and explain the significance of product differentiation
- Define and cite examples of monopolistic competition

RATIONALE:
Most entrepreneurs with small businesses operate in markets that are characterized by a high level of competition. This is the result of the relatively low cost and ease of starting such businesses. Competitive firms have little control over the price they can charge or the quality of the products they are able to sell. In a competitive market, customers are very responsive to price. A competitive firm that charges high prices or offers inferior products will have few customers. These facts tend to result in low profit margins for competitive firms. It is possible for owners to overcome this problem by differentiating their firm's products from those of competitors. If a business can convince customers that its products or services are superior, it will be able to charge higher prices while maintaining the volume of its sales. Anyone studying entrepreneurship should be aware of these facts.

MATERIALS:
- Activity 56 "The lawn and garden doctors"
- Activity 57 "The market for pain relievers"
- Activity 58 "Pizzas"
- Activity 59 Comprehension quiz, lesson 15

VOCABULARY:
Perfect Competition
- a market in which there are many producers of the same product; customers are indifferent to which product they buy and are only responsive to differences in price

Product Differentiation
- an attempt by a firm to create consumer preference for its product as the result of a real or imagined difference in the quality of the product it offers for sale

Monopolistic Competition
- a market in which there are many producers of similar products that are distinguished from each other, usually through advertising

PROCEDURES:
1. Ask students to identify a type of business they believe they might realistically be able to start on their own some day as a single proprietor. Make a list of these businesses on the board. Tell students to examine the list and identify characteristics most of the businesses have in common. (Most will probably require relatively small initial investments and exist within markets that have substan-
2. From the list compiled in procedure 1 above, select a business that seems appropriate to this lesson—i.e., a business that operates in a highly competitive market. Ask the students how much they believe the firm could charge for its product at the present time. Then ask them what they believe would happen if the firm increased its price or offered inferior products for sale. (They should recognize that the firm's customers would go to the competition.) Point out the fact that the competitive firms have little control over the price they charge (they are "price takers") or the quality of the product they are able to sell. If the product is of inferior quality, customers will buy from other firms offering the same or similar products.

3. Distribute copies of Activity 56 and ask the students to complete it individually or in groups. When they finish their work discuss the answers, emphasizing the idea of product differentiation and how it can help firms in highly competitive markets improve their profit margins. Define the term monopolistic competition and discuss how Joe and Frank attempted to accomplish this objective.

4. Optional:
   a. Distribute copies of Activity 57. Go over the instructions with the students and have them complete the worksheet as an individual or group assignment.
   b. Discuss students' findings for Activity 57. Have them compare the prices for the various pain relievers and ways the producers of each attempt to differentiate their product from the products of competitors. In the discussion, have students review the definition of monopolistic competition and examine examples of how this applies to firms that produce pain relievers.

EVALUATION:
Evaluate the lesson by using either Activity 58 or Activity 59. Activity 58 may be used with a "taste test" in which the class orders pizzas from each store and evaluates the products.

### ACTIVITY 56
**The Lawn and Garden Doctors**

When Joe graduated from high school, he couldn't find a job he wanted so he went into business for himself. He bought a small tend, a used lawn mower, and a number of hand tools. Everything he bought cost just over $500. Joe knew that in order to sell anything, if you told the man he was going to lose his job, Joe discovered there were at least eight other lawn services doing business in town. Lots of people who worked for these guys at that time had already a different firm doing it.

At first, Joe tried to charge high prices because he thought he would sell his owners to pay his bills and make a good profit. In a month or two he had sold a couple of customers. It cost us too much because the work was not too good at that time. Finally, Joe ended up charging the same price as the other lawn services in town.

<table>
<thead>
<tr>
<th>Name</th>
<th>ACTIVITY 56</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joe</td>
<td>The lawn and garden doctors</td>
</tr>
</tbody>
</table>

### ACTIVITY 57
**The Market for Pain Relievers**

When they finish their work discuss the answers, emphasizing the idea of product differentiation and how it can help firms in highly competitive markets improve their profit margins. Define the term monopolistic competition and discuss how Joe and Frank attempted to accomplish this objective.

<table>
<thead>
<tr>
<th>Name</th>
<th>ACTIVITY 57</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joe</td>
<td>The market for pain relievers</td>
</tr>
</tbody>
</table>
ACTIVITY 58

Pizzas

In most areas there are many businesses that offer pizza for sale. Identify three specific pizza manufacturers in your neighborhood. Find the following information for each store and answer the questions below.

Where you can get the stores, try to look at the quality of their pizza.

1. How much difference is there in the price the stores charge for their pizza?

2. Describe any differences in the quality of the pizzas.

3. Describe the degree of success you believe the firms have had in distinguishing their products from each other.

4. Describe what you would do to try to improve your profit margins if you owned one of these firms.

ACTIVITY 59

Comprehension quiz, lesson 15

PART I

Read the statements below.

Place a "T" in front of each of the statements you think are true and square the "F" in front of each of the statements you think are false, then write the statement correctly in the space provided.

1. Products offered for sale by firms that sell in the same competitive markets are often quite different.

   Products offered for sale in competitive markets are about the same.

   F

   T

2. Competitive firms are often called "price takers" because their customers are forced to "take" whatever price they charge.

   Competitive firms are called "price takers" because they must charge the same price as their competitors.

   T

   F

3. Firms that sell in the same competitive market all charge the same price.

   Competitive firms often try to achieve product differentiation.

   T

   F

4. Firms in monopolistic competition are more likely to earn good profits than competitive firms because their products are more important.

   Firms in monopolistic competition are likely to earn larger profits because they have distinguished their product from similar products.

   T

   F

(Continued)

PART II

6. Explain two reasons why most single proprietorships do business in competitive markets.

   a. They require limited money to get started because most firms in highly competitive markets are small.

   b. They are easy to start.

   They are easy to start.

   They require limited money to get started because most firms in highly competitive markets are small.

7. Describe an example you know of in which a firm has tried to distinguish its products from others that are only slightly different.

   Answers will vary. For example, however, would be cosmetic products.
LESSON 16
The demand for labor

TIME REQUIRED:
Two Class Periods

CONCEPTS:
Demand for Factors of Production/Labor
Derived Demand
Diminishing Marginal Productivity

INSTRUCTIONAL OBJECTIVES:
Students will:

1. Explain why a firm's demand for any factor of production depends on its ability to sell the product produced.

2. Based on their analysis of events observed in a simulated entrepreneurial venture, formulate a statement of the principle of diminishing marginal productivity.

3. Evaluate the sales and cost data to determine the optimal hiring level for a given firm.

RATIONALE:
In order to earn a profit, entrepreneurs purchase a combination of the factors of production, which are used to produce goods and services that are supplied to the market. The greatest cost of production for many firms is the cost of labor. Many businesses fail because owners do not understand or control labor costs. It is important for entrepreneurs to consider the relationship among profitability, the cost of labor, and the value of workers.

MATERIALS:
- Activity 60 “Circular flow model”
- Activity 61 “The handprint business”
- Activity 62 “Sharon’s firewood”
- Activity C3 Comprehension quiz, lesson 16

PROCEDURES:
1. Using a transparency made from Activity 60, review the circular flow model. Emphasize the relationship between the sales of products in the product market and a firm's ability to pay for factors (including labor) in the factor market.

2. Identify several jobs that exist in the area of your school that your students are aware of and that require substantially different training, risk, or experience (e.g., auto mechanic, construction worker, grocery clerk, bank loan officer). Ask your students to estimate how much each of these jobs is worth in terms of an hourly wage. Discuss the reasons for your students’ estimates in class.

3. Ask students to pretend that they are the employers of the workers identified in procedure 2 above. Ask them to list the factors they would consider in setting wage rates for their employees. Students are likely to list factors that relate to the quality of the worker or the local economic conditions (education, experience, the cost of living, or what other employers are paying). They are not as likely to consider the value of the worker’s labor to the employer.

4. Distribute Activity 61 and work through it with your class. Draw the boxes on the board and help the students with the activity. As more students try to draw in the same box, they will start to run into each other and the number of additional prints will decline as extra students are added. Explain how this demonstrates the principle of diminishing marginal productivity. In many cases, the constraint on the value of additional workers is a fixed capital base (only so many tools workers can use). In this case, the constraint is the space. The last worker is likely to cost more than he or she is worth.
and therefore should not be hired. Emphasize the fact that a firm cannot maximize its profits if it pays workers more than the value they contribute to production.

**EVALUATION:**
Evaluate the lesson by using Activity 62 or Activity 63.

---

**ACTIVITY 60**

*Circular flow model*

![Circular flow model diagram]

**ACTIVITY 61**

*The handprint business*

Your teacher has drawn four 8-foot square boxes on the board. Some of your classmates are going into the "has been" boxes.

Your teacher will pay $1.00 (personal) for each handprint that is of reasonable quality and does not overlap any other handprints.

In the first box, one student will have one minute to trace as many of his or her handprints as possible. The student will pass a wage of $2.00 (personal). Where the wage is $2.00, add the number of prints made and see how much money was taken in, compared to the cost of the worker, and how much was earned as profit.

Repeat the process with each of the next three boxes, adding one more student/worker for each box. Remember each added worker must be paid the $2.00 wage. Complete the table below to help you answer the following questions.

Amounts will vary. Example of a completed table is provided below.

<table>
<thead>
<tr>
<th>What there are:</th>
<th>the number of prints made was</th>
<th>they were worth</th>
<th>the worker was paid</th>
<th>the amount of money earned was</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,2,3,4 = 4</td>
<td>4</td>
<td>$4.00</td>
<td>$4.00</td>
<td>$4.00</td>
</tr>
<tr>
<td>2,3,4 = 4</td>
<td>16</td>
<td>$16.00</td>
<td>$16.00</td>
<td>$16.00</td>
</tr>
<tr>
<td>3,4 = 4</td>
<td>24</td>
<td>$24.00</td>
<td>$24.00</td>
<td>$24.00</td>
</tr>
</tbody>
</table>

1. What happened to the number of additional prints produced as extra workers were hired?
   As more students try to draw prints, the extra students produce fewer and fewer additional prints.

2. What happened to the value of added workers?
The value of added workers went down because they produced fewer additional prints.

3. Why did this happen?
The big print because the additional workers had little space to work in. They kept getting in one another's way.

---

*From: Mastering Economics-G-6, Copyright 1991 by Teaching Strategies & Joint Council on Economic Education, New York, NY.*
ACTIVITY 62
Sharon's Firewood

Sharon is a slightly anxious woman who has a taste for and
hand in mind for wood. In order to do so, she must
both the tree, she wanted the exact measurement of the tree.
She used a tape measure to determine the exact dimensions of the
the dimensions of the tree. She then measured the diameter

1. Complete the following table:

<table>
<thead>
<tr>
<th>When Sharon had this much wood</th>
<th>how much wood she had</th>
<th>how much wood she sold for</th>
<th>and earned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>45</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>140</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>230</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>320</td>
<td>4</td>
</tr>
</tbody>
</table>

2. How does the equation demonstrate the process of finding marginal productivity?

The answer is not provided in the image.

ACTIVITY 63
Comprehension Quiz, Lesson 16

PART I
Answer the following by placing the letter of the correct definition in the block in front of each term.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>demand curve</td>
</tr>
<tr>
<td>E</td>
<td>demand curve</td>
</tr>
<tr>
<td>B</td>
<td>demand curve</td>
</tr>
<tr>
<td>A</td>
<td>demand curve</td>
</tr>
<tr>
<td>F</td>
<td>demand curve</td>
</tr>
<tr>
<td>D</td>
<td>demand curve</td>
</tr>
</tbody>
</table>

PART II
Read the story below and answer the following questions:

The Ace Golf Ball Co. has had a very good year. It's been able to sell many more balls for 15 cents each. The following information has been recorded:

<table>
<thead>
<tr>
<th>Month</th>
<th>Units Sold</th>
<th>Total Revenue</th>
<th>Marginal Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>1000</td>
<td>150</td>
<td>15</td>
</tr>
<tr>
<td>Feb</td>
<td>2000</td>
<td>300</td>
<td>15</td>
</tr>
<tr>
<td>Mar</td>
<td>3000</td>
<td>450</td>
<td>15</td>
</tr>
<tr>
<td>Apr</td>
<td>4000</td>
<td>600</td>
<td>15</td>
</tr>
</tbody>
</table>

1. What is the marginal cost of producing the 10th unit?
2. What is the marginal cost of producing the 20th unit?
3. What is the marginal cost of producing the 30th unit?
4. What is the marginal cost of producing the 40th unit?

PART III
Read the story below and answer the following questions:

The Ace Golf Ball Co. has had a very good year. It's been able to sell many more balls for 15 cents each. The following information has been recorded:

<table>
<thead>
<tr>
<th>Month</th>
<th>Units Sold</th>
<th>Total Revenue</th>
<th>Marginal Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>1000</td>
<td>150</td>
<td>15</td>
</tr>
<tr>
<td>Feb</td>
<td>2000</td>
<td>300</td>
<td>15</td>
</tr>
<tr>
<td>Mar</td>
<td>3000</td>
<td>450</td>
<td>15</td>
</tr>
<tr>
<td>Apr</td>
<td>4000</td>
<td>600</td>
<td>15</td>
</tr>
</tbody>
</table>

1. What is the marginal cost of producing the 10th unit?
2. What is the marginal cost of producing the 20th unit?
3. What is the marginal cost of producing the 30th unit?
4. What is the marginal cost of producing the 40th unit?

PART IV
Read the story below and answer the following questions:

The Ace Golf Ball Co. has had a very good year. It's been able to sell many more balls for 15 cents each. The following information has been recorded:

<table>
<thead>
<tr>
<th>Month</th>
<th>Units Sold</th>
<th>Total Revenue</th>
<th>Marginal Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>1000</td>
<td>150</td>
<td>15</td>
</tr>
<tr>
<td>Feb</td>
<td>2000</td>
<td>300</td>
<td>15</td>
</tr>
<tr>
<td>Mar</td>
<td>3000</td>
<td>450</td>
<td>15</td>
</tr>
<tr>
<td>Apr</td>
<td>4000</td>
<td>600</td>
<td>15</td>
</tr>
</tbody>
</table>

1. What is the marginal cost of producing the 10th unit?
2. What is the marginal cost of producing the 20th unit?
3. What is the marginal cost of producing the 30th unit?
4. What is the marginal cost of producing the 40th unit?
LESSON 17

Entrepreneurs and government intervention

TIME REQUIRED:
Two Class Periods

CONCEPTS:
Role of Government
Government Intervention
Cost of Government Regulation
Externalities
Laissez-faire
Minimum Wage

INSTRUCTIONAL OBJECTIVES:
Students will:

• Give examples of how government intervention can add to or subtract from the profits of a small business

• Identify several examples of government intervention that are intended to protect the public’s interests but may add to the cost of a small business

• State reasons for government intervention

• Given a description of the positive and negative effects of an entrepreneurial enterprise on the surrounding community, evaluate the options for government intervention, decide what action the government should take, and justify its decision

RATIONALE:
All firms exist within the context of society and its governmental system. Business activity certainly can contribute to the goals of society. On the other hand, the interests of society sometimes can conflict with those of individual entrepreneurs and businesses. Government intervention is and can be used to encourage certain business activities and to discourage others. Accordingly, the governmentally imposed or provided incentives or disincentives affect the small business. The individuals running businesses must recognize that they are not islands unto themselves. One player that affects the small business is the government.

MATERIALS:
• Activity 64 “Effects of government on the entrepreneurial enterprise”
• Activity 65 “Batesville”
• Activity 66 Comprehension quiz, lesson 17

VOCABULARY:
Externalities
Negative Externalities
Positive Externalities

costs or benefits associated with the production or consumption of a product that “spill over” to third parties (people other than the direct producers and consumers of the product)

spillover costs associated with the production or consumption of a good or service affects the welfare of people who are not directly involved in the marketplace. (Pollution is an example of a negative externality.)

spillover benefits associated with the production or consumption of goods and services.
a product; the positive side effects that result when the production or consumption of a good or service affects the welfare of people who are not directly involved in the market exchange. (Home improvement work that improves the appearance of the neighborhood is an example of a positive externality.)

**Laissez-faire** literally translated as “let them do,” “let (people) do (as they please),” or “let alone.” Laissez-faire is rooted in a belief that the market mechanism in a free enterprise competitive economy coordinates production and distributes income in a self-adjusting manner that tends toward full employment without government intervention.

**Minimum Wage** a term that refers to various legal restrictions on the lowest wage rate payable by employers to workers.

**PROCEDURES:**

1. Announce this activity several days before you intend to teach it. Assign each student to ask one person who is in business to describe one specific governmental act that affects the business they run and explain their opinion of that act. It can be some type of regulation by which they must abide. Or it could be some type of program funded by the government that helped them. Students should briefly write down what they learn and bring it to class.

2. Have students list and describe the types of governmental actions mentioned by the owners of small businesses. Regulations will probably be more frequently mentioned than the direct benefits by government. Many entrepreneurs believe there is entirely too much governmental regulation. They think we should have much more laissez-faire, which means less governmental intervention.

3. Distribute copies of Activity 64. Have students complete the worksheet individually, in groups, or together as a class. The situations given are governmental actions that encourage and discourage activities by the owner of a small business. It also asks students to list the effects of each action on the small business owner. It is important to bring out why government wants small businesses to flourish. Also, it should be emphasized that efforts by entrepreneurs to earn profits need to be limited to activities consistent with the general welfare of society.

4. **Optional.** Distribute copies of Activity 65. In this situation, students can explore the pros and cons of economic growth for a small community. It provides an analysis of the incentives and disincentives that could be implemented by a local government to encourage or discourage a firm to establish operations in the community.

This case provides a good opportunity to explore the economic concept of negative externality and the role of government in dealing with negative externalities. A negative externality is a cost of producing a product that is borne by those who are neither the producers nor the consumers of the product. In this situation, the air will be more polluted by the presence of the fertilizer company. This pollution will probably cause increased costs for many in the town who do not work at that plant. In other words, they suffer costs because of the product even though they are not producers or consumers of the product. Government policy can be used to have more of the total cost of the production process borne by the producers and consumers. In this situation, the local government may require a certain level of air purity emanating from the stacks of the firm. In order to meet that requirement, the firm will probably need to install some new equipment to clear the smoke, embers, ash, and other pollutants before they are emitted. New equipment means more costs. These increased costs are ultimately paid by the consumers of the output (fertilizer) through higher prices or by the producer who has lower profits because of increased costs. Government, through regulations, forces the consumers and producers to pay more of the full costs of producing the item.

**EVALUATION:**

Have the students complete Activity 66 individually, or have them work in pairs or small groups to answer the questions.
**ACTIVITY 64**

Effects of government on the entrepreneurial enterprise

**INSTRUCTIONS**

Imagine that the following statements are headlines of articles. Each of these relates to government intervention in the marketplace, especially for the small business owner. For each headline, indicate the meaning:

a. Why the government has intervened
b. What effect the intervention has on the owners of small businesses who are affected by the action

1. Restaurant closed by public health inspector because of unsanitary conditions
   - Reasoning for intervention
   - Potential consequences for food industry

   Effects on small businesses
   - Owners may lose money because of closure
   - Additional costs may be incurred by owners for cleaning and reopening the restaurant

2. Government program provides free advice to entrepreneurs
   - Reasoning for intervention
   - Small businesses may gain new ideas
   - Increased productivity

   Effects on small businesses
   - Owners may have more ideas
   - May provide assistance in starting a new business

3. Minimum wage increased—Effects on many small businesses
   - Reasoning for intervention
   - Higher wages may reduce profits
   - Effects on small businesses
   - Higher costs for labor

4. Enterprise zones in small business management funded by the government
   - Reasoning for intervention
   - Increased profits for small businesses
   - Effects on small businesses
   - Increased profits for small businesses

5. Area 2740 installs new equipment to make work areas safer
   - Reasoning for intervention
   - Increased safety for employees
   - Effects on small businesses
   - Increased safety for employees

6. Area firm hired by government for using misleading advertising
   - Reasoning for intervention
   - Increased scrutiny by government
   - Effects on small businesses
   - Increased scrutiny by government

**(Continued)**


**ACTIVITY 65**

**Batesville**

**INSTRUCTIONS**

Read the story and answer the questions below.

Batesville is a rural town in the Midwest with a high rate of unemployment. The only industry in town is a steel factory, closed down 10 years ago. Since then, few people have found work. The local government is trying to encourage new businesses to move to Batesville to create jobs. Batesville has potential for growth in the manufacturing sector, with a large labor force and a lower cost of living.

Last week a new manufacturer moved to Batesville to establish a plant. The company plans to hire 100 workers initially.

1. Describe the situation in Batesville before the new company moved in.
2. What impact will the new company have on the local economy?
3. What challenges might the new company face in Batesville?

**(Continued)**

ACTIVITY 66
Comprehension quiz, lesson 17

ANSWER THE QUESTIONS BELOW:

1. Name three ways in which government can increase the costs of a small business and provide reasons why each might be done. Answers will vary. Three ways include:
   a. Requiring employers to make a deposit for each employee who is hired by a small business in the community. This will increase the number of jobs that would ordinarily be paid by the small business.
   b. Requiring a small business to pay additional taxes for employing one or more than one employee in the community. This will increase the number of workers that would ordinarily be paid by the small business.
   c. Requiring a small business to pay additional taxes for employing one or more than one employee in the community. This will increase the number of workers that would ordinarily be paid by the small business.

2. Name three businesses in which government could increase the costs of a small business and provide reasons why the government would put these actions into effect. Answers will vary. Three examples include:
   a. Requiring employers to make a deposit for each employee who is hired by a small business in the community. This will increase the number of jobs that would ordinarily be paid by the small business.
   b. Requiring a small business to pay additional taxes for employing one or more than one employee in the community. This will increase the number of workers that would ordinarily be paid by the small business.
   c. Requiring a small business to pay additional taxes for employing one or more than one employee in the community. This will increase the number of workers that would ordinarily be paid by the small business.

3. Sometimes the interests of the small business owner conflict with the interests of others in the community, such as the consumer, the wage earner, or the government. In what way do you think the principle is true?
   a. Wage earner wants a safer work environment; small business owner wants to keep 5 or 6 cents in the dollar down as low as possible in order to maximize profits.
   b. Consumer wants a lot of information given to them on the products that are sold, providing all of the information on the package costs and money, leading to more cost which may significantly limit the small business operator.
   c. Firm that creates a considerable traffic flow may very well be a peculiar business in a small town, small town may not want all that traffic. Many moved to small town to get away from traffic congestion.

4. How does business development in a community have many advantages, such as more income in the community, more capital, and more jobs. There can also be more profits for new business development. Name at least three disadvantages that may present in new business development:
   a. Increased congestion, more crime, more public services, more wear and tear on highways and other public services.

PART 3
ENTERPRISING TEACHING
THE ENTERPRISING TEACHER

INTRODUCTION
To teach effectively the sample lessons described in this Master Curriculum Guide, the teacher must employ some of the same attributes that he or she would attempt to instill in the students. In other words, the teacher is to practice enterprising teaching. To be an enterprising teacher, one teaches in a manner that demonstrates the key entrepreneurial skills and attributes so that a teacher is in a position to lead by example and, in varying degrees, to serve as an entrepreneurial role model and mentor for students.

In this section, we will provide a rationale for enterprising teaching, describe the enterprising teacher by outlining the seven roles that the teacher performs, and conclude with some teaching suggestions for use in the classroom.

RATIONALE FOR ENTERPRISING TEACHING
Entrepreneurs are not born from information. One cannot just place some quantity of print material in the hands of an individual and expect that to be a motivator for entrepreneurial initiative. Similarly, one cannot simply communicate information about entrepreneurship and expect that to impart the spirit of entrepreneurship, thus prompting the learner to pursue an entrepreneurial career path. Enterprising is a dynamic process and is born of action and initiative as well as knowledge and awareness.

Therefore, if a teacher wants merely to provide instruction about entrepreneurship, then he or she can provide information to students utilizing traditional methods and resources.

However, the goal of the program is to encourage enterprising initiative and endeavors, so it will be advantageous, if not actually necessary, to teach in an enterprising way. Enterprising initiative results from the accumulation of knowledge, attitudes, and skills that both prompt and prepare one to create, launch, and operate new ventures. Unless students are screened and selected for such a program based on character and skill profiles, changes in attitude and behavior will be as important as increases in knowledge.

Key areas will have to be addressed in terms of students' requisite attributes and skills for entrepreneurship, such as improved self-confidence, perseverance, commitment, goal orientation, desire for accomplishment, creativity, willingness to take initiative, willingness to accept risk, and so on. Thus the classroom will have to become an environment in which these attributes are emphasized, encouraged, and demonstrated, and the leadership provided by the teacher will be all-important.

Students will need to be motivated, inspired, encouraged, assisted, and directed. Their willingness to assess and explore their own entrepreneurial potential will be more a product of their learning environment than their accumulated knowledge.

Other people may assist the teacher in achieving these outcomes. Guests may be brought into the class to vary the presentation to students. But the teacher will be the primary resident role model and be the major influencing resource. If the teacher can exemplify the characteristics and skills of entrepreneurship on a regular basis, then the propensity for students to behave in an enterprising manner should be significantly enhanced.

This is not to say that a teacher who teaches entrepreneurship in a nonentrepreneurial way dooms his or her students to a nonentrepreneurial future. Other mitigating circumstances may well intervene. But the likelihood of success—developing entrepreneurial characteristics, attitudes, and skills in students and promoting entrepreneurial initiative—will be much greater if the teacher represents a personification of entrepreneurship in the classroom.
approach taken to tasks, problems, and opportunities.
The adage “He who can, does; he who cannot, teaches” (George Bernard Shaw, *Man and Superman*) cannot be held over the heads of educators. Teachers, as well as anyone, can be enterprising in their approach to their tasks, problems, and lives. Teaching in an enterprising way is not an unfair expectation of one who is teaching entrepreneurship. Leading by example is inspirational and motivational. Teaching by example will be a requisite for effective teachers in the entrepreneurship education classroom.

**THE ENTERPRISING TEACHER**
The teacher plays the primary role in the classroom. The teacher, among other things:

- provides instruction
- creates the learning environment
- motivates
- evaluates
- serves as a role model and possible mentor

Entrepreneurship education, particularly at the precollege level, is formative in nature. It aims to promote the development of characteristics, attitudes, and skills that are relevant to entrepreneurial initiative. Therefore, even though many educators may not have business experience, most are well skilled in procedures to build and affect attitudes in the classroom.

Entrepreneurs are a product of many things, the least of which is probably genetics. Entrepreneurs are a product of their environment, home, school, social, and work. The more encouraging these environments provide of enterprising behavior, the greater the likelihood that a young person will develop an interest in, and propensity for, entrepreneurship.

It is important to note that entrepreneurship education programs have goals other than creating entrepreneurs. Entrepreneurship education can develop attitudes and skills, and an overall approach to life and endeavors that can be important and useful to students regardless of their chosen career.

Entrepreneurship is more an approach to doing things than it is the specific undertaking of a particular kind of endeavor. In that regard, the skills and characteristics of entrepreneurship can be applied as effectively to teaching as they can to any other kind of activity. If such application is made effectively by the teacher, this can not only help in the development of enterprising skills and attributes in students, but it can also provide a clear demonstration of how entrepreneurship can be applied to nonbusiness ventures.

The teacher provides the leadership in the entrepreneurship education classroom and is one of the primary architects of the education environment. To provide an effective program in entrepreneurship will involve much more than teaching about entrepreneurship. To change and develop attitudes require more than a knowledge-based course of instruction. The course content is just one part of the program. The educator will need to establish a broad focus for the planning of an entrepreneurship education program to make it effective.

Let us examine the various dimensions that are involved in functioning as an enterprising educator in an entrepreneurship education classroom. Below we discuss the seven roles for the teacher and provide brief examples of how that role can be performed in an entrepreneurial manner.

1. **The teacher as innovator and achiever.** Entrepreneurs are agents of change. They find new and innovative ways to address needs and wants and to overcome problems. Therefore, entrepreneurship education should help to promote and encourage innovation and to take an innovative approach to tasks and problem solving.

The teacher must also be an innovator. New techniques should be tried and used. Students should recognize the efforts of the teacher to be innovative, to present material in new ways, to try new things, to take risks, to take a fresh approach, and to bring the subject to life in the classroom. The enterprising teacher should face the challenge of teaching as an entrepreneur and be prepared to identify opportunities for new approaches, strategies, and resources. If the teacher is successful in demonstrating to students how he or she has set goals in the course, has developed a plan, and so forth, then the teacher should also share accomplishments with students. Students should see the positive feeling associated with achievement. As much as possible, they should be allowed to share in the sense of accomplishment realized by their classmates, the teacher, and themselves.

**EXAMPLE**

Bring to class the colored comics section of the weekend newspaper in sufficient quantity to provide one to each student in the class. Ask students to look at this section of the newspaper and think of opportunities for other uses that come to mind. Ideas may come from the comic strips themselves or from ways of using the colored comics section of the paper once they have been read. Let students think about it individually and then brainstorm as a group. Be prepared with your own ideas, such as using the colored comics section of the paper as wallpaper, as "funny" fire starter, as confetti, etc.
2. The teacher as role model/mentor. There is considerable evidence demonstrating the influence of a role model and mentor in affecting entrepreneurial behavior. Entrepreneurship is contagious. Entrepreneurial people encourage and motivate those around them.

Therefore, the enterprising educator should aim to be a role model and, to the extent possible, a mentor to students. Teachers should try to develop their own entrepreneurial characteristics and skills as much as possible. They should embody the spirit and attitude of an entrepreneur in the classroom to inspire and motivate students.

A role model is one who is observed more than consulted. A mentor relationship implies more continuous contact, dialogue, and assistance. Depending on the number of students, the structure of the program, and so forth, teachers may be more likely to serve as effective role models than mentors. However, to whatever extent possible, teachers should attempt to establish mentor relationships with students.

EXAMPLE
Identify a change that is taking place in the school or community. Discuss this change with students and analyze how the change is generating opportunities. In partnership with students, identify one or two specific opportunities that you, as the teacher, might be able to address with a new idea. On your own, work with these opportunities and identify a variety of specific ideas to share with the class. Identify one idea that seems to have potential. Discuss with students how you might move the idea forward. If possible, act on this and see how far you can carry it. Discuss with students the resistance or barriers you encounter along the way.

3. The teacher as a change agent. Entrepreneurs challenge the status quo. They look at the way things are and look for ways to bring about improvements. A teacher can do this too. An entrepreneurship educator can look for ways to bring about change in the classroom, in the school, and in the community. The teacher can lead by example by becoming an active agent for change and progress. Some initiatives may involve students from the program in school- and community-based initiatives. In taking on the role as a catalyst for change, not only will the teacher sharpen entrepreneurial skills, he or she will more clearly demonstrate the role and nature of entrepreneurship to students.

EXAMPLE
(i) Identify a problem or opportunity that exists in the school for teachers or students. Identify and define the opportunity clearly. Establish a goal for what you would like to realize and set about to bring about the change.
(ii) Examine the traditional classroom setup. In partnership with students, attempt to establish an innovative classroom design more conducive to the spirit of entrepreneurship.

4. The teacher as motivator. Entrepreneurs are goal oriented. They set goals and, if successful, achieve a sense of personal accomplishment. That is the primary motivational force for entrepreneurship—the quest for personal accomplishment and achievement.

Many students, however, are not goal oriented. Many have relatively low self-esteem and self-confidence. Many have relatively low expectations about their own abilities. The teacher can challenge such perceptions. The teacher can abandon his or her own previous perceptions of a student's potential and encourage the student to aspire to more.

Educators can further assist in this area by making their own goals clear to students. Let students see that there are goals set, ambitions in place, and hope and dreams that help to pull one forward. The educator is in an opportune position to motivate students to encourage their self-confidence, to elevate their self-esteem, to encourage their consideration of new options, to set goals, and to establish hopes and dreams that they can aim to realize.

EXAMPLE
Ask each student to identify three entrepreneurial opportunities. Have each student write out his or her opportunities and submit them in writing. Meet briefly with each student and discuss the student's suggestions. Acknowledge the insightful suggestions and encourage the student to consider investigating one of them further. If suggestions are not effective, discuss this with the student and challenge him or her to come up with other possible opportunities until a suitable one is found. Reinforce each student's efforts by building a list of identified opportunities on a wall board with the student's name beside his or her opportunity. Provide writing space beside each opportunity for others to write their comments and thoughts. After two weeks, and after the student has had a chance to reflect on the opportunity and review comments, have each student revise and refine his or her opportunity.

Gather the refined opportunities together and, using a computer and printer, produce a class newsletter paper called "Opportunities for Entrepreneurship" in which each student presents a write-up of his or her perceived opportu-
nity. Circulate this among the school and the community.

Specific constructive feedback from the teacher, and seeing one's name in print, can contribute a motivating, confidence-building influence.

5. The teacher as evaluator. Entrepreneurs crave feedback. They are motivated by a quest for personal accomplishment so they are always seeking evidence of progress. Feedback from those who are observing and judging is vital. But such feedback must be constructive, insightful and, as much as possible, unscheduled and not part of a routine.

But even more than providing evaluation and feedback, the enterprising educator will need to employ innovative approaches to evaluation. Utilizing tests and exams to assess knowledge alone is not acceptable. Left-brain, linear thinking and learning are important and will need to be assessed but right-brain development is also important.

Creativity, intuition, and so on, need to be assessed and acknowledged. Changes in attitudes, characteristics, and skills will have to be weighted at least as heavily as cognitive development. Therefore, new assessment instruments will need to be used and developed. Techniques such as self- and peer evaluation will have to be utilized. And credit will have to be possible for “failed” attempts and initiatives that, at the same time, demonstrated the skills and approaches of entrepreneurship. After all, most entrepreneurs are “wrong” a few times before they are “right” as they look for new and innovative ways.

EXEMPLARY
Use a varied assortment of evaluation strategies, including:

- self-evaluation
- peer evaluation
- group evaluation
- evaluation of decision making
- evaluation of creative thinking
- evaluation of goal achievement
- performance appraisal forms
- failure analysis assessments
- personal interviews
- attitude surveys
- written assignments
- oral presentations
- projects
- venture plan assessments
- other

6. The teacher as planner. One of the most important skills for an entrepreneur is to be able to plan effectively. The effective enterprising teacher will not only teach students how to plan effectively, but he or she will also demonstrate the skills of effective planning. The classroom, lessons, field trips, and so on, can be planned in a way so that students can clearly see the methods and benefits of effective planning. The entrepreneurial teacher should involve the students in various aspects of planning the program.

EXAMPLE
Present a detailed plan for the program to students at the beginning of the course. Clearly state the opportunities that you have identified for the course. Indicate goals, objectives, resources required, assessment points, contingency plans, possible problems, etc. Demonstrate how a well-organized plan can be implemented and how it can be designed to foresee possible problems.

Share a detailed lesson plan with students.

7. The teacher and failure. A distinguishing feature of many entrepreneurs is their attitude toward failure. Most entrepreneurs experience one or more failures before they succeed. But they look upon failures as learning experiences and stepping stones to future success.

Most teachers will also experience failures. For instance, a new technique won’t work; a new resource doesn’t do its job. The more innovative the teacher is in the classroom, the greater the likelihood of failure.

The enterprising teacher can take advantage of failures to demonstrate a positive attitude toward the failure. Share the failure with students. Analyze what was wrong and what was right. What could be done differently? How could information from the failure be used toward a future success?

The enterprising teacher, drawing on personal experience, can do a great deal to foster a more entrepreneurial approach to failure among students.
EXAMPLE

Suggest a number of entrepreneurial opportunities to the class. Watch for responses to identify one that they think is particularly poor. Tell students that it is your favorite opportunity. Make a case for why, then let students tell you what’s wrong with it. Tell them not to be “gentle” and “kind” but to “tell it like it is.” Demonstrate how to accept criticism. Seek out more detail from students about their criticisms. Push them to be specific. Demonstrate how information can be gained from criticism and from a “failed” idea. Try to generate a good opportunity from this bad one based on their feedback.

You will note that many of the above suggestions involve being relatively open with your students. This is consistent with one of the primary prerequisites for an entrepreneurship education classroom: there must be an atmosphere of trust. The relationship between teacher and student is very important. Teachers must develop an atmosphere of trust in the classroom in which students trust the teacher and the teacher trusts the students. This is one of the challenges for the entrepreneurial teacher but it is vitally important if confidence is to be established and initiative encouraged.

APPLYING ENTERPRISING TEACHER CONCEPTS TO A LESSON PLAN

The sample lessons presented in this Master Curriculum Guide are only general outlines for an enterprising teacher. They lay out the key components of classroom presentations and recommend instructional methods. However, the teacher should not feel bound by these recommendations but should demonstrate flexibility in adapting and evolving the lessons to the students in his or her classroom.

Let us take Lesson 6 and briefly reflect on some alternative or supplements to the lesson. One of the most important economic concepts is the interdependency of the economic units within an economy. Circular flow is a good model to demonstrate this. The teacher may want to bring a set of dominoes to class and stand them on a desk so that, once the class is present, tapping the first domino will cause the sequence in which one domino topples the next, resulting in a chain reaction, or the domino theory. What this demonstrates is that a decision by one economic entity can have an effect on other entities in various ways so that each decision by a consumer or producer will affect myriad other producers and consumers.

Another idea to build on the circular flow concept is that economies are dynamic entities and are always in a state of change. Let’s conjure up an illustration. Ask the students how many are currently working. Ask those students who are working whether they are consumers or producers. We would hope they would respond that they are both. Then ask one student to share with the class how he or she earns and spends the money and how the process of earning and spending acts on other people, either in creating sales positions or in creating new manufacturing jobs.

The question is: What is the role of the entrepreneur in all of this? Ask the students where they think the entrepreneur fits. A consumer? A producer? What functions might the entrepreneur perform that would create either new products or new methods of disseminating products? What the students should be led to realize through their own discussions is that entrepreneurs are one of the dynamic factors in the economy and that, through their invention or innovation, they create new businesses, produce new products, create new jobs, and enhance the well-being of both consumers and producers through the circular flow process.

SUMMARY AND CONCLUSIONS

The teacher can be the architect of an effective learning environment for entrepreneurship as well as serving as an effective role model by embodying and demonstrating entrepreneurial characteristics, attitudes, and skills. The educator, in developing an effective entrepreneurship education program, will have to keep a number of things in mind, including:

- course content
- the learning environment
- the delivery system, including strategies and techniques
- methods of evaluation
- resource selection
- community linkages

The enterprising educator may have to overcome barriers and resistance to new techniques, strategies, activities, and so on. His or her perseverance, commitment, and creativity may be called upon to overcome such resistance that may flow from those comfortable with tradition and established practice. The enterprising educator will need an effective support network extending throughout the school and into the community. And the teacher will have to take an enterprising approach in the classroom.

To conclude these thoughts on the enterprising teacher, consider the following suggestions for your entrepreneurship education program:
• Minimize use of resources or teaching techniques that focus on right answers; a single right answer should not be sought or expected.

• The entrepreneurship education program should be highly participatory with a hands-on focus. It should be activity-based.

• The entrepreneurship education program should be goal/achievement oriented.

• The entrepreneurship education program should enable short-term accomplishments by students.

• The entrepreneurship education program should have a community integration focus.

• In an entrepreneurship education program, a variety of approaches and teaching styles should be utilized.

• An entrepreneurship education program should have elements that surprise the student and present the unexpected as well as provide opportunities for an and excitement.

• An entrepreneurship education program should provide a broad focus for entrepreneurial ventures and initiatives, not just small business start-ups.

• An entrepreneurship education program should provide students with frequent and unanticipated feedback.

• An entrepreneurship education program should entail approaches and activities that seek to build self-confidence in the student.

• The methods and resources used in an entrepreneurship education program should enable and encourage group/team activities.

• An entrepreneurship education program should focus on the positive ways to handle and learn from failure.
A Framework for Teaching the Basic Concepts

Economics: What and When
Scope and Sequence Guidelines, K-12

TEACHING STRATEGIES

Primary Level
Intermediate Level
Junior High School Level
Basic Business and Consumer Education
Consumer Economics
Economics and Entrepreneurship
High School Economics Courses
International Trade
United States History
World Studies
Using Economics in Social Studies Methods Courses

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New York, NY 10016
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Entrepreneurs—then and now

Benjamin Franklin
1706–1790

Benjamin Franklin was one of 17 children of a poor but honest candlemaker in Boston. There was not enough money to allow him to go to school so he became an apprentice printer to his brother. This was an unhappy relationship because, like many brothers, they agreed on little and did not work well together. While a teenager, Franklin ran away and eventually went to England where he perfected his skills as a printer.

He returned to the United States and was recognized as one of the most skilled printers in the colonies. He moved to Philadelphia in the late 1720s. He found it was difficult to become established as a printer in Philadelphia because there was a large number of other printers already in business. The only way he could succeed was to do it better. He started a new newspaper, The Pennsylvania Gazette. What made his paper a success was that it included many entertaining and clever sayings, as well as being written in a light and sometimes comical fashion.

But by far Franklin’s most profitable enterprise was Poor Richard’s Almanack, which he published annually between 1732 and 1757. What made Poor Richard’s Almanack unique was that it was “a book for every member of the family.” It included recipes, poetry, historical dates, maps, and the times of the court sessions. For parents, the almanac was arranged so that they could use it to teach their children the alphabet and how to read. The sales of Poor Richard’s Almanack ultimately reached 10,000 copies a year—second only to the Bible in the colonies.

Franklin was also the first person to believe in newspaper advertising. He recognized that the price of newspapers to the public could be kept down if part of the cost was picked up by advertisers. But he could not convince other businesses to advertise in his newspaper. So he began by advertising an invention of his own, the Franklin stove. The stove was an ingenious device that was a superior way of heating cold and drafty colonial homes. Sales of his stove boomed due to advertising.

Other colonial merchants began to advertise, too. In addition to being a shrewd businessman, Franklin was also a great inventor. In fact, only Thomas Edison has more inventions to his credit than does Benjamin Franklin. He experimented with electricity. He invented bifocal glasses. He devised a variety of medicines.

Franklin became one of America’s greatest statesmen. He was also a great philanthropist. It was said of him that his life contained the unique elements that are identified in the American business success story: ambition, creative enterprise, self-education, research and invention, community service, and philanthropy.
Entrepreneurs—then and now
Milton Bradley
1836–1911

Milton Bradley Games

When Abraham Lincoln first grew a beard during the 1860 presidential campaign, it almost spelled financial ruin for a young Massachusetts lithographer named Milton Bradley.

The owner of a Springfield print shop, Bradley had been cashing in on the upcoming election by reproducing a portrait that showed the Republican candidate with a hairless chin. When Lincoln suddenly rendered the likeness obsolete, Bradley was forced to destroy several hundred thousand prints. This put the lithographer on the razor’s edge of bankruptcy, until a friend suggested that he try inventing a board game, which he could then print with his idle press.

Bradley followed his friend’s advice and came up with the Checkered Game of Life, a contest in which players racked up points by landing on squares with words like Truth and Honor, while avoiding ones with Ruin and Intemperance. Peddling the game personally throughout New York and New England, Bradley sold 45,000 copies the first year. Shortly thereafter he became the top game manufacturer in the United States, a multimillionaire and—undoubtedly—one of the biggest fans of Abe Lincoln’s beard.

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ACTIVITY 1 • PART B

From Faster Curriculum Guide, Economics and Entrepreneurship, Teaching Strategies & Joint Council on Economic Educa-
1, New York, NY.
ACTIVITY 1 • PART C

Entrepreneurs — then and now

Maurice McDonald
1902–1971

Richard McDonald
1909–

McDonald's Hamburgers

Brothers Maurice and Richard McDonald left their New Hampshire village of Bedford for Hollywood in 1928 with dreams of becoming actors.

It wasn't on theater marquees, however, but under the golden arches of a San Bernardino hamburger restaurant that the two would later see their name in lights. After failing to make it as actors, the McDonalds ran several businesses, including a movie theater, before opening their hamburger stand in 1948. Unlike similar restaurants that prepared food to order, the McDonalds' stand served precooked, ready-to-go hamburgers for 15¢.

In 1954 their business caught the attention of Ray Kroc (1902–1984), a former big-band pianist who was then working as a sales agent for a milkshake mixer firm. Kroc convinced the brothers to allow him to sell the McDonalds' name and concept to other restaurant operators.

There were some 300 McDonald's franchises by 1961, when Kroc bought out the brothers (who then retired) for $2.7 million.

Although this sum would seem small compared to the company's eventual success, the brothers remained philosophical. "We didn't know if this was just a fad that would peter out," Richard McDonald recalled in 1983, "but I have no regrets."

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ACTIVITY 1 • PART D

Entrepreneurs—then and now

Berry Gordy, Jr.
1929–

Creator of the Motown Sound

There are very few individuals in this country, and probably around the world, who have not heard of or been influenced in some way by the Motown sound. The list of great stars is seemingly endless. Smokey Robinson, Diana Ross, Marvin Gaye, The Temptations, Lionel Richie, The Jackson Five, and Stevie Wonder are only a few of these great performers who during the 1960s and 1970s put a lot of soul into the music world and the nation. The development and significance of the music, however, did not come about by accident. It was the direct result of the ambition and entrepreneurial ability of one man.

Berry Gordy, Jr., was born the seventh of eight children in Detroit on November 26, 1929. Although he never finished high school, Berry obtained his high school equivalency diploma while he served in the Army. When he left the service, he initially worked with his father, who was a plastering contractor. Berry then took a job at a Ford Motor Company plant where he made about $80 a week. Berry found the work not to his liking. He started, with a partner, a record store called the 3-D Mart, which failed shortly thereafter. However, a man of Berry’s ambition, energy, and perseverance was not to be kept down for very long.

In 1959, Berry Gordy, Jr., borrowed $800 from his family and started a small record company. The company was not an instant success. It was not until 1962 that the company was in good financial shape. In that year, Motown had 11 Top Ten Rock and Blues hits and was firmly established in the recording industry. The number of hits continued to roll out of the studio and into the record stores throughout the nation. There have been a number of significant results from that initial investment of $800 by Berry Gordy, Jr. The fact that it has made him many millions of dollars over the years is only one. There is also the tremendous social impact that Motown Records has had in America. Through music the nation has developed a greater sense of togetherness as opposed to the discrimination and conflict of the time when Berry Gordy started the business. The gains made by many black entertainers and other professionals would not have been possible without the success of Motown.

ACTIVITY 1 • PART E

Entrepreneurs—then and now

Laura Clough Scudder

1881–1959

Although Laura Clough Scudder had already achieved a place in history in 1918 as the first female attorney in Ukiah, California, when she died in 1959 she was hailed as the “Potato Chip Queen of the West.” During her lifetime, Laura Scudder earned degrees in law and nursing, and built a home-grown potato chip business into a multimillion-dollar empire that spanned the West Coast.

In the 1920s grocery stores sold potato chips by the pound from glass display cases. Grocers put the chips in paper bags when they were purchased, and by the time the consumer arrived home, the chips were often stale and broken. Scudder decided that she could make better potato chips and invented a way to package them to keep them fresh. The new method of packaging provided the added advantage of allowing customers to serve themselves.

In 1926, Scudder produced her first batch of kettle-fried potato chips in the kitchen of her home. She began with 200 pounds of potatoes—washed, peeled, and sliced by hand. Later, the business was moved to a brick building that she and her husband built next to their home.

As the sales grew, Scudder hired other women to help. The employees took sheets of waxed paper home at night and hand-ironed them into bags. The next day at work, they filled the bags with fresh potato chips and sealed each bag at the top with more hot ironing.

During the early years of the business, the Scudder family delivered their bags of potato chips to stores in the family automobile. Soon, they found they needed to purchase a panel truck to deliver the growing number of bags sold. Originally delivering her Mayflower Potato Chips in southern California only, Scudder eventually branched out to include northern California, where grocers sold her chips under the name Blue Bird Potato Chip Company.

By 1953 Scudder’s potato chip operation had outgrown the original plant and she opened a second manufacturing plant in Fresno, California. The business now employed 1,000 people and accounted for about 50 percent of the potato chip market in California. Annual sales climbed to $15 million. In 1957, Scudder sold her potato chip company to Signet Oil and Gas Company for nearly $6 million.

ACTIVITY 1 • PART F

Entrepreneurs—then and now
Mary Anne Jackson
1954—

Juggling a career and motherhood, Mary Anne Jackson, 35, found herself devoting Sunday nights to preparing tasty, nutritious meals that would be easy for a babysitter to serve her young daughter when she was at work. When she lost her job, Jackson turned this Sunday night routine into a business.

Her company—My Own Meals, Inc.—is the first to mass-market packaged meals for children aged two to eight. The company produces five different meals with names such as “My Turkey Meatballs” and “Chicken, Please.” The meals retail for less than $3.00 each.

The meals are pressure-cooked and vacuum-sealed in plastic pouches using a retort process, which makes them shelf-stable. The meals can be easily carried in a purse and heated at a friend’s house. Because they are not frozen, they heat up in a few minutes. The retort packaging also enables Jackson to vie for shelf space in supermarkets rather than slots in the overcrowded frozen food section, which are harder to come by.

Since April 1988, the company has been selling meals through a supermarket chain in Illinois and through the mail. Company sales totaled $500,000 for the year.

ACTIVITY 2

Important traits for the successful entrepreneur

Rate the traits below in terms of how important you think they are for entrepreneurial success.

A “1” would indicate that you believe the trait is *relatively unimportant*.
A “2” would indicate that you believe the trait is *somewhat important*.
A “3” would indicate that you believe the trait is *very important*.

<table>
<thead>
<tr>
<th>Not important 1</th>
<th>Somewhat important 2</th>
<th>Very important 3</th>
<th>Quality or trait</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1. a high level of energy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. good physical health</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3. a strong need to achieve</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4. a willingness to take risks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5. a desire to create</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6. a need to closely associate with others</td>
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<td></td>
<td></td>
<td></td>
<td>7. a strong desire for money</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>8. a willingness to tolerate uncertainty</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>9. an ability to get along with employees</td>
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<td></td>
<td></td>
<td></td>
<td>10. being well organized</td>
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<td></td>
<td></td>
<td></td>
<td>11. self-reliance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12. a need for power</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>13. patience</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>14. competitiveness</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>15. desire and willingness to take the initiative</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>16. self-confidence</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>17. versatility (ability to do many things)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>18. perseverance (sticking at something difficult)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>19. innovativeness (willingness and ability to do something untried)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>20. ability to lead effectively</td>
</tr>
</tbody>
</table>

ACTIVITY 3

Ratings of traits by entrepreneurs

A. Most important for success

perseverance (18)
desire and willingness to take the initiative (15)
competitiveness (14)
self-reliance (11)
a strong need to achieve (3)
self-confidence (16)
good physical health (2)

B. Important for success

a willingness to take risks (4)
a high level of energy (1)
an ability to get along with employees (9)
versatility (17)
a desire to create (5)
innovativeness (19)

C. Least important for success

ability to lead effectively (20)
a willingness to tolerate uncertainty (8)
a strong desire for money (7)
patience (13)
being well organized (10)
a need for power (12)
a need to closely associate with others (6)

Source: Based on testing reported in “That Urge to Achieve,” by D. C. McClelland in Entrepreneurship and Venture Capital, Prentice-Hall, 1975. (The numbers in parentheses correspond with the numerical listing shown for Activity 2.)
ACTIVITY 4

My entrepreneurial traits

To what degree do you believe you possess entrepreneurial traits?
Indicate your opinion by checking the boxes below.
A “1” would indicate that you feel you possess the trait to a rather low degree.
A “2” would indicate that you feel you possess the trait to a moderate degree.
A “3” would indicate that you feel you possess the trait to a rather high degree.

<table>
<thead>
<tr>
<th>Quality or trait</th>
<th>Low 1</th>
<th>Moderate 2</th>
<th>High 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. a high level of energy</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>2. good physical health</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>3. a strong need to achieve</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>4. a willingness to take risks</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>5. a desire to create</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>6. a need to closely associate with others</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>7. a strong desire for money</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>8. a willingness to tolerate uncertainty</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>9. an ability to get along with employees</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>10. being well organized</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>11. self-reliance</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>12. a need for power</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>13. patience</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>14. competitiveness</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>15. desire and willingness to take the initiative</td>
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<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>16. self-confidence</td>
<td>☐</td>
<td>☐</td>
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<td>17. versatility (ability to do many things)</td>
<td>☐</td>
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<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>20. ability to lead effectively</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>


ACTIVITY 5

Julie's dream

Read the case study below; then answer the questions that follow.

As a high school and college student, Julie Smithson hardly ever followed the crowd. Her teachers were always amazed at her creativity and her willingness to work hard on any project that she tackled. She had a high energy level which enabled her to complete many tasks during a given amount of time.

After college, Julie worked as a buyer for a large department store in a major city. She purchased merchandise for the toddler's department in the store. After three years, she decided to return to her hometown. Her employer hated to see her resign because of the high-quality work that she did.

After returning home, she worked at various jobs in the area of sales. One of Julie's dreams was to own her own clothing store. She wanted to be her own boss. Her dad was willing to provide some money to help her get started. She would still have to get some financing from the bank. Since the area was growing rapidly, many new families were moving in. The schools were crowded with students, kindergarten through high school. Julie decided that a clothing store catering to high school and college students could be an exciting and hopefully profitable venture. A unisex theme would be carried out through the merchandise offered.

In August, just before everyone went back to school, she opened a boutique named “The Sharp Look.” She hired one full-time person to work with her. During the first two months, many people visited the store, which was probably due to the advertising blitz she ran in the local paper.

After a year, she found that she did not have enough money to pay her employee, but her tax forms showed that she had made a small profit. She also was going to have trouble meeting the monthly payment on her bank loan. Also, her hired staff didn't stay with her very long. They did not like the way she interrupted their sales presentations. Julie interrupted because she wanted to make sure the customer was not misled. The accountant from her accounting service indicated that Julie should take advantage of some tax benefits offered by the government; she was reluctant to do so because she did not understand them. She also noticed that about half of her stock did not seem to be very popular.

Julie is in a predicament. Analyze her situation by answering these questions:

1. What are some indications that Julie took some positive, worthwhile actions during her first year of operation?

2. What are some problems that Julie is having in her business?

3. Economists define human capital as the productive ability of people. The productive ability of a firm can be improved by more education of the people who work there. Human capital can be improved through many different ways, such as on-the-job training, course work, securing advice from others, reading literature or talking with others in the same field. Indicate the educational experiences that are necessary for "The Sharp Look" to operate more effectively.

4. Would this additional education be a cost to the firm? If so, how?
5. How can one tell if the investment in education is worth the time and money put into it?

6. Julie seemed to have many personal features required of an entrepreneur, such as creativity, intelligence, a willingness to work hard, a high energy level, and a desire to be her own boss. Is that all that is necessary to be a successful entrepreneur?
ACTIVITY 6

Additional courses and training taken by new business owners prior to starting new businesses

Source: Data developed and provided by The NFIB Foundation and sponsored by the American Express Travel Related Services Company, Inc. Reported in Small Business Primer, © 1988 The NFIB Foundation, p. 15.
ACTIVITY 7

Owner age when business formed

Source: Data developed and provided by The NFIB Foundation and sponsored by the American Express Travel Related Services Company, Inc. Reported in Small Business Primer, © 1988 The NFIB Foundation, p. 11.

ACTIVITY 8

Formal education of new business owners and the adult public

INSTRUCTIONS

The pie charts below show the formal education of the adult public and the owners of businesses. Formal education is the number of educational steps or grades achieved by an individual. Study the pie charts to answer the questions that follow.

Formal Education of New Business Owners and the Adult Public

Educational Level

- ☐ Not High School Graduate
- ■ High School Graduate
- ☐ Some College
- ☐ College Graduate/Postgraduate

New Owners

Adult Public


1. Approximately what percent of the new owners are high school graduates?
   a. 70%-75%  b. 50%-55%  c. 35%-40%  d. 10%-15%

2. Are any of the new business owners individuals who have not graduated from high school? If there are, approximately what percent?

(Continued)

3. Approximately 30 to 35% of the adult public in 1986 did not graduate from high school. Was the percentage of non-high school graduates starting new businesses higher or lower than 30% to 35%? Why do you think this is true?

4. Approximately 20% of the public have graduated from college. Is the percentage of college graduates starting new businesses higher or lower than 20%?

5. Based on a comparison of the pie charts, what is a generalization that you can make about the formal education background of people starting new businesses when compared to the general public?

6. Can you think of reasons why new business owners have more education than the general public? List the reasons in the space below.
ACTIVITY 9
Tony's production choice

Tony owns a small Italian restaurant where he sells takeout pizza and spaghetti dinners. He doesn’t have much space in his kitchen so there is a limit to the amount of food he can prepare during each evening. If he made nothing but pizza, he could produce 100 a night. On the other hand, he could produce 300 takeout dinners if he cooked only spaghetti. He could also make different combinations of the two products. Each additional pizza he makes means he is able to make three fewer spaghetti dinners, and vice versa.

Study the table Tony has made below and answer the following questions:

<table>
<thead>
<tr>
<th>Time spent per product</th>
<th>Number of pizzas</th>
<th>Number of spaghetti dinners</th>
</tr>
</thead>
<tbody>
<tr>
<td>all on pizzas</td>
<td>100 pizzas</td>
<td>0 dinners</td>
</tr>
<tr>
<td>3/4 on pizzas 1/4 on spaghetti</td>
<td>75 pizzas</td>
<td>75 dinners</td>
</tr>
<tr>
<td>1/2 on pizza 1/2 on spaghetti</td>
<td>50 pizzas</td>
<td>15 dinners</td>
</tr>
<tr>
<td>1/4 on pizza 3/4 on spaghetti</td>
<td>25 pizzas</td>
<td>22 dinners</td>
</tr>
<tr>
<td>all on spaghetti</td>
<td>0 pizzas</td>
<td>300 dinners</td>
</tr>
</tbody>
</table>

1. If Tony wants to make 75 pizzas a night, how many spaghetti dinners will he also be able to make?

2. If Tony decides to reduce his pizza production to 50 from 75, how many more spaghetti dinners will he be able to produce than before?

3. Identify examples of each factor of production that must have been used to produce one of Tony's pizzas.

Land ________________________________
Labor ________________________________
Capital ________________________________
Entrepreneurship ________________________________

4. What would Tony’s opportunity cost be if he decided to increase his production of pizzas from 75 to 100?

5. How does this situation demonstrate the central economic problem of scarcity?

Now use the data from the table on the front of this sheet to draw a graph of the different production choices Tony could make.

Production Choices Tony Could Make
(Production Possibilities Curve)
ACTIVITY 10

What would you do if you won the lottery?

Choose four people (at least one adult) to ask what they would buy if they won $1,000 in a lottery. Write their answers in the spaces below.

Be prepared to talk in class about their answers and the questions at the bottom of the page.

PERSON NO. 1 was male ☐ female ☐
about ______ years old.
This person would buy ________________________________

PERSON NO. 2 was male ☐ female ☐
about ______ years old.
This person would buy ________________________________

PERSON NO. 3 was male ☐ female ☐
about ______ years old.
This person would buy ________________________________

PERSON NO. 4 was male ☐ female ☐
about ______ years old.
This person would buy ________________________________

Think about the answers above and the questions below.
Be prepared to discuss these questions in class.

1. Why can't people have all the things they want?

2. How do people choose which things they want?

3. Why do different people want different things?

ACTIVITY 11

Comprehension quiz, lesson 4

PART I
Read the statements below.
Place a “T” in front of each of the statements you think is true and ignore the space below.
Place an “F” in front of each of the statements you think is false; then write the statement correctly in the space provided.

1. Scarcity exists because many people do not have enough money.

2. It is necessary to have all four factors of production for production to take place.

3. The four factors of production are land, labor, money, and entrepreneurship.

4. A production possibilities curve shows different combinations of two products that can be produced from a set of resources.

5. If I decide to spend $6 to go to a movie instead of using the money to buy a book, my opportunity cost is the value of the $6 I spent on the movie.

Part II
Study the graph to the right and answer the following questions.

6. If Joe is baking 35 cakes, how many pies can he bake?

7. If Joe decides to bake 25 pies, how many fewer cakes will he be able to produce?

8. What would be Joe's opportunity cost if he decided to use all his resources to make 30 pies?

**ACTIVITY 12**  

**Basic economic systems**

All countries have developed economic systems (ways of producing and distributing goods and services). Economic systems are used to answer the three basic economic questions: What goods and services are to be produced? How are goods and services to be produced? For whom are goods and services to be produced? Different types of economic systems have different mechanisms (methods) for answering these questions.

<table>
<thead>
<tr>
<th>Type of economic system</th>
<th>What to produce?</th>
<th>How to produce?</th>
<th>For whom to produce?</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARKET ECONOMY</td>
<td>Business firms produce goods and services that consumers are willing and able to buy for prices that will yield profits for the firms.</td>
<td>Seeking to compete profitably in the marketplace, individual business owners decide what combinations of productive resources (land, labor, capital, and entrepreneurship) they will use in producing goods and services.</td>
<td>Finished goods and services are distributed to individuals and households who are willing and able to buy them.</td>
</tr>
<tr>
<td>COMMAND ECONOMY</td>
<td>A central planning authority (government agency) decides what goods and services to produce.</td>
<td>A central planning authority (government agency) decides what combinations of productive resources will be used in producing goods and services.</td>
<td>A central planning authority (government agency) decides who receive the goods and services that are produced.</td>
</tr>
<tr>
<td>TRADITIONAL ECONOMY</td>
<td>The goods and services produced today are the same as those produced in previous generations.</td>
<td>The combinations of productive resources used in producing goods and services are the same as those by past generations.</td>
<td>Finished goods and services are traded locally for other finished goods and services.</td>
</tr>
</tbody>
</table>

ACTIVITY 13 • PART A
Scenarios for economic systems comparison

1. A new strain of low-cholesterol corn is developed.
2. The country’s landfills are becoming scarce.
3. A baby boom has started.
4. There is an excess supply of steel.
5. A livestock killer bee has invaded the country.
6. The cost of milk has sharply increased.
7. Two neighboring countries are at war.
8. A shortage of nurses has occurred.
9. Denim coats are the new fad.
10. Medical research proves that citrus fruit causes high blood pressure.
11. Vans cause great damage to highways.
12. Vocational jobs are plentiful.

Name

ACTIVITY 13 • PART B

Response page

Situation No. □ Type of economic system: __________________________

Response of economic system to this situation:

________________________________________

________________________________________

________________________________________

________________________________________

Situation No. □ Type of economic system: __________________________

Response of economic system to this situation:

________________________________________

________________________________________

________________________________________

________________________________________

Situation No. □ Type of economic system: __________________________

Response of economic system to this situation:

________________________________________

________________________________________

________________________________________

________________________________________

ACTIVITY 14

Contributions of competition

- Can lead to lower prices
- Can lead to improved quality
- Can lead to larger variety of goods and services
- Can lead to better service
- Can lead to increased efficiency
- Can lead to greater sensitivity to consumers' needs and wants
- Can lead to faster responses to consumers' needs and wants
- Can lead to greater innovation

ACTIVITY 15

Product competition in a market economy

PRODUCT: _______________________

Price: _______________________

Quality: _______________________

Variety: _______________________

Service: _______________________

Efficiency: _______________________

Sensitivity: _______________________

Response: _______________________

Innovation: _______________________

ACTIVITY 16

Benefits of entrepreneurship to society

Entrepreneurs generate at least six overall benefits to society:

1. Increased competition
2. Economic growth
3. Increased employment
4. Altered distribution of income
5. Economic efficiency
6. Increased opportunities for all individuals

Entrepreneurs are turning a long-idled grain mill into a highly automated one that processes flour for spaghetti and macaroni products. John C. Miller, president of the company that owns and runs the operation, said that the start-up could mean a whole new crop for farmers and would attract other flour-related businesses such as pet food, animal food, and snack food companies.

The original mill was built shortly after WWII to produce animal feed, but since 1971 has been kept idle. Earlier this year the mill was renovated and new automated machinery was installed. Miller notes that the company has enough orders to operate the mill at capacity until next summer. He said the demand for pasta has been climbing an average of 5.6 percent a year in the past eight years and that the average American now consumes 13 pounds of pasta per year.

The plan, which is run by computer, takes only three people per shift to operate, but other workers are needed for maintenance, lab work, and other tasks. The mill’s current workforce of 20 is expected to expand to 35 by January.

**QUESTIONS**

1. What product was being produced by these entrepreneurs?

2. What did they do that was entrepreneurial?

3. List at least three benefits to people in society from the entrepreneurial effort.


ACTIVITY 17 • PART B

Entrepreneurship and employment

A recent report issued by the United States Small Business Administration contained the following information. Last year new jobs in the American economy totaled over 4 million. Almost all of these jobs were generated by new or growing entrepreneurial businesses. Older, larger businesses actually reduced their level of employment by some 1.7 million workers. Increasingly, the United States economy has come to rely upon venture creators who also create jobs for America's growing workforce.

It is not just the number of jobs that entrepreneurs create that makes them important to the economy. Over 90 percent of American workers first worked in a small and growing business. These businesses provide the first employment opportunities in which workers learn the skills and discipline necessary for success in later life.

Behind almost every job there is an entrepreneur. Even public sector jobs, such as police officers, teachers, and government workers, must be paid out of the tax revenues, which the government receives from private firms and the individuals employed by those firms. An entrepreneurial economy generates the additional tax dollars needed to support public services and public employment.

QUESTIONS

1. Who creates most of the new jobs in the economy? ________________ ________________

2. Most entry level jobs are to be found in what kinds of firms? ________________ ________________

3. Why are government jobs dependent upon the efforts of entrepreneurs? ________________ ________________

Source: Adapted from a report on small business, U.S. Small Business Administration, 1985.

ACTIVITY 18

The circular flow of resources, goods, services, and money payments*

INSTRUCTIONS

Read the events below. Place the number of each in the appropriate space on the circular flow model.

<table>
<thead>
<tr>
<th>Event 1</th>
<th>Event 2</th>
<th>Event 3</th>
<th>Event 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jill paid her bill at her local department store.</td>
<td>Yvon sold 100 acres of land to a firm that wants to build a factory on it.</td>
<td>Terry received a dividend from a corporation in which he owns stock.</td>
<td>Mrs. Chin purchased a rose bush from the nursery.</td>
</tr>
<tr>
<td>Event 5</td>
<td>Event 6</td>
<td>Event 7</td>
<td>Event 8</td>
</tr>
<tr>
<td>Maria received her paycheck last Friday.</td>
<td>Todd took home a new shirt he chose at a store.</td>
<td>Mrs. Tomson earned $15,000 from the beauty shop she owns.</td>
<td>Tom had his car fixed at a local garage.</td>
</tr>
<tr>
<td>Event 10</td>
<td>Event 11</td>
<td>Event 12</td>
<td></td>
</tr>
<tr>
<td>Karen received $200 from a firm that rents a building she owns.</td>
<td>Shelly can't afford to buy a car so she leased one from a dealer.</td>
<td>The ABC Co. took delivery of a new furnace it needed to make brass fittings.</td>
<td></td>
</tr>
</tbody>
</table>

ACTIVITY 19

What happened in Upper Utopia?

Read the case study below; then answer the questions that follow.

For many years the economy of Upper Utopia worked well. Firms made reasonable profits, workers earned fair wages, stores had good sales, everyone had a good standard of living and was quite happy. However, no one was really rich.

Some workers and some entrepreneurs came to feel they needed more: more money, nicer houses, longer vacations, bigger cars, etc. As it turned out, the workers who wanted higher wages were employed by the businesses whose owners wanted bigger profits. When the workers demanded higher wages, the owners raised the price of their products even more. Soon the firm's sales fell. The owners made no profit and were unable to pay their workers. The workers were laid off and could not buy goods or services. Eventually the firm went out of business.

These events hurt other workers and businesses in the economy. The laid-off employees were unable to buy products manufactured by other firms. The closed business didn't buy raw materials, tools, or other factors of production. As a result, the entire economy went into a recession, which hurt everyone.

1. Where do firms earn the revenue that allows them to pay for the factors of production?
   
2. Where do people earn the money that allows them to buy goods and services?

3. If firms do not earn money, what will happen to their ability to pay for factors of production?

4. If people do not receive income, what will happen to their ability to purchase goods and services?

5. Explain why the factor and product markets depend on each other.

ACTIVITY 20
My family and me in the circular flow model

Below is a blank copy of the circular flow model. Label each part in the appropriate space. There is a letter at the start of some of the spaces. The same letters appear on the lines below the chart. For each letter, describe something you do, or a member of your family does, that fits into the blank on the circular flow model.

Name

ACTIVITY 21

Comprehension quiz, lesson 6

PART I

From the list below, choose the phrase that correctly completes the sentence and write the phrase in the appropriate blank.

<table>
<thead>
<tr>
<th>factor market</th>
<th>derived</th>
<th>profit</th>
<th>circular flow model</th>
</tr>
</thead>
<tbody>
<tr>
<td>product market</td>
<td>a mortgage payment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. A __________________ represents the flows of money, goods, and services, and other factors of production through the economy.

2. Food, shelter, and clothing are bought and sold in the __________________.

3. Land, labor, capital, and entrepreneurship are bought and sold in the __________________.

4. __________________ is a part of the flow of money between the business and households that passes through the factor market.

5. __________________ is a part of the flow of money between the households and businesses that passes through the product market.

6. Economists call the demand for factors of production _____________ demand.

PART II

Read the paragraph below and answer the following questions.

In 1849, when gold was first found at Sutter’s Mill, there were very few people living in that part of California. Two years later thousands of people had moved there. Many people who never even looked for gold had jobs or ran businesses in the area.

7. Why were stores able to sell so many more goods in that part of California after the gold was found?

8. Why were so many people able to find jobs working in stores there?

9. When the gold ran out, why did many “boom towns” become “ghost towns”?

10. How does this example demonstrate the idea of derived demand?

## ACTIVITY 22

**Responding to an entrepreneurial opportunity**

### Entrepreneurial Opportunity

**Definition**
A want, problem, or challenge that can be addressed, solved, and/or satisfied by an innovative initiative

**Examples**
- People are increasingly conscious of the food they eat and the water they drink
- People are increasingly concerned about health and fitness
- There is a need for widespread education regarding AIDS
- Many people are mystified by computers
- Many people cannot read or write
- Australia is very “in”

### Entrepreneurial Idea

**Definition**
A specific innovative way to satisfy a want, overcome a problem, or meet a challenge

**Examples**
- A health food or fresh food restaurant
- A new form of health club
- A new, innovative way to provide AIDS education
- A home education program on computers
- A new type of program to combat illiteracy
- An Australian film festival

---

ACTIVITY 23

Brainstorming technique

1. Don't criticize another person's ideas. Group members will tend to talk less if this happens. This means fewer ideas will be expressed. Group leaders should discourage such phrases as "That's a dumb idea."

2. Encourage freewheeling. The wilder the ideas, the better. It is easier to tame down a wild idea than it is to think up another one.

3. Try for quantity. The larger the number of ideas, the better the chances of getting good ones.

4. Combine and build on the ideas of others. Group members should state their own ideas. They should also suggest how the ideas of others could be turned into better ideas. Sometimes two or three ideas can be joined to form another idea.

One person started a brainstorming session by saying . . .

"What new products not now available are needed for the home? Here is your opportunity to dream up all those gadgets, appliances, etc., that you believe would make life more enjoyable."

These are a few of the ideas generated in the session:

- Suction cups on the bottom of egg beaters to prevent skidding in the bowl
- Venetian blinds so constructed that the slats in the upper or lower half can be opened or closed independently of the other half
- Switches for doorbells so you can turn them off when children are asleep or when you don't want to be disturbed

Get together with two or three people to practice brainstorming . . .

Start with the statement: "Name as many uses as you can for empty plastic household detergent bottles." How many did you list in your group? It will be interesting to compare your list with those of other groups in the class.

Even though brainstorming is used most often in groups, you can also use it alone. Follow these rules for individual brainstorming:

1. Don't judge your own ideas until you have finished the list. Never erase or scratch out an idea.

2. Do some freewheeling. Don't be afraid to write down some farfetched ideas.

3. Try for quantity. Remember, by writing down many ideas you increase your chances of getting good ideas.

4. Combine and improve. Write down all ideas that come to mind. Then add to the list by combining and improving ideas.

ACTIVITY 24
Invention, innovation, and entrepreneurship

1. Answer the following questions:

   a. What is the difference between an inventor and an entrepreneur?

   b. Can an inventor and an entrepreneur be the same person? Explain your answer.

   c. Are the same skills needed for the two roles?
2. In the space provided, list two examples of an entrepreneurial opportunity and provide at least one entrepreneurial idea for each.

a. Entrepreneurial opportunity


Entrepreneurial idea(s)


b. Entrepreneurial opportunity


Entrepreneurial idea(s)


ACTIVITY 25

Ripple effects in the marketplace: microcomputers

INNOVATIONS GENERATE NEW INDUSTRIES AND ECONOMIC ACTIVITIES.

An innovation not only affects those making and selling the innovation, but also encourages the development and sales of related goods and services. Innovation can also affect some industries and companies in a negative way—meaning that they suffer because of the acceptance of the innovation.

The diagram below illustrates these points.

INSTRUCTIONS

Fill in the outer segments of the diagrams below with the names of producers of goods and services who were positively and negatively affected by the introduction of the airplane.

Innovation: Acceptance of Airplanes

POSITIVELY affects

NEGATIVELY affects
ACTIVITY 27

Ripple effects in the marketplace: vacuum cleaners

INSTRUCTIONS

Fill in the outer segments of the diagrams below with the names of producers of goods and services who were positively and negatively affected by the introduction of the vacuum cleaner.

ACTIVITY 28

Ripple effects in the marketplace: permanent-press fabrics

INSTRUCTIONS

Fill in the cater segments of the diagrams below with the names of producers of goods and services who were positively and negatively affected by the introduction of permanent-press fabrics.

ACTIVITY 29

Ripple effects of an innovation

INSTRUCTIONS

Write the name of an innovation in the blank space provided in the inner segment. Fill in the outer segments of the diagrams below with the names of producers of goods and services who were positively and negatively affected by the introduction of the innovation.
ACTIVITY 30

Comprehension quiz, lesson 8

THE LEAN, MEAN FLYING MACHINE

Let's suppose the activity of an entrepreneur result in the invention and successful marketing of a compact, inexpensive airplane that takes off without an extensive runway or airfield.

What businesses might be positively affected by this innovation?

Also suppose that this new airplane is as easy to operate as an automobile. What businesses/industries might be negatively affected by this innovation?

Write your answers in the spaces provided.

New businesses/industries that might be positively affected:


Businesses/industries that might be negatively affected:


ACTIVITY 31

The demand for "Kookies"

PART A

Suppose a bakery close to your school has decided to produce and market large (6 inches in diameter) chocolate chip cookies which they have given the trade name "Kookies." The owners of the firm have not decided what price to charge. They want to know how many they could sell at various prices.

To help them find out the information they want to know, complete the table below.

<table>
<thead>
<tr>
<th>At this price</th>
<th>I would probably buy this many &quot;Kookies&quot; per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ .20 each</td>
<td></td>
</tr>
<tr>
<td>.40 each</td>
<td></td>
</tr>
<tr>
<td>.50 each</td>
<td></td>
</tr>
<tr>
<td>.80 each</td>
<td></td>
</tr>
<tr>
<td>1.00 each</td>
<td></td>
</tr>
</tbody>
</table>

PART B

Construct a graph to show the total number of "Kookies" students in your class are willing to buy at each price.

Demand Curve for "Kookies" in Our Class

**ACTIVITY 32**

What is happening to the demand for canned tuna?

**PART I**

Mary runs the only grocery store in a 12-block area of a large city. Many of her customers are elderly and don't have much income. Mary sells lots of canned tuna fish. It isn't too expensive, and it is a good source of protein. Mary charges 79 cents a can all the time, but she has noticed that her sales have changed from time to time.

*Explain why the demand for tuna fish changed in each of the following situations.*

1. When hamburger went up 20 cents a pound, Mary sold about 50 more cans of tuna fish each day. This probably happened because

2. Mary sells about 100 more cans of tuna fish a day at the start of a month than at the end of a month. This probably happens because

3. For a few weeks after there was an article in the newspaper about how healthful tuna fish is, Mary's sales increased 30 cans a day. This probably happened because

4. There was a truck drivers' strike and food deliveries were interrupted. Mary sold 100 cans more a day. This probably happened because

(Continued)
PART II

The graphs below represent the demand curve for Mary's canned tuna fish on a regular day.

Draw a new line to show what would happen to the demand curve in each of the situations described on the previous page. Would it shift to the left or right?

In the blank space provided, write the determinant of demand for each situation.

1. \[ \text{Determinant} \]

2. \[ \text{Determinant} \]

3. \[ \text{Determinant} \]

4. \[ \text{Determinant} \]
ACTIVITY 33
Factors affecting demand

Cut out advertisements from newspapers or magazines for two totally unrelated products. Consider the advertisements and then answer each of the following questions. Be sure to attach the advertisements to your assignment when you hand it in.

1. To which of the four determinants of demand (income, tastes and preferences, the price of substitutes, or expectations of future changes) is each advertisement trying to appeal? Explain how you know this.
   Advertisement No. 1 appeals to ____________________. I know this because ____________________
   Advertisement No. 2 appeals to ____________________. I know this because ____________________

2. What would you estimate the price of each product is now?
   Product No. 1 $ ____________  Product No. 2 $ ____________

3. Restate the law of demand in your own words.

4. If the price of each of these products went up 5%, which one do you believe would suffer the greater loss in sales? Explain why.
   I believe product No. ___ would have the greater percentage loss in sales because ____________________

5. Describe how firms that sell the product you identified in question No. 4 might try to reduce their sales loss.

ACTIVITY 34
Comprehension quiz, lesson 9

PART I

Answer the following by placing the letter of the correct definition in the blank in front of each term.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. demand</td>
<td>A. products that may not be exactly the same but which may be put to the same use</td>
</tr>
<tr>
<td>2. determinant of demand</td>
<td>B. a graphic representation of the number of items that will be demanded at various prices</td>
</tr>
<tr>
<td>3. demand curve</td>
<td>C. the willingness and ability to buy something</td>
</tr>
<tr>
<td>4. substitutes</td>
<td>D. a belief in future changes that affects one's willingness to buy products now</td>
</tr>
<tr>
<td>5. expectations</td>
<td>E. people will buy more units of a good at a lower price than at a higher price</td>
</tr>
<tr>
<td>6. law of demand</td>
<td>F. anything, other than price, that affects customers' willingness to buy a product</td>
</tr>
</tbody>
</table>

PART II

Study the graph to the right and answer the following questions.

7. How many pairs of socks would be sold at a price of $4?
   ___ pairs

8. If there were a cold spell, would the demand curve for socks move to the left or to the right?
   It would move to the ___.

   Explain how the law of demand is demonstrated by the graph.
   _____________________________________________
Suppose you own a small bakery near the local high school. In recent months you noticed that your employees have little to do in mid-afternoon before the evening rush. You wonder if baking large cookies (which you would call “Kookies”) to sell to students on their way home from school might be a good way to keep your employees busy and to earn more profit.

You have studied how your workers use their time and believe they could bake 100 cookies a day without having to cut back on any other products they make. To produce more than 100 cookies, they would have to reduce the production of other baked goods because your firm has only so many ovens and workers.

Another possibility would be to pay some workers overtime to stay late to bake cookies.

You conclude that if your sales of cookies grow over 100 a day, you will have to charge progressively higher prices to make up for your increasing costs of production.

The table below shows how many cookies you would be willing to offer for sale at various prices.

Study this information and answer the questions below.

<table>
<thead>
<tr>
<th>At this price</th>
<th>I would supply this many “Kookies” per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ .20 each</td>
<td>none</td>
</tr>
<tr>
<td>$.40 each</td>
<td>500</td>
</tr>
<tr>
<td>$.60 each</td>
<td>700</td>
</tr>
<tr>
<td>$.80 each</td>
<td>900</td>
</tr>
<tr>
<td>1.00 each</td>
<td>1,100</td>
</tr>
</tbody>
</table>

1. Why wouldn't you supply any cookies at 20 cents each?

2. Why do you require a higher price to produce more than 100 cookies a day (500 a week)?
3. Plot the information from the preceding table on the graph below.

4. Explain how the graph of a supply curve demonstrates the law of supply.
Several years ago Arnold inherited over 1,000 acres of land in Wyoming from his uncle. When he went to look at it, he found it was on the side of a mountain about 50 miles from any town. The soil was loose, rocky, and nothing grew on it except a few weeds. When Arnold climbed up the mountain, he kept slipping and getting dirty. He was really depressed. He didn’t think the land was worth anything. While he was climbing, he picked up an interesting looking rock and took it home with him. Later he put the rock on a shelf and didn’t think any more about it for many months.

The next winter Arnold invited a friend who was a geologist to visit him. The friend happened to notice Arnold’s rock and became very excited. He identified it as a fossil of a brachiopod from the Cambrian period. He said it was one of the best specimens he had ever seen and was certainly worth $10 to $20. Arnold thought there might be some value in the land after all.

The following summer Arnold went back to Wyoming and climbed all over his property. He found ten fossils the first day he was there just by looking around the bottom of his land. On the following days he went farther up the hill and found more specimens. Arnold discovered that he could expect to find about five fossils per acre, but the farther up the mountain he went, the more trouble they were to find. Arnold gathered about a hundred specimens and sold them to a scientific supply firm for $10 each. The money paid for the cost of his trip ($500) and left him several hundred dollars. Arnold thought this was the end of his business because he assumed he had found most of the fossils he could without actually digging up his land.

A year later Arnold passed by his land and stopped to look. To his surprise he found that erosion had uncovered more fossils. He realized he would be able to “harvest” fossils from his property every year. He could really run it like a business.

This year Arnold took time off from his job where he earns $26 an hour and spent five weeks in June and July on his property. He carefully timed himself as he looked for specimens.

He organized the information he gathered on the table below.

<table>
<thead>
<tr>
<th>Fossils found</th>
<th>Time spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>first 100</td>
<td>20 hours</td>
</tr>
<tr>
<td>next 100</td>
<td>30 more hours</td>
</tr>
<tr>
<td>next 100</td>
<td>40 more hours</td>
</tr>
<tr>
<td>next 100</td>
<td>50 more hours</td>
</tr>
<tr>
<td>next 100</td>
<td>60 more hours</td>
</tr>
<tr>
<td>Total found = 500</td>
<td>Total hours = 200</td>
</tr>
</tbody>
</table>

(Continued)
After collecting 500 specimens, Arnold went home to his regular job. He sold them for $5,000. Arnold’s trip cost $750 ($500 transportation and $50 a week for the five weeks), plus his lost salary from his regular job ($20 × 40 hours × 5 weeks = $4,000).

He wants to figure out how much time he should take off next year to look for fossils.

1. Why did it take Arnold longer and longer to find more fossils?

2. How does this situation demonstrate the principle of increasing costs of production?


4. If the scientific supply firm was willing to pay Arnold $15 each, how would it affect the number of specimens he would supply?

5. How does this situation demonstrate the law of supply?
PART I

Mary runs the only grocery store in a 12-block area of a large city. Many of her customers don't have much income, so she finds it difficult to raise her prices without losing sales. She has found over the years that her willingness to supply various items has changed.

Explain why Mary's supply changed in each of the following situations.

1. When the cost of electricity went up, she took out one of her two freezers and offered fewer frozen foods for sale.

2. When Mary found she could sell candy to elementary school children who were going to school, she restocked half her cosmetics shelves with candy.

3. When Mary found she could rent the store next door for only $650 a month, she increased the size of her store and her selection of products by one half.

4. When Mary heard that a big grocery store was going to move in down the block, she stopped renting the store next door and cut her selection back to what it had been in the past.
PART II

Each graph below represents the supply curve for one or more of Mary’s products.

Draw a new line to show what happened to the supply curve in each of the cases on the preceding page.

1. Supply of frozen foods

2. Supply of candy

3. Supply of all goods

4. Supply of all goods
ACTIVITY 38
Comprehension quiz, lesson 10

PART I

From the list below, select the phrase that correctly completes each sentence and write the phrases in the appropriate blanks.

- supply
- increasing cost of production
- supply curve
- right
- additional revenue
- law of supply
- left
- additional cost

1. The __________ states that firms will offer more products for sale at higher prices than at lower prices.

2. Firms will supply more products as long as the __________ of making another item does not exceed the __________ generated by the sale of that item.

3. Firms are often unwilling to supply additional products unless they are able to charge higher prices because of __________.

4. The number of items a firm is willing to offer for sale at various prices is called __________.

5. A graphic representation of the number of items that will be offered for sale at various prices is called a __________.

6. Any event that increases the cost of production will cause the supply curve for that product to shift to the __________.

(Continued)
PART II

Base your answers to the following on the graph to the right.

7. How many pairs of socks would be supplied at a price of $4?
   ____ pairs

8. If there was a sickness that killed many sheep, would the supply curve for wool socks shift to the left or to the right?
   It would move to the ____ .

9. Explain how the law of supply is demonstrated by the graph.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
ACTIVITY 39
Demand for apples and equilibrium

Assume you want to buy apples for your apple pie bakery. The other student you are working with wants to sell them. The number of apples you are willing to buy and the number he/she is willing to sell depend on the price.

Below you will find a table that lists possible prices for apples in the first column. The next column states the number of apples you would be willing to buy at each of these prices. The third column is blank. You must fill in this column by asking the other student how many he/she will sell at each price. The final columns ask you whether there would be a surplus or a shortage at each price and how large that surplus or shortage would be.

When you finish the table, answer the questions below.

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity demanded</th>
<th>Quantity supplied</th>
<th>Surplus or shortage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10 a bushel</td>
<td>20 bushels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 a bushel</td>
<td>30 bushels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 a bushel</td>
<td>40 bushels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 a bushel</td>
<td>50 bushels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 a bushel</td>
<td>60 bushels</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. At what price will the number of bushels of apples supplied and demanded be the same?

2. How many bushels of apples will be supplied and demanded at this price?

3. Would there be a surplus or a shortage at any higher price?

There would be a ________________

(Continued)
4. Would there be a surplus or a shortage at any lower price?

There would be a ____________________

5. Explain why a surplus would tend to force the price down.

6. Explain why a shortage would tend to force the price up.

7. Draw demand and supply curves for apples on the graph below using the data on the table you completed on the previous page.

**Demand and Supply for Apples**

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10</td>
<td>0</td>
</tr>
<tr>
<td>8</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

**Graph**

- X-axis: Quantity
- Y-axis: Price

---

148
ACTIVITY 40
Supply of apples and equilibrium

Assume you want to sell apples you will grow and harvest. The other student you are working with wants to buy them. The number of apples he or she is willing to buy and the number you are willing to sell depend on the price.

Below you will find a table that lists possible prices for apples in the first column. The next column states the number of apples you would be willing to sell at each of these prices. The third column is blank. You must fill in this column by asking the other student how many he or she will buy at each price. The final columns ask you whether there would be a surplus or a shortage at each price and how large that surplus or shortage would be.

When you finish the table, answer the questions below.

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity supplied</th>
<th>Quantity demanded</th>
<th>Surplus or shortage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10 a bushel</td>
<td>60 bushels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 a bushel</td>
<td>50 bushels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 a bushel</td>
<td>40 bushels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 a bushel</td>
<td>30 bushels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 a bushel</td>
<td>20 bushels</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. At what price will the number of bushels of apples supplied and demanded be the same?

2. How many bushels of apples will be supplied and demanded at this price?

3. Would there be a surplus or a shortage at any higher price?

There would be a ____________

(Continued)
4. Would there be a surplus or a shortage at any lower price?

There would be a ____________

5. Explain why a surplus would tend to force the price down.

_____________________________________________________________________

6. Explain why a shortage would tend to force the price up.

_____________________________________________________________________

7. Draw demand and supply curves for apples on the graph below using the data on the table you completed on the previous page.

![Demand and Supply for Apples Graph]

Demand and Supply for Apples

<table>
<thead>
<tr>
<th>Price</th>
<th>$10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity</td>
<td></td>
</tr>
</tbody>
</table>

0 5 10 15 20 25 30 35 40 45 50 55 60

0 2 4 6 8

150
ACTIVITY 41
The demand and supply for “Kookies”

A bakery has decided to sell large chocolate chip cookies it calls “Kookies” to local students.

A survey was taken among students who attend a nearby school. The results are provided on the table below. (Your teacher may ask you to use the data you gathered in your own class if you did Lesson No. 8.) The number of cookies the bakery would be willing to supply at different prices is listed in the table.

Study this information and answer the following questions.

<table>
<thead>
<tr>
<th>At this price</th>
<th>The quantity demanded would be (use the blank for your class’s values)</th>
<th>The quantity supplied would be</th>
</tr>
</thead>
<tbody>
<tr>
<td>$.20 each</td>
<td>1,100</td>
<td>none</td>
</tr>
<tr>
<td>.40 each</td>
<td>900</td>
<td>500</td>
</tr>
<tr>
<td>.60 each</td>
<td>700</td>
<td>700</td>
</tr>
<tr>
<td>.80 each</td>
<td>500</td>
<td>900</td>
</tr>
<tr>
<td>1.00 each</td>
<td>300</td>
<td>1,100</td>
</tr>
</tbody>
</table>

1. At a price of 80 cents, how many “Kookies” would be demanded? __________

2. At a price of 80 cents, how many “Kookies” would be supplied? __________

3. Would there be a surplus or a shortage of “Kookies” at a price of 80 cents?

   There would be a ___________ of “Kookies.”

4. How large would the surplus or shortage be? __________

5. Would the price tend to go up or go down from 80 cents? __________

6. What is the equilibrium price in this example? __________

(Continued)
7. What quantity of “Kookies” will be sold at the equilibrium price?

8. Use the data from the table to draw a graph of the demand and supply of “Kookies.”
**ACTIVITY 42**

**Demand and supply table**

Fill in the grid below by writing the correct term in each box:

"Move left"—"Move right"—or "Stay the same" for demand and supply.

"Increase"—"Stay the same"—or "Decrease" for the equilibrium price.

<table>
<thead>
<tr>
<th>Event</th>
<th>The demand curve would</th>
<th>The supply curve would</th>
<th>The equilibrium price would</th>
</tr>
</thead>
<tbody>
<tr>
<td>The weekly allowance of students who buy &quot;Kookies&quot; goes up by $5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One of the cooks in the bakery quits and the others have more work to do</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Another store that sold snacks to students in the area goes out of business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The cost of gas to heat the bakery's ovens goes down 50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The head cook in the school cafeteria gets sick and is replaced by a cook who makes awful food</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is a 25% increase in the cost of flour</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ACTIVITY 43
Comprehension quiz, lesson 11

PART I
1. At a price above the equilibrium price, there will be:
   a. a shortage of the product
   b. a surplus of the product
   c. as many products demanded as supplied

2. At the market equilibrium price, we:
   a. know the firm is earning a profit
   b. know the firm is making a loss
   c. don't know if the firm is earning a profit or making a loss

3. If there is a shortage of a product, then its current price is:
   a. above the equilibrium price

PART II
Base your answers to the following on the graph to the right.

6. What is the equilibrium price for wool socks?
   $ ________

7. How many pairs of socks will be bought and sold at the equilibrium price?
   ________ pairs of socks

8. At a price of $4, would there be a surplus or a shortage of wool socks?
   There would be a ________

9. How large would this surplus or shortage be?
   ________ pairs of socks

ACTIVITY 44

How big is the profit slice of pie?

INSTRUCTIONS

Assume that you are the owner of a successful retail store, and the circle (pie) below represents the total revenue for one year.

Out of the revenue earned, you must pay for the merchandise you sold. You must also pay operating expenses. Of course, you also expect to make a profit.

Divide the circle (pie) to show what portion of the total revenue you think will be profit, what portion will be used to pay for merchandise, and what portion will be needed for operating expenses.

a. To begin, mark off and label a slice of pie to represent the amount of profit you would expect to earn.

b. Then mark off and label a slice to represent payment for the merchandise sold.

c. The slice left represents the amount set aside for operating expenses. Do you think you have set aside enough for all the expenses associated with operating a business?

d. Make any adjustments in the three portions of the pie that you think are necessary.

ACTIVITY 45

How is the pie divided?

Sharon has wanted to own her own pottery shop for a long time. Last year she inherited $30,000 from her uncle. She used the money to go into business. She worked 50 hours every week making pots and running the store. At the end of the year, she figured out her profit and was very disappointed. She wrote down all the information she gathered on a sheet of paper and tried to decide what she could do to improve her earnings.

Study the data and answer the questions below.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue (5,000 pots x $10 each)</td>
<td>$50,000</td>
</tr>
<tr>
<td>Investment in equipment</td>
<td>$15,000</td>
</tr>
<tr>
<td>Investment in remodeling rented store</td>
<td>$5,000</td>
</tr>
<tr>
<td>Cost of clay and other materials used</td>
<td>$9,000</td>
</tr>
<tr>
<td>Cost of electricity and utilities</td>
<td>$3,200</td>
</tr>
<tr>
<td>Wages and benefits for one part-time helper</td>
<td>$6,400</td>
</tr>
<tr>
<td>Rent</td>
<td>$4,800</td>
</tr>
<tr>
<td>Insurance</td>
<td>$1,200</td>
</tr>
<tr>
<td>Advertising</td>
<td>$1,800</td>
</tr>
<tr>
<td>Bookkeeping service</td>
<td>$3,600</td>
</tr>
<tr>
<td>Other costs</td>
<td>$2,000</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$52,000</td>
</tr>
</tbody>
</table>

1. Identify Sharon's costs as fixed, variable, or mixed by writing the correct word in the blank after each cost line.

2. How do you think Sharon should account for the value of her own time and labor?

3. How much do you think Sharon could have earned if she had deposited her $30,000 in a bank?

4. Sharon looked at what she spent and what she took in and figured she had lost $2,000. Why was she wrong?

5. If Sharon doesn't think her business is going to get any better, should she stay in business? Explain why, or why not.
ACTIVITY 47
Profit projection form

PART I
Suppose your club wants to earn money by selling quarter-pound hamburgers at local basketball games. You believe you could sell 3,000 hamburgers during the 12-game season at a price of $1.50 each. You must rent a booth at the gymnasium for $50 per night. Labor will be supplied free by members of the club. You need to predict your costs and profits. Complete the form below.
Check the prices at your local grocery stores for the food items included on the list.

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Cost per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent for a booth for 12 nights</td>
<td>$________</td>
</tr>
<tr>
<td>Cost of ground beef for 3,000 hamburgers</td>
<td>$________</td>
</tr>
<tr>
<td>Cost of 3,000 hamburger buns</td>
<td>$________</td>
</tr>
<tr>
<td>Ketchup (one 32 oz. bottle per 50 hamburgers)</td>
<td>$________</td>
</tr>
<tr>
<td>Mustard (one 16 oz. bottle per 100 hamburgers)</td>
<td>$________</td>
</tr>
<tr>
<td>Pickles (one 32 oz. bottle per 50 hamburgers)</td>
<td>$________</td>
</tr>
<tr>
<td>Onions (one pound per 50 hamburgers)</td>
<td>$________</td>
</tr>
<tr>
<td>Paper napkins (one per hamburger)</td>
<td>$________</td>
</tr>
<tr>
<td>Total cost of producing 3,000 hamburgers</td>
<td>$________</td>
</tr>
<tr>
<td>Total revenue for selling 3,000 hamburgers</td>
<td>$________</td>
</tr>
<tr>
<td>Profit or loss</td>
<td>$________</td>
</tr>
</tbody>
</table>

PART II
Based on your projections for profit (or loss), would you recommend that your club sell hamburgers to earn money or would you recommend that they undertake some other activity? Why or why not?

---

ACTIVITY 48
Deciding on a club enterprise

1. Suppose your club wants to earn money by selling quarter-pound hamburgers at local basketball games. You believe you could sell 3,000 hamburgers during the 12-game season at a price of $1.50 each. You must rent a booth at the gymnasium for $50 per night. Labor will be supplied free by members of the club. You need to predict your costs and profits. Complete the form below.

Check the prices at your local grocery stores for the food items included on the list.

- Rent for a booth for 12 nights ............................................. $______ ( )
- Cost of ground beef for 3,000 hamburgers ............................. $______ ( )
- Cost of 3,000 hamburger buns ............................................. $______ ( )
- Ketchup (one 32 oz. bottle per 50 hamburgers) ....................... $______ ( )
- Mustard (one 16 oz. bottle per 100 hamburgers) ...................... $______ ( )
- Pickles (one 32 oz. bottle per 50 hamburgers) ......................... $______ ( )
- Onions (one pound per 50 hamburgers) ............................... $______ ( )
- Paper napkins (one per hamburger) ................................... $______ ( )

Total cost of producing 3,000 hamburgers ............................ $______
Total revenue for selling 3,000 hamburgers ............................ $______
Profit or loss ........................................................................ $______

2. Identify each of the costs above as fixed or variable by placing the letter “F” or “V” in the parentheses at the end of each cost line.

3. If you had to pay workers a total salary of $100 a night instead of having volunteers from your club, what would happen to your profits? Should you continue to sell hamburgers in this case? Explain your answer.

PART I

Complete the following by circling the letter of the best answer.

1. The correct formula for finding a firm's profit is:
   a. profit = total revenue – total cost
   b. profit = (price × number sold) – cost per item
   c. profit = (cost per item – price) × number sold

2. Many entrepreneurs overestimate their profits because they:
   a. don't keep records of their sales
   b. don't consider the value of their time
   c. don't try to control their labor costs

3. Resources tend to flow to firms that are efficient and profitable because:
   a. they have a greater need for those resources
   b. they use those resources more quickly
   c. they can afford to pay for those resources

4. If the owners of a firm have no expectation of ever earning a profit, they should:
   a. go out of business and put their money in a bank
   b. try to merge their business with another larger firm
   c. lower their prices so they can sell more items

PART II

Joe makes deliveries in the evening and on Saturdays for a local drug store. By carrying the items, he earned $80 each week. He saved his money until he had $4,000. Joe decided to buy a used car with his money. By driving the car, he is able to deliver more items and now earns $120 a week. Joe believes the car was a wise investment. Write a brief essay that explains why Joe probably is wrong.

ACTIVITY 50

Types of business organizations

Sole proprietorship
A form of business organization that is owned and managed by one individual who assumes all risk of loss and receives all profits.

Partnership
A form of business organization that is owned by two or more individuals who assume all risk of loss and receive all profit.

Corporation
A form of business organization that is created by law, functions as a separate legal entity, and is owned by two or more individuals called stockholders. Stockholders are at risk only for the amount of their financial investment.

# ACTIVITY 51

Advantages and disadvantages of types of ownership

<table>
<thead>
<tr>
<th>Forms of ownership</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| Sole proprietorship | 1. Low start-up costs  
2. Greatest freedom  
3. All profits to owner  
4. Owner in direct control | 1. Unlimited liability  
2. Lack of continuity  
3. Difficulty in raising capital |
| Partnership | 1. Easy to form  
2. Low start-up costs  
3. Divided authority | 1. Unlimited liability  
2. Lack of continuity  
3. Divided authority  
4. Difficulty in finding suitable partner |
| Corporation | 1. Limited liability  
2. Specialized management  
3. Ease of raising capital | 1. Close regulation  
2. Most expensive to organize  
3. Extensive record-keeping |
| Franchise | 1. Smaller than usual capital investment  
2. Prior public acceptance of product  
3. Better than average profit margins  
4. Management assistance | 1. Possible high franchisor fee  
2. Some loss of independence  
3. Possible difficulties in cancelling contract |
ACTIVITY 52

Entrepreneurship interview guide

1. Name of entrepreneur
2. Name of entrepreneur's business
3. Type of business organization
4. List products of business (goods and/or services)
5. Number of employees
6. List benefits of business to society
7. Chart growth of business since its inception
8. Challenges in operating the business
**ACTIVITY 53**

**What's the rate of interest?**

**INSTRUCTIONS**
Please visit a local bank to determine the interest rate that they provide savers and charge borrowers on various types of accounts. For each option below, give a short description of the savings plan or loan in addition to the rate.

<table>
<thead>
<tr>
<th>Savings Plans</th>
<th>Rate</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Savings account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II. Money market account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>III. Certificate of deposit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV. Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Continued)
### Types of Loans

<table>
<thead>
<tr>
<th>I. Personal loan</th>
<th>Rate</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II. Commercial loan</th>
<th>Rate</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>III. Car loan</th>
<th>Rate</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IV. Mortgage loan</th>
<th>Rate</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>V. Other</th>
<th>Rate</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACTIVITY 54
Interest rates and expected returns

INSTRUCTIONS
Write the current prime interest rate in the appropriate space in the fourth paragraph.
Calculate the total interest rate and write this number in the appropriate space in the fourth paragraph.

Ted and Mary opened a florist shop about two years ago. Their business has been quite successful, and they are thinking about expanding. They would like to move out of their rented store into a larger building of their own. They need a delivery truck and a new cooler so they can keep more flowers for their growing sales.

Finally, they would like to replace their old mechanical cash register with a new electronic one that would help keep inventory, tax records, and other counting data for the business.

Ted and Mary have assets worth $140,000, which they could borrow against (their home and a rental property), and $20,000 in cash. Their firm earned $40,000 after taxes on total sales of $320,000 in the past year, most of which they used to support themselves.

They went to several banks that all told them the same thing. They could borrow up to $150,000 at the prime interest rate (currently ___ %) plus an additional 2% for a total interest rate of ___%.

Mary has studied each possible investment and has estimated the return they could be expected to generate.

She has listed her findings on the table below. Study the data provided in the table below and answer the questions that follow.

<table>
<thead>
<tr>
<th>Investment</th>
<th>Cost</th>
<th>Expected return</th>
</tr>
</thead>
<tbody>
<tr>
<td>New building</td>
<td>$110,000</td>
<td>15%</td>
</tr>
<tr>
<td>Delivery truck</td>
<td>16,000</td>
<td>17%</td>
</tr>
<tr>
<td>New cooler</td>
<td>8,000</td>
<td>13%</td>
</tr>
<tr>
<td>New cash register and inventory system</td>
<td>6,000</td>
<td>11%</td>
</tr>
</tbody>
</table>

1. Which of these investments should Ted and Mary make at the interest rate they have to pay? (Assume her predictions are correct.)

(Continued)
2. Explain why firms should always consider expected returns and interest rates before they borrow money to make investments.

3. Do you believe Ted and Mary should spend all of the $20,000 they have saved before they borrow from a bank? Explain your answer.

4. If the prime interest rate increased by 3% after Ted and Mary borrow $150,000 from the bank, how much more would they be forced to pay in interest this year if they had a loan that varied with the increase or decrease of the market interest rates? How important do you believe this might be to the financial success of their business? Explain your answer.

Assuming the new and higher rate remains in effect for a year, it will cost $ \[ \text{Amount borrowed} \times .03 \] more in interest this year. (Amount borrowed \times .03 = \text{answer})
PART I
Answer the following by circling the letter of the best answer.

1. The rate of interest that a borrower must pay depends on all of the following EXCEPT:
   a. the risk of the loan not being paid back
   b. the value of collateral the borrower owns
   c. the price of the products the borrower sells

2. A firm should borrow money to pay for a new machine if its expected rate of return is:
   a. greater than the interest rate
   b. equal to the interest rate
   c. less than the interest rate

3. Banks earn money by paying depositors:
   a. a lower interest rate than they charge borrowers
   b. the same interest rate that they charge borrowers
   c. a higher interest rate than they charge borrowers

4. Lenders demand interest to compensate themselves for:
   a. the risk they are taking
   b. giving up the use of their money at the present time
   c. both a and b

5. If the economy is doing well and most businesses expect their profits to grow, we should expect the amount of money borrowed to:
   a. decrease
   b. increase
   c. stay the same

PART II
A business named Malgamated Applesauce, Inc. has three investments it is considering borrowing money to finance. At the present time it must pay 15% for any money it borrows. However, if the prime interest rate goes up or down in the future, the rate the company must pay will also rise or fall. The investments the company is considering are:

   a. steam cooker which should return 12% a year
   a. canning machine which should return 18% a year
   a. machine that puts cans in boxes which should return 15% a year

6. Decide if the firm should or should not borrow to make the investment indicated. Underline the action you think the firm should take and explain your decision.

   a. The firm (should/should not) buy the steam cooker because

(Continued)
b. The firm (should/should not) buy the canning machine because

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

c. The firm (should/should not) buy the boxing machine because

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

7. Explain why it is important for firms who borrow money to be aware of trends in interest rates.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
When Joe graduated from high school, he couldn't find a job he wanted so he went into business for himself cutting grass. He bought a used truck, a used lawn tractor, and a number of hand tools. Everything he needed cost just over $8,000. Joe went door to door asking people if they would like him to cut their grass. Joe discovered there were at least eight other lawn services doing business in town. Most people who wanted to have their grass cut already had a different firm doing it.

At first Joe tried to charge high prices because he thought this would allow him to pay his bills and earn a good profit. Many people he called on told him his competitors' prices were much lower. Joe decided to lower his prices and soon he had quite a few customers. In order to cut all the lawns he had agreed to do, Joe had to work quickly and didn't do a good job. Some of his customers told him not to come back because his work wasn't as good as they expected. Finally Joe ended up charging the same price as the other lawn services and did the same quality work. Joe wasn't happy because he wasn't making much money.

Joe decided he had to do something to improve his profits. He contacted a friend named Frank, who ran a business caring for ornamental plants. When Joe went to a customer's home to cut the grass, Frank came along and examined the owner's plants. When he was ready to leave, Joe gave the owner a free list Frank had made of plant problems along with suggestions for how the plants could be made healthy. Most of his customers were happy to have the list. Some of them hired Frank to take care of their plants. Joe and Frank became partners and found they could charge higher prices because their lawn service had more to offer than that of their competition. Word of Joe's new service spread and he soon had many new customers. Joe and Frank changed the name of the business to "The Lawn & Garden Doctors" and advertised their special service in local newspapers. They now own the most successful lawn service in town.

1. What happened to Joe's business when he charged more than other firms?

2. What happened to Joe's business when he did low-quality work?

3. Explain how you know the business Joe started was in a competitive market.

4. Why do firms in competitive markets often have low profit margins?

5. What did Joe and Frank do that allowed them to charge higher prices and still have more customers?

6. Explain why their new business is an example of monopolistic competition.

ACTIVITY 57
The market for pain relievers

Most products sold as pain relievers contain one or more of four basic ingredients. These are:

- aspirin (acetylsalicylic acid)
- acetaminophen
- ibuprofen
- caffeine

Go to a local store and survey the pain relievers offered for sale. Complete a form for each product. When you have finished, identify specific advertisements you have seen or heard for each product. Consider how the manufacturer is trying to distinguish its product from other similar products.

<table>
<thead>
<tr>
<th>Product's name</th>
<th>Price per 100</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Active ingredients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Is this product advertised?</th>
<th>If so, how?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product's name</th>
<th>Price per 100</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Active ingredients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Is this product advertised?</th>
<th>If so, how?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product's name</th>
<th>Price per 100</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Active ingredients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Is this product advertised?</th>
<th>If so, how?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ACTIVITY 58

PizzaS

In most areas there are many businesses that offer pizza for sale. Identify three specific pizza restaurants in your neighborhood. Find the following information for each store and answer the questions below. When you visit the stores, try to look at the quality of their pizza.

<table>
<thead>
<tr>
<th>Store No. 1:</th>
<th>Store No. 2:</th>
<th>Store No. 3:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price of 12-inch pepperoni pizza:</td>
<td>Price of 12-inch pepperoni pizza:</td>
<td>Price of 12-inch pepperoni pizza:</td>
</tr>
<tr>
<td>$ __________</td>
<td>$ __________</td>
<td>$ __________</td>
</tr>
<tr>
<td>Price of each additional topping:</td>
<td>Price of each additional topping:</td>
<td>Price of each additional topping:</td>
</tr>
<tr>
<td>$ __________</td>
<td>$ __________</td>
<td>$ __________</td>
</tr>
<tr>
<td>This store tries to differentiate its pizza from competing stores by:</td>
<td>This store tries to differentiate its pizza from competing stores by:</td>
<td>This store tries to differentiate its pizza from competing stores by:</td>
</tr>
<tr>
<td>___________________________________________________________________</td>
<td>___________________________________________________________________</td>
<td>___________________________________________________________________</td>
</tr>
<tr>
<td>___________________________________________________________________</td>
<td>___________________________________________________________________</td>
<td>___________________________________________________________________</td>
</tr>
<tr>
<td>___________________________________________________________________</td>
<td>___________________________________________________________________</td>
<td>___________________________________________________________________</td>
</tr>
</tbody>
</table>

1. How much difference is there in the prices the stores charge for their pizza?

__________________________________________________________________________

2. Describe any differences in the quality of the pizzas.

__________________________________________________________________________

__________________________________________________________________________

3. Describe the degree of success you believe the firms have had in distinguishing their products from each other.

__________________________________________________________________________

__________________________________________________________________________

4. Describe what you would do to try to improve your profit margin if you owned one of these firms.

__________________________________________________________________________

PART I

Read the statements below.

Place a "T" in front of each of the statements you think is true and ignore the space below. Place an "F" in front of each of the statements you think is false; then write the statement correctly in the space provided.

1. Products offered for sale by firms that sell in the same competitive markets are often quite different.

2. Competitive firms are often called "price takers" because their customers are forced to "take" whatever price they charge.

3. Firms that sell in the same competitive market all charge about the same price.

4. Competitive firms often try to achieve product differentiation.

5. Firms in monopolistic competition are more likely to earn good profits than competitive firms because their products are more important.
PART II

6. Explain two reasons why most single proprietorships do business in competitive markets.
   a. ____________________________________________________________
   b. ____________________________________________________________

7. Describe one specific example you know of in which a firm has tried to distinguish its products from others that are really much the same.
   ______________________________________________________________
   ______________________________________________________________
ACTIVITY 60

Circular flow model*


ACTIVITY 61
The handprint business

Your teacher has drawn four 3-foot-square boxes on the board. Some of your classmates are going into the "handprint" business.

Your teacher will pay $.50 (pretend) for each traced handprint that is of reasonable quality and does not overlap any other handprint.

In the first box, one student will have one minute to trace as many of his or her handprints as possible. The student is paid a wage of $5 (pretend). When the minute is up, add the number of prints made and see how much money was taken in, compared to the cost of the worker, and how much was earned in profit.

Repeat the process in each of the next three boxes, adding one more student/worker for each box. Remember each added worker must be paid the $5 wage. Complete the table below to help you answer the following questions.

<table>
<thead>
<tr>
<th>When there were this many workers</th>
<th>the number of prints made was</th>
<th>they were worth</th>
<th>the worker(s) were paid</th>
<th>the amount of money earned was</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. What happened to the number of additional prints produced as extra workers were hired?

2. What happened to the value of added workers?

3. Why did this happen?

Sharon is an elderly woman who owns 40 acres of woodland in rural Iowa. Sharon is too old to do much work herself. Two years ago a tornado blew down most of the trees on her land. Sharon was upset but thought there was little she could do about it. A few weeks ago, one of Sharon's friends suggested she hire some local high school students to cut the trees up and sell them for firewood. The man said she could probably get $45 for each cord of wood, and most of the local farmers would be willing to pick it up from her home.

Sharon decided to try the idea. She hired her neighbor's 17-year-old son Tim to agree to pay him $5 an hour to cut wood for eight hours on Saturday. He used a 6-foot-long cross-cut saw she owned and a hand axe. Working all day, he managed to cut one cord of wood, which Sharon sold for $45. Sharon paid Tim $40, which left her $5 in profit. She decided to try it again. This time Sharon asked Tim to bring one of his friends to help. To her surprise, Tim and his friend were able to cut four cords of wood working together. They explained that the saw was really too big for one person, but the two of them together could just "whip" right through those logs. Sharon was thrilled. She paid the boys a total of $80 and sold the wood for $180, earning $100. Sharon told the boys to come back the next time and bring another friend.

The following Saturday, the three boys cut six cords of wood. Sharon increased her employment one more time to four boys but discovered they cut six cords, just the same as the three boys had cut the week before. She became angry at them and accused them of being lazy. They denied it and said there really wasn't much for the fourth boy to do while two boys used the saw and one the axe. She decided to keep on with her business but to employ only three boys.

Consider the information above and answer the following questions.

1. Complete the following table.

<table>
<thead>
<tr>
<th>When Sharon had this many workers</th>
<th>they cut this many cords</th>
<th>she paid them this much</th>
<th>she sold the wood for</th>
<th>and earned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. How does this situation demonstrate the principle of diminishing marginal productivity?
3. Why couldn't four boys cut any more wood than the three?

4. What might Sharon have done to increase the value of the fourth boy?

5. If Sharon found she could sell only four cords of wood a week, how many boys should she hire?

6. How does this example demonstrate the fact that the demand for labor is a derived demand?

7. Identify an example of each of the four factors of production in this story.
   Land
   Labor
   Capital
   Entrepreneurship
ACTIVITY 63

Comprehension quiz, lesson 16

PART I

Answer the following by placing the letter of the correct definition in the blank in front of each term.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. derived demand</td>
<td>A. the price a firm charges for its products times the number sold</td>
</tr>
<tr>
<td>2. diminishing marginal productivity</td>
<td>B. things used to produce other goods and services</td>
</tr>
<tr>
<td>3. factors of production</td>
<td>C. a willingness to purchase a factor of production that depends on a firm's ability to sell its product</td>
</tr>
<tr>
<td>4. total revenue</td>
<td>D. the difference between the amount a firm takes in when it sells its product and the amount it spends to make the product</td>
</tr>
<tr>
<td>5. total cost</td>
<td>E. as more workers are hired, a point is reached where each additional worker results in ever smaller amounts of additional production</td>
</tr>
<tr>
<td>6. profit margin</td>
<td>F. the amount spent by a firm to be able to offer goods for sale</td>
</tr>
</tbody>
</table>

PART II

Read the story below and answer the following questions.

The Apex Golf Ball Co. has had a good year. It has been able to sell as many balls for $1 each as it could manufacture.

To make golf balls, the firm must pay for labor plus $.40 per ball for other expenses. At the start of the year, the company employed 10 workers who were paid $60 a day including all fringe benefits. During the year more workers were hired, one at a time, until there were 15 workers. The company didn't buy any more machines to make balls.

The owners gathered data about what happened and organized it in the table below. They tried to analyze the information but aren't sure what it means. They have asked you to study their data and answer the questions that follow.

(Continued)
## Apex Golf Balls Financial Data

<table>
<thead>
<tr>
<th>Workers</th>
<th>Balls per day</th>
<th>Sales per day</th>
<th>Other costs</th>
<th>Total wages</th>
<th>Total cost</th>
<th>Total profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>4,000</td>
<td>$4,000</td>
<td>$1,600</td>
<td>$600</td>
<td>$2,200</td>
<td>$1,800</td>
</tr>
<tr>
<td>11</td>
<td>4,350</td>
<td>4,350</td>
<td>1,740</td>
<td>660</td>
<td>2,400</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>4,650</td>
<td>4,650</td>
<td>1,860</td>
<td>720</td>
<td>2,580</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>4,800</td>
<td>4,800</td>
<td>1,920</td>
<td>780</td>
<td>2,700</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>4,900</td>
<td>4,900</td>
<td>1,980</td>
<td>990</td>
<td>2,880</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>4,950</td>
<td>4,950</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Fill in the total profit column by subtracting the amount in each total cost column from the corresponding amount in the sales per day column. The first one has been done as an example.

### OWNER QUESTIONS

8. Why does the number of additional products produced keep going down as we hire more workers?

9. How many workers should have been hired?

10. What is the most profit that could be earned in a day?

11. We expect the cost of our raw materials to go up to $.50 per ball. What should we do to protect our profit margin?
ACTIVITY 64
Effects of government on the entrepreneurial enterprise

INSTRUCTIONS
Imagine that the following statements are headlines of articles. Each of them relates to governmental intervention in the marketplace, especially for the small business owner. For each headline, indicate the following:

a. Why the government has intervened
b. What effect the intervention has on the owners of small businesses who are affected by the action

1. Restaurants closed by public health inspector because of cleanliness violations

Reasoning for intervention

Effects on small businesses

2. Government program provides free advice to entrepreneurs

Reasoning for intervention

Effects on small businesses

3. Minimum wage increased—affects many area small businesses
   Reasoning for intervention
   Effects on small businesses

4. Inexpensive courses in small business management funded by the government
   Reasoning for intervention
   Effects on small businesses

5. Area firms install new equipment to make work areas safer
   Reasoning for intervention
   Effects on small businesses

6. Area firm fined by government for using misleading advertising
   Reasoning for intervention
   Effects on small businesses

(Continued)
7. Based on the previous instances of government intervention, complete the following statement:

Government affects small businesses in a number of ways. Some activities, such as ____________
_____________ encourage small business development. If these activities are successful, the direct costs of these activities to the firm are less than the increased profitability that results. In other instances, government contributes to the cost of doing business. Examples include ____________
_____________.

Generally, these forms of intervention are meant to protect or aid a particular group who works for or buys goods and services from small businesses.

8. Many entrepreneurs believe there are too many regulations aimed at small business. They believe we should have more of a laissez-faire economy. Why do you think this belief is held by many entrepreneurs?
INSTRUCTIONS
Read the story and answer the questions below.

Batesville is a rural town in the Midwest with a high rate of unemployment. The only industry in town, a chair factory, closed down four years ago. Since then many of the people who lived in Batesville have moved away. Nearly everyone feels poor and depressed.

Last week some industrialists from Chicago came to Batesville to announce that they wanted to manufacture fertilizer in the building the chair business once owned. They said rebuilding the plant would require an investment of over $20,000,000 and employ 120 people. When the factory finally goes into production, it would create 45 full-time jobs and put about $1,300,000 into the local economy every year.

At first almost everyone was happy with the proposal. Some even suggested to the town leaders that reduced property taxes should be given to the firm for the first 16 years to make sure that it moves to Batesville. Others were a bit more skeptical. They were concerned about the effect that fertilizer production would have on the quality of their air and water. Residents with homes located close to the former chair factory were concerned about their property values if the fertilizer firm moved in.

A town meeting was called to discuss the matter. The various points were presented.

Please clarify various viewpoints by answering the following questions.

1. One person indicated there are tremendous benefits to almost everyone in Batesville. Therefore, the town should provide this reduction of property taxes in order to encourage the firm to locate their operation in Batesville.

a. In what ways would the entire town benefit if the firm moved into Batesville?

b. Why is the property tax reduction a way to get almost everyone in the community contributing to the incentive for the firm?
2. A presenter also mentions that some of the citizens brought up concerns that focus on additional costs to the residents because of the presence of the new fertilizer plant.

a. What additional costs are generated to all residents of Batesville if the plant creates considerable air and water pollution?

b. What additional costs are generated to the residents of homes close to the old chair factory if the fertilizer business moves into Batesville?

c. How can government alleviate those concerns?
3. As seen here, government intervention can lead to activities that encourage businesses and discourage businesses. Explain what this means in relationship to this situation.

________________________________________________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________

4. From what you have read, do you think the plant should be converted to produce fertilizer in Batesville? Explain your answer.

________________________________________________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________
ACTIVITY 66

Comprehension quiz, lesson 17

ANSWER THE QUESTIONS BELOW:

1. Name three ways in which government can decrease the costs of a small business and provide reasons why government would provide these benefits.

2. Name three instances in which government can increase the costs of a small business and provide reasons why government would put these actions into effect.

3. Sometimes the interests of the small business owner conflict with the interests of others in the society, such as the consumer, the wage earner, or the general citizen. Provide three examples showing how this principle is true.

4. New business development in a community has many advantages, such as more income in the community, more tax revenue, and more jobs. There can also be a negative side for new business development. Name at least three disadvantages that may be present in new business development.