

CHAPTER 1

CONSUMERS

The Engine That Runs the Economy

WHAT'S AHEAD

- 1.1** Decisions, Decisions
- 1.2** Make Decisions
- 1.3** Understand Economic Systems
- 1.4** Consumer's Role in the Economy
- 1.5** Advertising and Consumer Decisions
- 1.6** Be a Responsible Consumer

LESSON 1.1

Decisions, Decisions

GOALS

- ▶ Identify several important values you hold.
- ▶ Explain how creating a life-span plan helps you make better decisions.
- ▶ Describe what an opportunity cost is.

KEY TERMS

- values
- goals
- needs
- wants
- long-term goals
- life-span
- life span goals
- life-span plan
- short-term goals
- opportunity cost

You've Got the Power

- ▶ Values
- ▶ Values change
- ▶ Different people, different values

Goals

- ▶ Needs and wants
- ▶ Hopes and dreams
- ▶ A life-span plan
- ▶ Short-term goals
- ▶ Work to reach your goals

Opportunity Cost

- ▶ Opportunity cost and decisions
- ▶ Consider other options

CHECKPOINT 1.1

- What are the various ways values can be classified?
- How can creating a life-span plan help you make better decisions?
- What is opportunity cost? Give an example.

CHECKPOINT 1.1 ANSWERS

➤ What are the various ways values can be classified?

Values are the principles, or standards, by which you live.

- Life values
- Work values
- Cultural values
- Social values
- Demographic values

CHECKPOINT 1.1 ANSWERS

- How can creating a life-span plan help you make better decisions?
 - A life-span plan is a strategy you create to help you achieve your long-term goals.
 - You can use this plan to help you make decisions and identify the actions to take as you work toward your goals.

CHECKPOINT 1.1 ANSWERS

➤ What is opportunity cost? Give an example.

Opportunity cost is the value of your next best alternative whenever you make a choice.

Examples:

- go to college or get a job right now
- save for a new car or take a vacation
- go out for a nice dinner or do pizza and a movie tonight

LESSON 1.2

Make Decisions

GOAL

- ▶ Describe each of the five steps in the decision making process.

KEY TERM

- **rational buying decision**

Decision Making Process

- ▶ Specify
- ▶ Search
- ▶ Sift
- ▶ Select
- ▶ Study

Specify

- ▶ Need or want?
- ▶ Goals
- ▶ Values

Search

- ▶ Plan your search
- ▶ Avoid impulse purchases

Sift

- ▶ Look at your options
- ▶ Look at your opportunity costs

Select

- ▶ Compare the benefits and costs
- ▶ Decide

Study

- ▶ You can learn important lessons from the results of your actions
 - ▶ Would you do the same thing again? If so, why?
 - ▶ If not, what would you do differently?

CHECKPOINT 1.2

- Describe each of the five steps in the decision making process.

CHECKPOINT 1.2 ANSWER

- Describe each of the five steps in the decision making process.
- **Specify:** Identify specific need or want; determine your goals
- **Search:** Gather information about your alternative choices
- **Sift:** Evaluate your options; consider your opportunity costs
- **Select:** Make a choice and act on it
- **Study:** Evaluate the results of your choice

LESSON 1.3

Understand Economic Systems

GOALS

- ▶ Describe four economic systems.
- ▶ Explain how demand and supply work.

KEY TERMS

- production
- resources
- economics
- profit
- scarcity
- demand
- supply
- equilibrium price

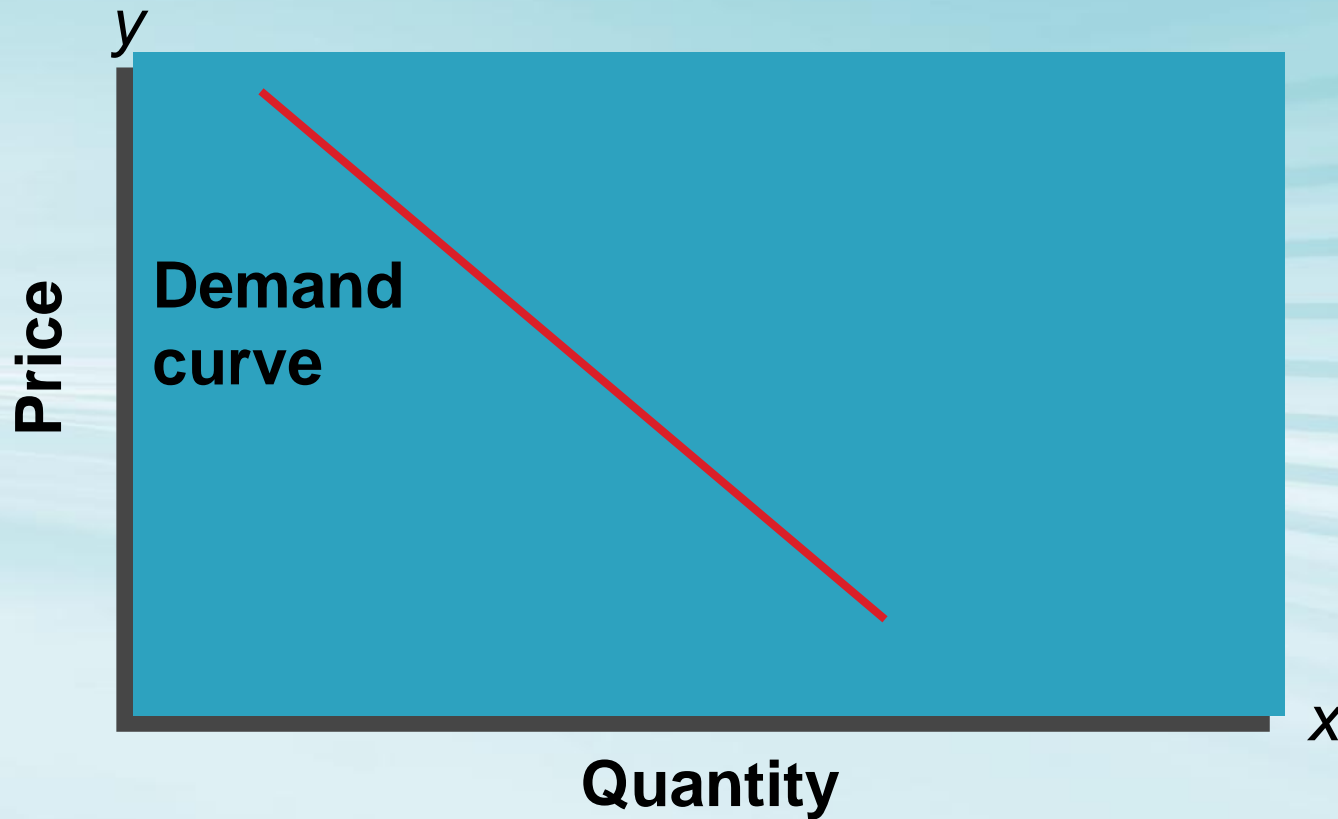
Economic Systems

- ▶ Traditional economy
- ▶ Command economy
- ▶ Market economy
- ▶ Mixed economy

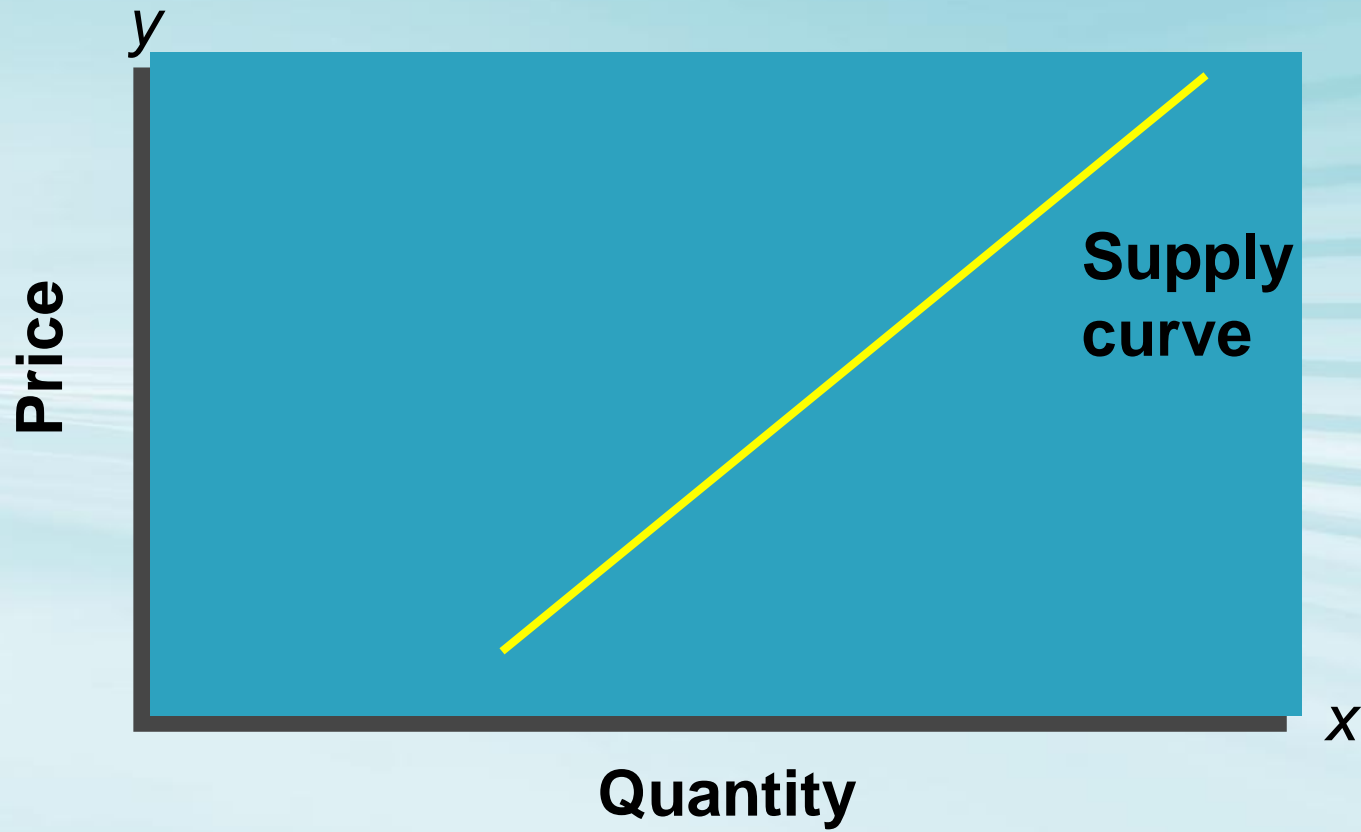
Demand and Supply

- ▶ Demand
- ▶ Supply
- ▶ Equilibrium

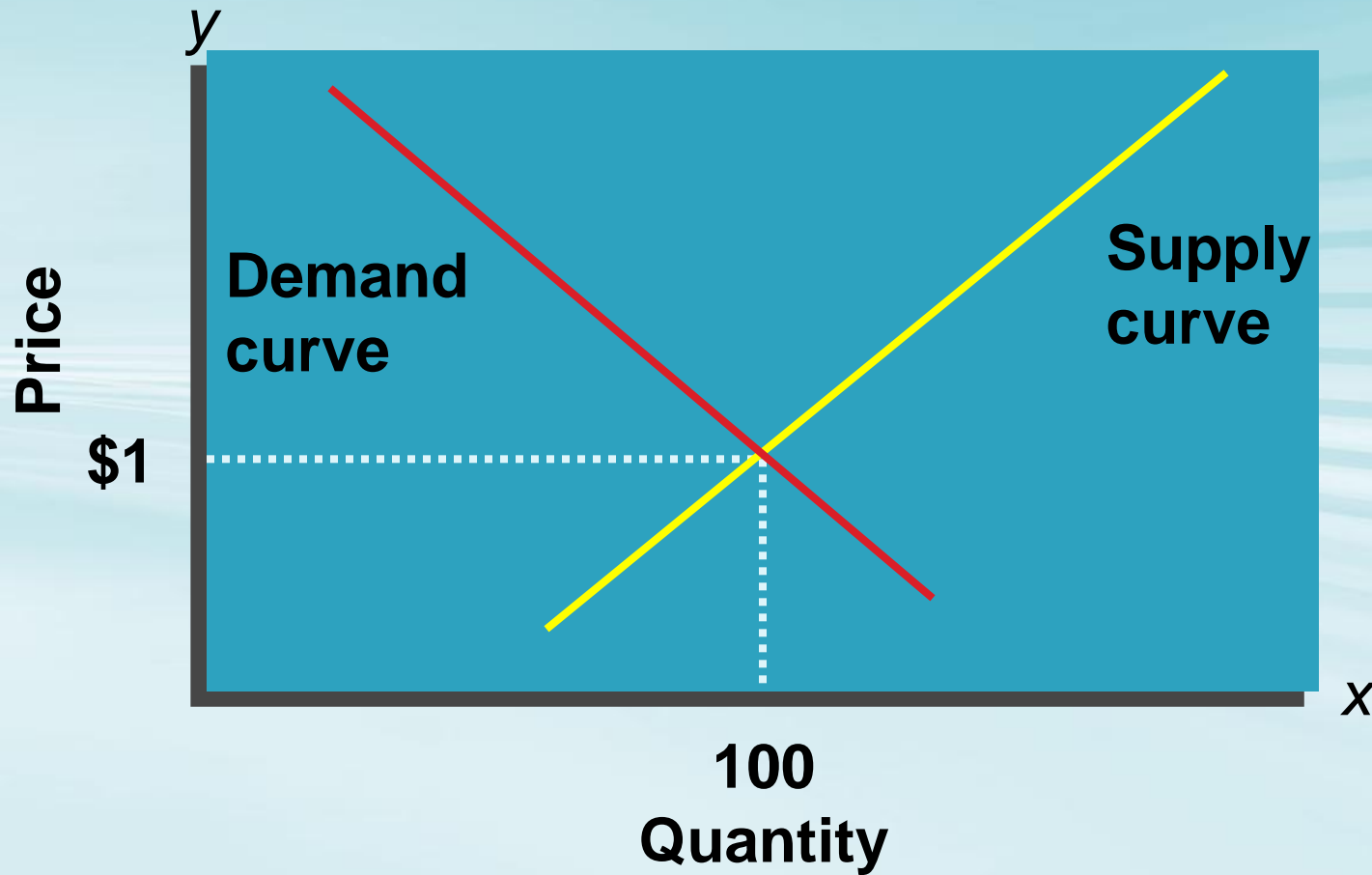
Demand Curve



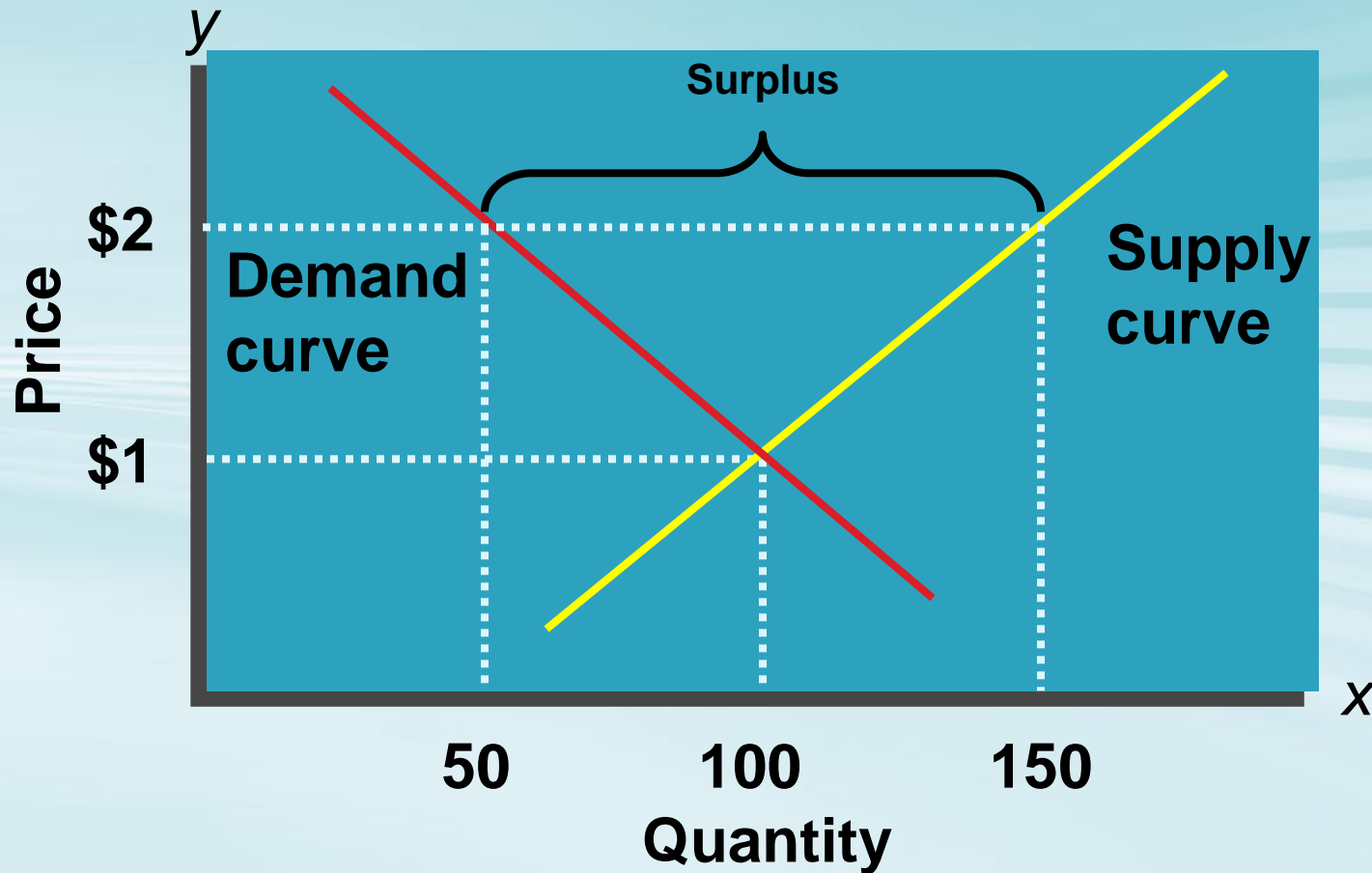
Supply Curve



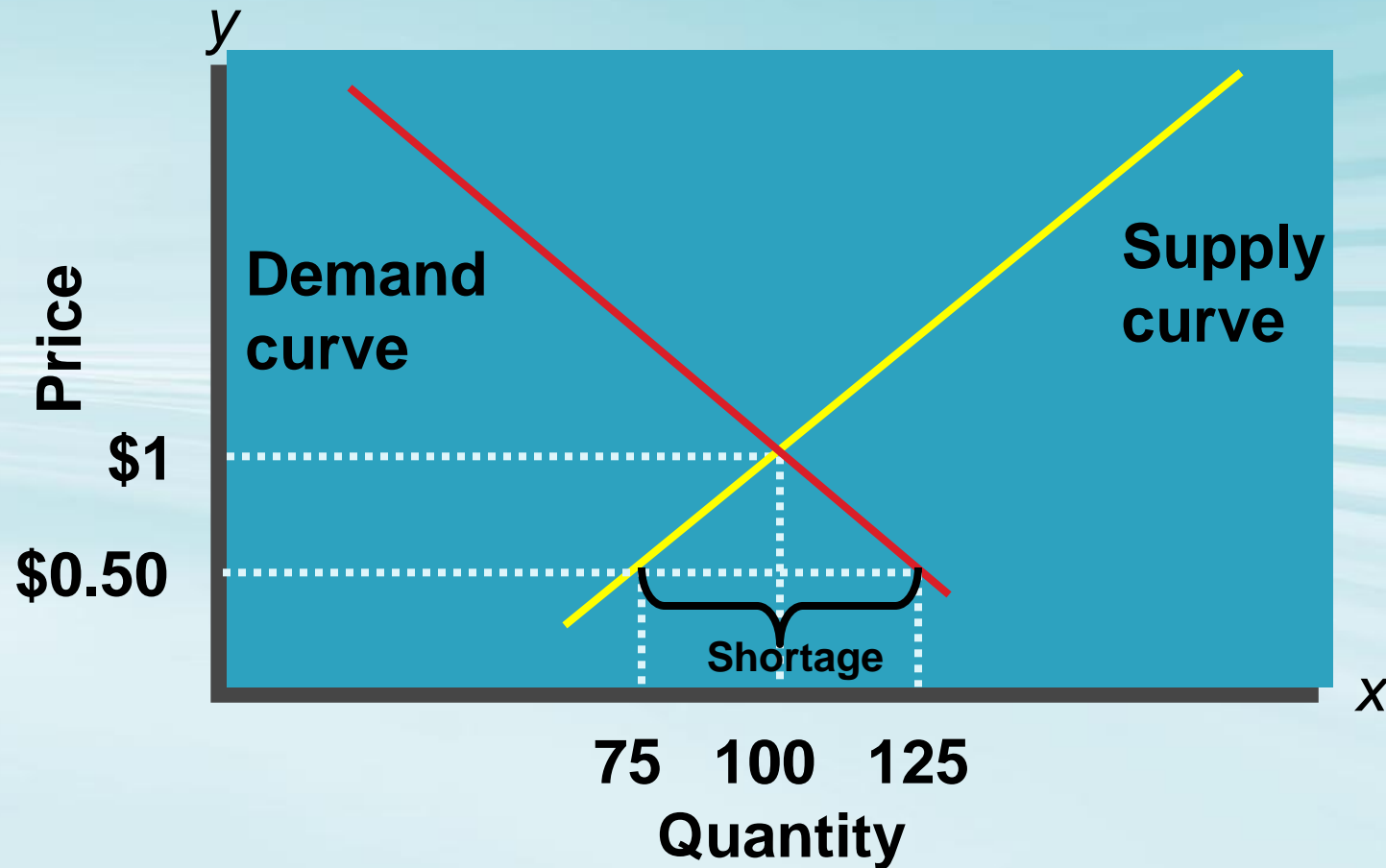
Equilibrium Price



Surplus Graph



Shortage Graph



CHECKPOINT 1.3

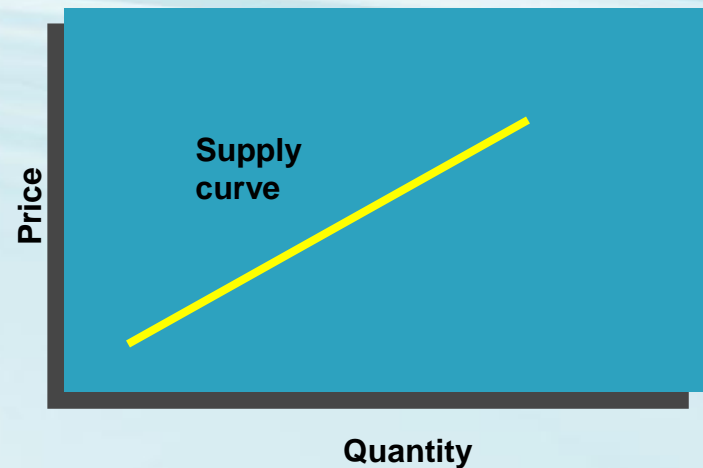
- What are the primary characteristics of each of the four economic systems?
- How do demand and supply work together to determine prices and how much producers will produce?

CHECKPOINT 1.3 ANSWERS

- **What are the primary characteristics of each of the four economic systems?**
 - **Traditional economy:** the ways to produce products are passed from one generation to the next
 - **Command economy:** the government owns most resources and makes most economic decisions
 - **Market economy:** people, rather than the government, own the resources and run the businesses
 - **Mixed economy:** a mixture of a market economy with some aspects of a command economy, for example

CHECKPOINT 1.3 ANSWERS

- How do demand and supply work together to determine prices and how much producers will produce?
- Producers are willing to offer more of a product for sale at a higher price than at a lower price
 - As the price rises, the quantity supplied increases (and price decreases)
 - As price decreases, the quantity supplied decreases (and price increases)



LESSON 1.4

Consumer's Role in the Economy

GOAL

- ▶ Explain the role of consumers in determining what is produced in a market economy.

KEY TERMS

- **consumer**
- **consumer economics**

Making Decisions in a Market Economy

- ▶ Information for the economy
- ▶ Prices
- ▶ The profit motive
- ▶ Consumer economics
- ▶ Consumers in charge
- ▶ Benefits of competition
- ▶ Efficiency and profits

CHECKPOINT 1.4

- How do demand and supply act together in a market economy to set the equilibrium price for a product?

CHECKPOINT 1.4 ANSWER

- How do demand and supply act together in a market economy to set the equilibrium price for a product?
- Profits result from selling products for more than it costs to make them
- To earn a profit, businesses must produce products that consumers buy
- When consumers spend their money, they determine what products are produced
- At the equilibrium price, consumers are willing and able to buy the same amount of the product as producers are willing and able to supply

LESSON 1.5

Advertising and Consumer Decisions

GOALS

- ▶ Describe different types of advertising.
- ▶ Explain how you can recognize deceptive advertising.

KEY TERMS

- advertising
- puffery

Types of Advertising

- ▶ Brand advertising
- ▶ Informative advertising
- ▶ Comparative advertising
- ▶ Defensive advertising
- ▶ Persuasive advertising
- ▶ Benefits and costs of advertising

Deceptive Ads versus Puffery

- ▶ Puffery
- ▶ Factually wrong
- ▶ Exaggerated claims are legal
- ▶ Is it free?
- ▶ Protecting yourself from deceptive advertising

CHECKPOINT 1.5

- Identify and describe characteristics of each of the types of advertising presented in this lesson.
- How can you recognize and protect yourself from deceptive advertising?

CHECKPOINT 1.5 ANSWERS

- **Identify and describe characteristics of each of the types of advertising presented in this lesson.**
 - **Brand advertising:** helps consumers to recognize brand name
 - **Informative advertising:** influences buying behavior by educating the consumer
 - **Comparative advertising:** compares product qualities to competing products' qualities
 - **Defensive advertising:** counters competitors' advertising claims
 - **Persuasive advertising:** appeals to consumers' emotions

CHECKPOINT 1.5 ANSWERS

- How can you recognize and protect yourself from deceptive advertising?
- Approach buying decisions in an organized, logical manner
- Gather information from several sources (in addition to the advertisement)
- Evaluate the information
- Consider alternative choices

LESSON 1.6

Be a Responsible Consumer

GOALS

- ▶ Identify ways in which your consumer decisions affect other people.
- ▶ Explain why you should use resources responsibly.

KEY TERM

- global warming

Consumers in Society

- ▶ Sharing limited resources
- ▶ Protecting public safety

Using Natural Resources

- ▶ Resource consuming products
- ▶ Water
- ▶ Forest products
- ▶ The environment
- ▶ Encourage business responsibility
- ▶ Dispose of waste responsibly
- ▶ Respect your neighbors

CHECKPOINT 1.6

- How can your consumer choices affect the people around you?
- What can you do to be a more environmentally responsible consumer?

CHECKPOINT 1.6 ANSWERS

- How can your consumer choices affect the people around you?
 - The earth's natural resources are limited and not quickly replaced
 - To be environmentally responsible, use resources in moderation and recycle or conserve them

CHECKPOINT 1.6 ANSWERS

- **What can you do to be a more environmentally responsible consumer?**
 - **Consider how your choices affect the use of resources and their impact on the environment**
 - **Dispose of waste responsibly**
 - **Encourage businesses to act responsibly through your buying decisions**
 - **Recognize that you live in a world community and act with consideration toward others**