

Chapter 1

What Is Economics?

Market or Command?

Activity A

Name _____

Chapter 1

Date _____ Period _____

Place an *M* beside those phrases or terms that describe market economies and a *C* beside those that describe command economies.

- _____ 1. Central authority controls economic activities.
- _____ 2. Consumers choose how to earn and spend money.
- _____ 3. Ideal for starting a business.
- _____ 4. Emphasis on consumer.
- _____ 5. Limited consumer choices.
- _____ 6. Often associated with a socialist or communist form of government.
- _____ 7. Businesses are encouraged to compete with each other.
- _____ 8. Prices of goods set by government or central authority.
- _____ 9. Supply and demand.
- _____ 10. Many product choices are available.
- _____ 11. Often associated with a democratic form of government.
- _____ 12. Innovation sparks growth and prosperity.
- _____ 13. Consumers cannot decide for themselves how to earn and spend income.
- _____ 14. A central authority allocates resources.
- _____ 15. Producers produce what planners recommend.

Compare the major differences between a market and a command economy.

Consumer Economics Opinion Poll

Name _____ Date _____ Period _____

This is a survey of opinions and attitudes about economic issues. Carefully read the following statements and place a check in the column that best describes your opinion. There are no right or wrong answers. In the space provided, rewrite statements with which you disagree to say what you think to be true.

Agree Disagree Unsure

- | | | | |
|-------|-------|-------|--|
| _____ | _____ | _____ | 1. Each time you buy a product or service, you are increasing the demand for that product or service. |
| _____ | _____ | _____ | 2. Consumers have no real choice in the modern marketplace. |
| _____ | _____ | _____ | 3. People with special skills, training, and education get the best jobs. |
| _____ | _____ | _____ | 4. Consumer behavior makes a major impact on the overall economy. |
| _____ | _____ | _____ | 5. Sellers provide all the information about their products and services that consumers need. |
| _____ | _____ | _____ | 6. Advertising is an obstacle to consumers looking for value in the marketplace. |
| _____ | _____ | _____ | 7. Consumer credit makes mass distribution of products and services possible. |
| _____ | _____ | _____ | 8. Consumer saving and investment are essential for business growth and expansion. |
| _____ | _____ | _____ | 9. Insurance protection for consumers contributes to overall economic stability. |
| _____ | _____ | _____ | 10. Taxpayers have no control over the use of their tax dollars. |
| _____ | _____ | _____ | 11. Consumers often suffer in the marketplace because they are unaware of their rights or the recourses available to them. |
| _____ | _____ | _____ | 12. Consumers have a major voice in a command economy. |
| _____ | _____ | _____ | 13. Consumers can influence government spending and the use of their tax dollars by exercising the right to vote. |
| _____ | _____ | _____ | 14. A command economy gives greater economic security to consumers than a market economy. |
| _____ | _____ | _____ | 15. The more choices there are in the marketplace, the easier it is to find what you want. |

Identify the Consumer's Mistake

Name _____ Date _____ Period _____

In a market economy, consumers can make poor choices. Spending mistakes can lead to economic problems. For each of the situations below, identify the type of mistake made by the consumer and explain what the consumer should have done instead. Choose from the following types of mistakes:

- lack of planning
- failure to use information
- impulse buying and overspending
- poor communication

1. Shirley buys a \$25 calculator at an office supply store. After using it for a week, the calculator does not work. Shirley is furious and throws the calculator away. She vows never to go back to that store.

Consumer's mistake: _____

2. Linden goes to the mall to buy a pair of socks and ends up spending \$150 for a pair of boots he did not plan to buy.

Consumer's mistake: _____

3. Marc buys a pair of skis. A few days later he sees the skis on sale for 30 percent off at the same store. Marc figures there is nothing he can do.

Consumer's mistake: _____

4. Julius and Lisa take a package trip to Mexico. When they arrive, they discover their hotel is inconveniently located and transportation to and from the hotel is not included in the vacation package as they expected.

Consumer's mistake: _____

5. Hans buys a cell phone with a service plan that gives him 750 minutes of use per month. The charges for going over 750 minutes are high. However, within two weeks, Hans has used nearly 700 minutes.

Consumer's mistake: _____

6. Ronald buys a secondhand car because the price is right. Later, he learns he cannot drive it because he cannot afford the insurance, which costs as much as the car.

Consumer's mistake: _____

7. Kris buys a pair of purple pants because they fit and they are on sale. However, they do not match her other clothes so she rarely wears them.

Consumer's mistake: _____

Multinational Corporations

Name _____ **Date** _____ **Period** _____

Multinational corporations are large businesses that operate in more than one country. Many of the most prominent companies today are multinationals. For each of the businesses listed below, identify the parent company name and location of the company's headquarters. Corporate information is usually available on a company's Web site.

1. Walmart (retailer)

Corporate parent company name: _____

Corporate office location: _____

2. Caterpillar (heavy equipment)

Corporate parent company name: _____

Corporate office location: _____

3. Sony (music)

Corporate parent company name: _____

Corporate office location: _____

4. Apple (computers)

Corporate parent company name: _____

Corporate office location: _____

5. Nintendo (games)

Corporate parent company name: _____

Corporate office location: _____

6. Random House (book publisher)

Corporate parent company name: _____

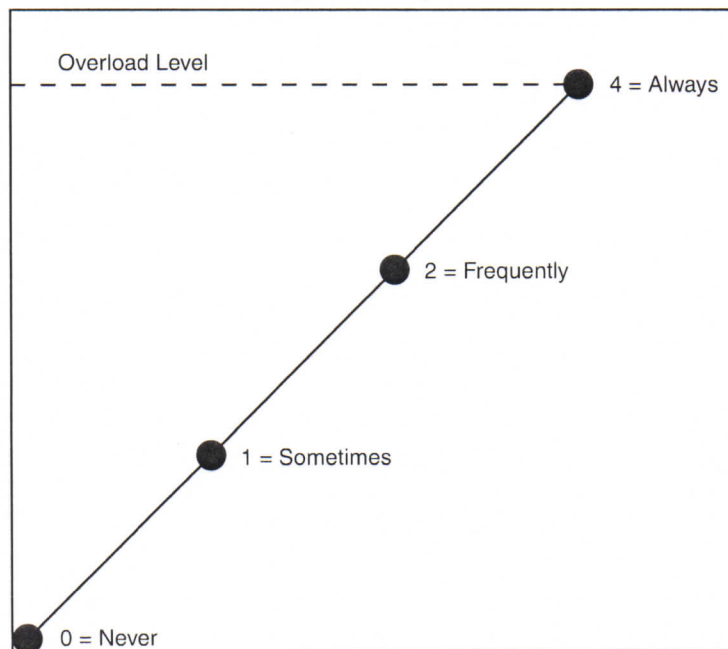
Corporate office location: _____

Money Worry Meter

Name _____ Date _____ Period _____

Choose the number from the meter below that best describes your feeling about each of the statements.

Money Worry Meter



- _____ 1. I worry that no matter how much money I have, it won't be enough.
- _____ 2. I worry that friends who borrow my money or possessions won't repay me or return what is mine.
- _____ 3. I worry that money is more important to me than it should be.
- _____ 4. I worry that I ask my parents for too much money too often.
- _____ 5. I am afraid people will like me for my money, not for myself.
- _____ 6. I worry that I won't be able to get a job and earn a living.
- _____ 7. I worry that I will never be able to budget and manage money and financial matters.
- _____ 8. I worry that money will come between me and more important things in life.
- _____ 9. I worry that having money will encourage me to buy things I don't really need and to do things I'd rather not do.
- _____ 10. I worry about being poor.
- _____ 11. I worry about having to support my parents when they get old.
- _____ 12. I worry about having to support a family when I am older.
- _____ 13. I worry that my family won't have enough money to send me to college or an occupational training program.
- _____ 14. I am afraid that I will never understand financial matters.
- _____ 15. I am afraid to borrow money for fear I can't repay it.
- _____ 16. I am afraid to invest money for fear I will lose it.

(Continued)

Name _____

- _____ 17. I worry that my expenses and bills will get out of control.
- _____ 18. I worry that if I have children, I will never be able to provide adequately for their financial welfare.
- _____ 19. I worry because I really don't have much interest in money.
- _____ 20. I worry that if I make more money than my friends, I will lose their friendship.

Total your score and see where you fall on the worry meter.

Under 5 – You are a nonworrier; you may even be a little too casual about money matters.

5 to 25 – You are concerned, but in control.

26-40 – You seem a little nervous. Maybe some financial coaching would help.

Over 40 – Don't panic, but do get help with money matters.

Coping with Crises: Fact or Fiction?

Name _____ Date _____ Period _____

Write *fact* beside each statement that is true and *fiction* beside each statement that is false. Then answer the question that follows.

- _____ 1. Education and job training are examples of ways to prepare for financial crises.
- _____ 2. If debt is part of your crisis, delay contacting creditors as long as possible.
- _____ 3. The best time to charge needed purchases is during a financial crises.
- _____ 4. Look for every possible source of income during financial crises.
- _____ 5. Government programs offer help during times of crisis.
- _____ 6. You should sell some of your valuable assets in order to cope with financial crises.
- _____ 7. Consider bankruptcy before considering any other options.
- _____ 8. Credit and financial counseling is affordable in many areas.
- _____ 9. A good way to be prepared is to establish an emergency fund equal to several months' pay.
- _____ 10. A serious disability, illness, or job loss can cause a financial crisis.

List a contact name and phone number for five local agencies you could consult in the event of financial crises.

Common Types of Taxes

Name _____ Date _____ Period _____

Fill in the chart below with the appropriate information for each type of tax.

Tax	Levied by	Applies to/Based on
1. Personal income		
2. Purchase		
3. Excise		
4. Real estate		
5. Personal property		
6. Estate		
7. Gift		

Financial Talk

Name _____ Date _____ Period _____

Match each of the following financial terms with its correct description.

- | | |
|--|---|
| _____ 1. A computer terminal used to transact business with a financial institution. | A. ATM card |
| _____ 2. The movement of money electronically from one financial institution to another. | B. automated teller machine |
| _____ 3. A financial institution owned by stockholders and operated for profit. | C. bank statement |
| _____ 4. The act of writing a check for an amount greater than the balance of the account. | D. cashier's check |
| _____ 5. A signature required on the back of a check to transfer it to another person or institution. | E. certified check |
| _____ 6. A personal check that carries a bank's guarantee the check will be paid. | F. commercial bank |
| _____ 7. A nonprofit financial cooperative owned by and operated for the benefit of its members. | G. credit union |
| _____ 8. Allows customers to withdraw cash from and make deposits to their accounts using an ATM. | H. electronic funds transfer |
| _____ 9. A check drawn on a bank's own funds and signed by an authorized officer of the bank. | I. endorsement |
| _____ 10. Type of check for a specific amount of money payable to a specific payee. | J. Federal Deposit Insurance Corporation |
| _____ 11. The federal agency that insures, within limits, deposits in member banks. | K. money order |
| _____ 12. An order to a bank not to honor a check that has been written. | L. National Credit Union Administration |
| _____ 13. The association that grants federal charters to qualified credit unions and insures accounts up to a set amount. | M. negotiable order of withdrawal account |
| _____ 14. A record of checks, ATM transactions, deposits, and charges on a bank account. | N. overdraft |
| _____ 15. An interest-bearing checking account. | O. stop payment |
| | P. traveler's checks |

Credit Account Application

BELK CREDIT APPLICATION				EMPLOYEE NO.	DATE	
Type of Account Requested:						
<input type="checkbox"/> INDIVIDUAL <input type="checkbox"/> JOINT						
PLEASE TELL US ABOUT YOURSELF						
FIRST NAME (TITLES OPTIONAL)		MIDDLE INITIAL	LAST NAME		AGE	
STREET ADDRESS (IF P.O. BOX — PLEASE GIVE STREET ADDRESS)				CITY	STATE	ZIP
<input type="checkbox"/> OWN	<input type="checkbox"/> LIVE WITH RELATIVE	MONTHLY PAYMENT \$	YEARS AT PRESENT ADDRESS	HOME PHONE NO. ()	NO. OF DEPENDENTS	
<input type="checkbox"/> RENT	<input type="checkbox"/> OTHER					
PREVIOUS ADDRESS			CITY	STATE	ZIP	HOW LONG
NAME OF NEAREST RELATIVE NOT LIVING WITH YOU			RELATIONSHIP	PHONE NO. ()		
ADDRESS			CITY	STATE		
NOW TELL US ABOUT YOUR JOB						
EMPLOYER OR INCOME SOURCE		POSITION/TITLE		HOW LONG EMPLOYED YRS. MOS.	MONTHLY INCOME \$	
EMPLOYER'S ADDRESS		CITY	STATE	TYPE OF BUSINESS	BUSINESS PHONE ()	
MILITARY RANK (IF NOW IN SERVICE)		SEPARATION DATE		UNIT AND DUTY STATION	SOCIAL SECURITY NO.	
SOURCE OF OTHER INCOME (Alimony, child support, or separate maintenance need not be revealed if you do not wish to have it considered as a basis for repaying this obligation)			SOURCE	INCOME \$	<input type="checkbox"/> MONTHLY <input type="checkbox"/> ANNUALLY	
AND YOUR CREDIT REFERENCES ARE						
NAME AND ADDRESS OF BANK/SAVINGS AND LOAN			<input type="checkbox"/> CHECKING <input type="checkbox"/> SAVINGS <input type="checkbox"/> LOAN	PREVIOUS BELK OR LEGGETT ACCOUNT? ACCOUNT NO. HOW IS ACCOUNT LISTED?		<input type="checkbox"/> YES <input type="checkbox"/> NO
List Bank cards, Dept. Stores, Finance Co.'s, and other accounts:	NAME		ACCOUNT NO.	BALANCE \$	PAYMENT \$	
				\$	\$	
				\$	\$	
				\$	\$	
INFORMATION REGARDING JOINT APPLICANT						
COMPLETE THIS AREA IF <input type="checkbox"/> JOINT ACCOUNT IS REQUESTED <input type="checkbox"/> YOU ARE RELYING ON SPOUSE'S INCOME OR CREDIT HISTORY TO OBTAIN CREDIT						
FIRST NAME	MIDDLE INITIAL	LAST NAME		AGE	RELATIONSHIP	SOCIAL SECURITY NO.
JOINT APPLICANT'S ADDRESS IF DIFFERENT FROM APPLICANT ADDRESS			CITY	STATE	ZIP	
JOINT APPLICANT'S PRESENT EMPLOYER			ADDRESS		HOW LONG EMPLOYED YRS. MOS.	
BUSINESS PHONE ()			POSITION/TITLE		MONTHLY INCOME \$	
YOUR SIGNATURE PLEASE						
I have read and agree to the Terms and Conditions of the Belk Retail Charge Agreement as set forth on attached. Belk is authorized to investigate my credit record and exchange credit experience with other creditors and Credit Reporting Agencies. This information is given to obtain credit, and is true and complete.				Store Stamp Below		
				FOR OFFICE USE ONLY		
Applicant's Signature _____ Date _____				Letter _____		
				CB. RPT. _____		
Joint Applicant's signature (required if joint applicant section completed) _____ Date _____				EMP. VER. _____		
				DATE		EMP. #

Understanding Credit Disclosures

Name _____ Date _____ Period _____

Refer to the credit disclosures in Figure 9-6 of the text as you answer the following questions.

1. What can you do to avoid paying any fees? _____

2. What is the regular APR? _____
3. How much does the APR go up after the introductory period? _____

4. What happens if you make two late payments over ten days past due within a six month period?

5. What is the minimum finance charge? _____

6. What are the annual fees? _____

7. How many days do you have to pay the balance in full without interest? _____

8. What is the fee for transferring a balance of \$1,750 from another credit card to this one? _____

9. How is the Prime Rate determined? _____

10. What method is used to compute the balance for purchases? _____

11. Why is it important to understand the disclosures before signing a credit agreement? _____

Calculating Finance Charges

	AVERAGE DAILY BALANCE (including new purchases)	AVERAGE DAILY BALANCE (excluding new purchases)
Monthly rate	1½%	1½%
APR	18%	18%
Previous Balance	\$400	\$400
New Purchases	\$50 on 18th day	\$50 on 18th day
Payments	\$300 on 15th day (new balance = \$100)	\$300 on 15th day (new balance = \$100)
Average Daily Balance	\$270*	\$250**
Finance Charge	\$4.05 (1½ × \$270)	\$3.75 (1½ × \$250)

* To figure average daily balance (including new purchases):

$$\frac{(\$400 \times 15 \text{ days}) + (\$100 \times 3 \text{ days}) + (\$150 \times 12 \text{ days})}{30 \text{ days}} = \$270$$

** To figure average daily balance (excluding new purchases):

$$\frac{(\$400 \times 15 \text{ days}) + (\$100 \times 15 \text{ days})}{30 \text{ days}} = \$250$$