

# General Business in Our Modern Society



Hopkins-Duff-Gades-Lytle

0114002



4990114002

# General Business in Our Modern Society

福州大學圖書館藏書印

**Charles R. Hopkins** University of Minnesota

**Thomas B. Duff** University of Minnesota, Duluth

**Robert E. Gades** University of Nebraska

**Dennis C. Lytle** Bowling Green State University

A GIFT OF  
**THE ASIA FOUNDATION**  
BOOKS FOR ASIA  
SAN FRANCISCO, CALIFORNIA, U.S.A.

美國亞洲基金會敬贈

Glencoe Publishing Co., Inc.

Encino, California

Copyright © 1979 by Glencoe Publishing Co., Inc.

Printed in the United States of America

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without permission in writing from the Publisher.

Glencoe Publishing Co., Inc.  
17337 Ventura Boulevard  
Encino, California 91316  
Collier Macmillan Canada, Ltd.

Library of Congress Catalog Card Number: 77-73296

ISBN 0-02-472860-8

2 3 4 5 6 7 8 9      83 82 81 80

# Preface

The private enterprise system can only be truly effective when all its participants are sufficiently informed to make intelligent decisions. In the private enterprise system, all sectors of the economy—business, labor, consumer, and government—have specific, interrelated roles and responsibilities. How each of these sectors operates affects not only the total economy, but each of the other sectors as well. Consumer decisions affect business decisions and are affected by business decisions. Business decisions influence government decisions and are influenced by government decisions. The actions of each sector often depend on the actions of the other sectors. Consequently, in order to make intelligent decisions, it is essential that all people have an understanding of the nature of these relationships and of the operation and scope of each economic sector.

## **OBJECTIVES**

The primary objective of *General Business in Our Modern Society* is to help students understand our private enterprise system and their relationship to it as citizens, consumers, and workers. After completing their study of this text, students should be able to demonstrate an understanding of the following:

- How intelligent decision making contributes to the general welfare of all.
- How business firms operate within the private enterprise system.
- How consumer demand affects what and how much goods and services are provided by the business and government sectors of the economy.
- How to develop and assert individual responsibility.
- How to develop personal economic competence.
- How to develop and use career decision making skills and job seeking skills.

## **ORGANIZATION**

*General Business in Our Modern Society* is organized into five major parts, each of which may be presented in whatever sequence best fits individual instructional needs. Part I examines the nature of our private enterprise system and the role business plays in it. Part II covers money, banking, and consumer credit. Part III focuses on consumer decision making and the management of personal finances. Part IV discusses methods of building financial security. And Part V points out job opportunities and suggests ways in which students may prepare for specific careers.

Each chapter is preceded by objectives that clearly identify student learning goals. The end-of-chapter activities have been constructed to measure student attainment of these goals as well as to reinforce the student's understanding of material presented in the chapter. Within the chapter itself, student comprehension is constantly challenged. New topics are introduced in small learning segments, and each of these segments is immediately followed by one or more thought questions. These questions require the student to consider what they have just read by relating it to personal attitudes and experiences. And in the classroom, the questions provide a stepping-off point for individual expression.



## **SPECIAL FEATURES**

*General Business in Our Modern Society* is based on classroom teaching experience and on extensive research that includes the study "Measurement of Personal Economic Understandings Developed in Basic Business," for which Dr. Thomas B. Duff received the Robert E. Slaughter Research Award. The contents of the text have been thoroughly tested to provide maximum benefit to both student and teacher.

For example, special attention was given to the reading level of *General Business in Our Modern Society*. Professional Resources Associates, Inc., computer-analyzed the text for reading difficulty. As a result of the analysis, difficult nontechnical terms, unnecessary technical terms, and complex sentence structures were adjusted. Technical terms that may be new to students but which are commonly used in business are defined at their first point of use and printed in color for quick reference.

Consistent with its primary objective of helping students understand our private enterprise system and their relationship to it as citizens, consumers, and workers, *General Business in Our Modern Society* places particular emphasis on career awareness and preparation. Individual chapters are devoted to such topics as career opportunities, career self-assessment, career preparation, and finding and keeping a job.

## **SUPPORTING MATERIALS**

*General Business in Our Modern Society* is by itself a self-contained instructional system. It is also the major component of a more comprehensive system that includes two student activity guides and a teacher's manual and key. Student Activity Guide I correlates with Chapters 1 through 22 of the textbook, and Student Activity Guide 2 correlates with Chapters 23 through 46. Each guide contains working papers for all text activities as well as supplemental activities for each chapter. The guides also contain integrated end-of-part projects that use mini-simulations, role playing, record keeping, budgeting, and career planning to reinforce student understanding of the major topics covered in each of the parts.

The fourth component of the system, the teacher's manual and key, contains a general methodology section, specific chapter-by-chapter teaching suggestions, recommended sources of additional information, transparency/duplicating masters, and a series of achievement tests, which can be either

duplicated in whole or used as a bank from which individual tests can be constructed.

### **ACKNOWLEDGMENTS**

In researching and preparing the manuscript for *General Business in Our Modern Society*, the authors enlisted the counsel of hundreds of teachers, administrators, and business-people. Although we cannot individually acknowledge here each of these contributions, we are deeply grateful for the guidance they provided. Special recognition, however, must be made to Gary R. Seiler, Chairperson, Department of Business Administration, College of St. Catherine, St. Paul, Minnesota, for his assistance with the end-of-part activities, as well as for his exhaustive review of the entire manuscript.

We would also like to acknowledge the help of certain individuals, business firms, organizations, and government agencies in reviewing specific portions of the manuscript for technical accuracy. Among these are Joseph G. Bonnice, Insurance Information Institute; James H. Hammil, Federal Reserve Bank of Minneapolis; American Council of Life Insurance; Credit Union National Association; and The New York Stock Exchange.

*Charles R. Hopkins*

*Thomas B. Duff*

*Robert E. Gades*

*Dennis C. Lytle*

# Contents

---

## **Preface      III**

---

### **PART ONE**

#### **The Private Enterprise Economy— Business and Government      2**

---

- 1 What Is Economics?      4**
  - 2 The Nature of Economic Systems      15**
  - 3 Features of Our Private Enterprise Economy      26**
  - 4 How Decisions Are Made in Our Private Enterprise  
Economy      39**
  - 5 The Economy: Performance and Problems      52**
  - 6 The Nature of Business      69**
  - 7 How Business Firms Are Organized      84**
  - 8 The Production Function of Business      102**
  - 9 The Marketing Function of Business      116**
  - 10 Government-Business Relationships      129**
  - 11 Government Services      143**
  - 12 Taxes and the Economy      158**
-



## **PART TWO**

### **Money, Banking, and Consumer Credit 176**

---

<b>13</b>	<b>The Purpose of Money</b>	<b>178</b>
<b>14</b>	<b>Banking in Our Economy</b>	<b>190</b>
<b>15</b>	<b>Using a Checking Account</b>	<b>207</b>
<b>16</b>	<b>Making Payments by Check</b>	<b>221</b>
<b>17</b>	<b>Other Ways of Making Payments</b>	<b>238</b>
<b>18</b>	<b>Credit in Our Economy</b>	<b>250</b>
<b>19</b>	<b>Getting and Using Credit</b>	<b>263</b>
<b>20</b>	<b>Charge Accounts and Credit Cards</b>	<b>279</b>
<b>21</b>	<b>Installment Sales Credit</b>	<b>294</b>
<b>22</b>	<b>Cash Credit</b>	<b>308</b>

---

## **PART THREE**

### **Consumer Decision Making and Money Management 324**

---

<b>23</b>	<b>The Consumer In our Private Enterprise Economy</b>	<b>326</b>
<b>24</b>	<b>Consumer Decisions</b>	<b>335</b>
<b>25</b>	<b>Planning For Consumer Spending</b>	<b>347</b>
<b>26</b>	<b>Accounting for Consumer Spending</b>	<b>358</b>
<b>27</b>	<b>The Consumer in a Marketplace</b>	<b>373</b>
<b>28</b>	<b>Becoming a Skillful Consumer</b>	<b>385</b>
<b>29</b>	<b>Sources of Consumer Information</b>	<b>400</b>
<b>30</b>	<b>Common Consumer Contracts</b>	<b>413</b>
<b>31</b>	<b>Protecting Consumer Rights</b>	<b>427</b>

---

## **PART FOUR**

### **Building Financial Security      440**

---

- 32 Protecting Against Economic Loss      442**
  - 33 Automobile Insurance      456**
  - 34 Life Insurance      472**
  - 35 Health Insurance      487**
  - 36 Income Security Insurance      502**
  - 37 Insurance for the Home      514**
  - 38 Saving and Investing      525**
  - 39 Savings Accounts and U.S. Savings Bonds      535**
  - 40 Stocks and Bonds      550**
  - 41 Other Types of Investments      563**
- 

## **PART FIVE**

### **Planning Your Career      572**

---

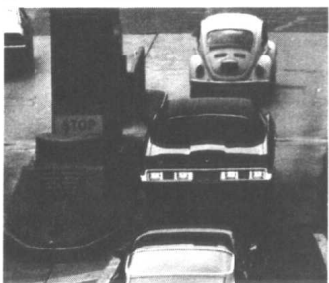
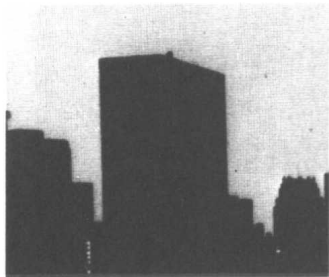
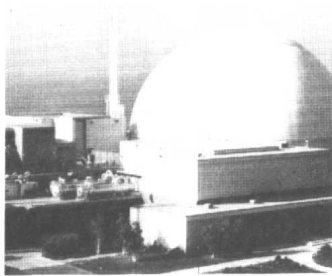
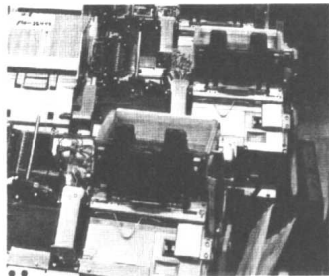
- 42 Careers Today      574**
  - 43 Your Career Potential      587**
  - 44 Preparing for a Career      604**
  - 45 Finding and Keeping a Job      615**
  - 46 Labor Unions and Collective Bargaining      632**
- 

**Index      652**

Part One

# **THE PRIVATE ENTERPRISE ECONOMY— BUSINESS AND GOVERNMENT**





# Chapter 1

---

## What Is Economics?



## Objectives

After completing your study of this chapter, you will be able to do the following:

1. Define the word *economics*.
2. Identify and discuss the basic economic problem.
3. Give examples of goods and services and know the difference between the two.
4. Define and discuss what is meant by economizing.
5. Define and describe the economic activities of production, distribution, and consumption.

When you hear the word *economics*, what does it bring to mind? Do you think of long, confusing definitions and hard-to-follow formulas? You shouldn't, because economics is part of your everyday life. It is concerned with all of the things related to how people go about getting what they need and want. Let's take a typical example. Suppose you want a new pair of shoes. First you find a store that carries the kind you want, and then you decide to buy them. It seems simple enough. But you might ask yourself the following questions:

- Where did the materials from which the shoes were made come from?
- How were the shoes made? By whom?
- Why did the manufacturer choose to make this particular shoe?
- How were size, color, and style decided?
- How did the shoes get from the factory to the store?
- Why did the shoes cost as much as they did?
- Where did you get the money to buy the shoes?

Can you supply complete answers to these questions and others like them? If you can, you know quite a lot about economics already. Look at each question again. Note that the answer to each question involves people. In every case, somebody did something. You are able to buy the shoes you want because someone designed them and made them. Someone packaged them, shipped them, delivered them, and priced them. And, finally, someone sold the shoes to you. *Economics*, then, is the study of how people produce, distribute, and consume the things that satisfy their wants.

## **THE BASIC ECONOMIC PROBLEM**

What are wants? *Wants* are the desires for all types of things that people feel will make life better for them. Every person has wants. Suppose you were to list the wants of every man, woman, and child in the nation. You would realize quickly that people have more



wants than it is possible to satisfy. That is, there are not enough resources available to satisfy everyone's wants. Economists usually refer to this as the *basic economic problem*.



Do you think you could ever prepare a *complete* list of wants for yourself? Explain your answer. Do you think you could ever satisfy all your wants? Why?

---

### Unlimited Wants

If you were to examine your list of wants carefully, you would realize that you could continue to add wants each time you looked at the list. Your wants are unlimited and never-ending. As you satisfy some wants, new wants take their place or the same wants occur again. Your wants for food, clothing, and medical care are examples of wants that occur again and again. New wants can take various forms. As you grow older, you will have wants that differ from those you have today. New products are developed, and changes are made in products already on the market. When your grandparents were your age, they did not want electronic calculators, color televisions, or ten-speed bicycles. Nor did they want the services needed to maintain these things, because these things were not available. As more and different kinds of products become available, wants change. As the overall population of the world expands, there are more people who have wants to satisfy. People have unlimited economic wants. Therefore, they must organize ways and means to carry on economic activities and make economic decisions so that they can best satisfy their wants.

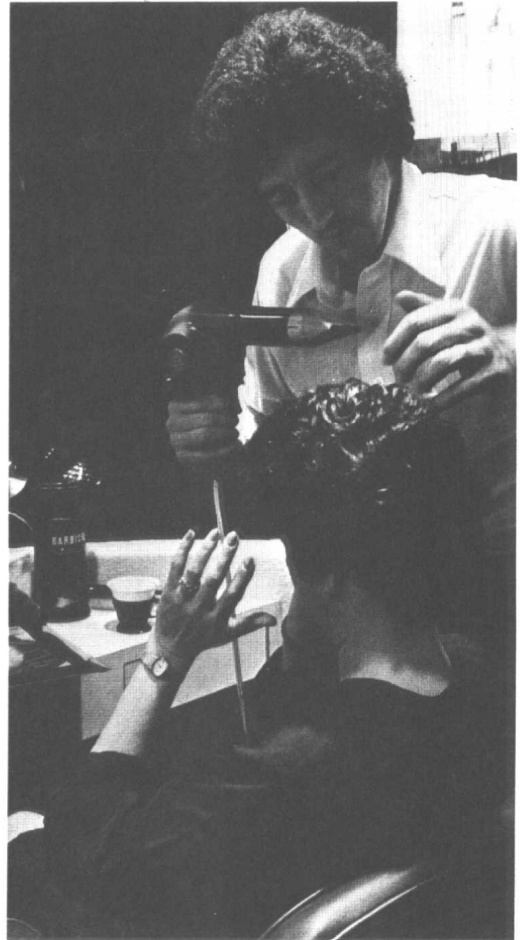


Why do you think different persons have different wants? What factors determine or affect the type of wants a person has?

---

**Goods and Services** Economic wants are satisfied by goods and services. *Goods* are material things that people are willing to pay for. They include such things as clothes, cars, records, skis, books, pencils, city water, soap, food, houses, and candy. People are willing to pay for them because they can be used to satisfy their wants.

Some things such as the air you breathe, the heat of the sun, and the water of a mountain stream also satisfy your wants for material things. But they would not be thought of as goods because you don't have to pay for them.



Our economic wants are satisfied by goods and services. (Monkmeyer; Lejeune/Stockmarket, Los Angeles)

*Services* are the nonmaterial things for which people are willing to pay. They include work done by doctors, dentists, lawyers, teachers, actors, street cleaners, bus drivers, and the like. Secretaries, salespersons, teachers, social workers, police, and fire