

Economic Issues for Consumers

Seventh Edition



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A study guide has been developed to assist students in mastering the concepts presented in this text. It reinforces chapter material by presenting it in a concise format with review questions. An examination copy is available to instructors by contacting West Publishing Company. Students can purchase the study guide from the local bookstore under the title *Study Guide to Accompany Economic Issues for Consumers*, Seventh Edition, prepared by M. Barbara Killen.

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Preface

As the end of the twentieth century draws near, we can look back over the past hundred years and realize how much the lives of American consumers have changed. At the beginning of this century our society was primarily rural. We were still using horses and buggies. Women had not yet obtained the vote in federal elections. Heavier-than-air flight was only a dream in the minds of the Wright brothers. Taking spaceships to the moon was the topic of science-fiction novels. Although the telephone existed, there were fewer than 20 for every thousand people in 1900. Electricity had found its way into less than 5 percent of all houses. Radio, television, VCRs, tape recorders, and even movies had yet to be invented. Today we take these products and many more for granted. It is safe to say that no other hundred-year period in the history of civilization has witnessed such profound and socially transforming technological change.

What does this mean to our nation's consumers? It means we face a more complex world and more difficult consumer decisions every day. In at least one important aspect, however, consumer decision making is the same today as it was a hundred years ago. All consumers, everywhere on earth, and at all times, are, have been, and will be, faced with limited resources. Regardless of the point in time, consumers have to make choices in how to spend their limited income. We assume throughout this text that all consumers have the common goal of achieving a higher quality of life through the choices they make.

In the seventh edition of *Economic Issues for Consumers*, major topics have been added or expanded because they are more important today than they were in the past. Ethical questions are arising more often, and they are given prominent discussion in the pages that follow. The global nature of our economy is causing rapid changes in the types of decisions consumers must make. Accordingly, an entire new chapter is devoted to consumerism and environmental problems. The ongoing crisis in banking is examined in another chapter. Another directs attention to choosing medical care and obtaining affordable medical insurance. The process of selecting a lawyer and the ethical question of what type of advertising is appropriate for children are among other new topics in this edition. Actually, the list of new areas of concern that are examined in this text would go on for pages. It is fair to say that the most important consumer issues of our day are covered.

The Format of the Book—Chapters and Issues

You will notice the format of this book lends itself to easy use and understanding. It presents major topics of consumer economics in chapter form. Most of these chapters are followed by one or more Consumer Issues. To a

Updated Chapters and Consumer Issues

Other chapters and Consumer Issues in *Economic Issues for Consumers* have been updated to make sure that the text, tables, graphs, charts, and references are as current as possible. Important changes and additions include the following:

Chapter 3, **“Rational Consumer Decision Making,”** includes a section on time management to help students learn how to budget their time.

Chapter 8, **“You Have to Live with What You Have,”** discusses special budgeting problems faced by college students.

Chapter 10, **“The \$600+ Billion American Diet,”** reports on costs and benefits of new food labeling regulations that were mandated by the Food and Drug Administration in 1992 to be effective in 1994.

Chapter 13, **“The Appliance Society,”** has been expanded to include useful information on choosing furniture.

Chapter 14, **“Getting There Is Half the Worry,”** provides suggestions for how consumers may benefit from using public transportation when available instead of private automobiles.

Chapter 15, **“Banks and the Banking System,”** has a new section that describes the savings and loan disaster and how it has affected choices American consumers make.

Chapter 19, **“The Health-Care Dilemma,”** discusses the concept of shared risk and how the rising costs of medical care have increased this risk and also, therefore, medical insurance premiums.

Chapter 21, **“Life Insurance and Social Security,”** explains methods consumers can use to determine the financial stability of companies from which they might purchase life insurance.

Chapter 22, **“Your Retirement Years,”** includes a new section devoted to enhancing the quality of retirement years by achieving financial security and participating in activities that add meaning to older consumers’ lives.

New Consumer Issues

Four new Consumer Issues have been added. The Issue, **“Children’s Advertising,”** following Chapter 5, **“A Flood of Advertising,”** discusses business and ethical considerations of advertising directed at children. It also shows how parents can use these advertisements as a vehicle for teaching consumer skills to their children.

“Budgeting Time for Recreation and Leisure” now follows Chapter 8, **“You Have to Live with What You Have.”** This issue considers the tradeoff consumers make when they use their time and earnings for recreation. It emphasizes the importance of planning ahead to make the best use of leisure time.

“Purchasing Medical Care,” follows Chapter 19, **“The Health-Care Dilemma.”** This issue provides extensive information and advice on choosing health-care providers, hospitals, or nursing homes. This issue is likely to be particularly useful to students in light of the rapid increase in the cost of medical care and the growing difficulty of obtaining affordable medical insurance.

The final new issue is **“Choosing a Lawyer,”** which follows Chapter 22, **“Planning for Your Retirement Years.”** This issue deals with many of the situations in which consumers need legal advice. It emphasizes the fact that not every such situation requires the services of a lawyer, and it suggests other sources of legal assistance. The issue provides advice on ways to select a

lawyer when necessary, and on how to develop a relationship with a lawyer that is beneficial and no more expensive than need be.

Two New Features

New “boxed” features have been added to many of the chapters. **“The Global Consumer”** shows how consumers are affected by international trade and events in other nations. **“The Ethical Consumer”** demonstrates how personal ethics influences decisions consumers make. These boxed features are similar to the **“Consumer Close-Ups”** that were introduced in the sixth edition, and which have been revised and expanded in the seventh edition.

Pedagogical Aids

Students will find a number of pedagogical aids in both the chapters and Consumer Issues. Each chapter begins with a “Preview,” a set of questions that indicate to the reader that will be covered. To introduce new terminology and to allow the reader to follow the text more meaningfully, **“Key Terms”** appear in boldface type when they are first used. They are then defined in the margin of that page. In the seventh edition, these terms are again listed and defined in a **“Glossary of Terms”** at the end of the text.

At the end of each chapter, there is a point-by-point **“Summary”** that can be used for review. The **“Questions for Thought and Discussion”** that follow the summary may be used as the basis for class discussion or as the basis for individual thought or even group work without the direct aid of the instructor. **“Things to Do”** lists projects that a class can do as a group or that individuals can do on their own at the request of the professor. The **“Application”** allows students to take concepts they have studied in each chapter and apply them in their own lives or in their communities. These activities are intended to demonstrate practical applications for knowledge gained in this course. Finally, **“Selected Readings”** presents additional sources of reading for those who wish further information on subjects covered within the chapter or issue.

The Consumer Issues have basically the same pedagogical devices, except that the glossary terms are presented and defined at the opening of the issue instead of in the margins of the pages on which they first appear, and there is no chapter preview or application activity.

Other Useful Changes or Additions to the Seventh Edition

You will notice a wide use of illustrative materials—photographs, charts, and tables. Visualization of certain ideas not only aids students in understanding the material but also makes the task of reading the text more enjoyable. All illustrations are referred to directly in the text, or they have captions that include critical-thinking questions to relate them to the topics being discussed in the text.

Supplementary Materials

A practical and easy-to-understand *Student Study Guide* has been provided by M. Barbara Killen. Students using it will find the material interesting and well presented. The workbook will also allow students to apply the principles of rational decision making to practical problems.

The *Instructor's Manual* by Judy Farris includes a summary for each chapter and Consumer Issue, an increased number of test items, and a current list of resource ideas.

Acknowledgments

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It goes without saying that we are extremely appreciative of the tremendous help that the above reviewers provided to us. Without them, this seventh edition would not be as complete and accurate as we believe it now is.

We have found through the years that the best way we can improve on what we write is by soliciting the comments of those who use our texts. We therefore stand ready to answer any and all comments, criticisms, or questions relating to what follows in this book. It is with the help of those who want the best for their students that we can find out what is best for the ultimate reader of *Economic Issues for Consumers*.

To The Student

Your text, *Economic Issues for Consumers*, provides you with a foundation of information that will help you gain valuable and useful knowledge from the course you are taking. Although this text contains substantial factual data and describes many specific law and consumer protection regulations, its greatest value lies in the practical advice it offers to help make your own consumer choices. Much of what you learn from this text will have immediate and beneficial application to your personal life.

To use this text to best advantage, you should read the "Preview" questions that are found at the beginning of each chapter. These provide a general idea of the content of the chapter. You should then read the assigned material, taking notes of topics that you would like more information about, that you do not understand, or that have particular significance for you. Use these notes as study aids and as the basis for participating in classroom discussions. Your professor is well qualified to provide you with additional information, but he or she needs you to identify the areas that you find most interesting or challenging.

Economic Issues for Consumers is a tool that will help you gain useful knowledge and skills, but it is only a tool. The value you receive from this text, and from your class, to a large extent depends on you and the amount of effort you put into your study of consumer economics.

ADS

Lewiston, NY, 1993

large extent, the Consumer Issues offer more practical advice than do the chapters. For example, after discussing fraud in the marketplace in Chapter 6, Consumer Issue E outlines measures individuals can take to protect themselves against fraud in a specific area of the marketplace—auto-repair services. As another example, following the chapter on health care, an issue suggests specific steps consumers can take to choose doctors and other health-care providers.

Key Changes For The Seventh Edition

So much has happened since the publication of the sixth edition that a large number of changes were necessary to provide the most up-to-date information possible in a usable format for students who want to be rational consumers.

New and Significantly Revised Chapters

The first chapter, “**The Consumer in Our Global Economy**,” has been significantly revised to provide a more extensive foundation in basic economic understanding. It also explains how our economic system is related to events in other countries. It begins a discussion of the global nature of our economy which is a recurring theme throughout the seventh edition.

Chapter 4, “**Environmentally Responsible Consumer Behavior**,” has been added because of our growing awareness of the need to protect the environment we live in. It includes discussions of the following topics:

- ▶ The scope of our environmental problems.
- ▶ How advancements in technology have contributed to the growth of environmental problems.
- ▶ The global nature of most of our environmental problems.
- ▶ The choices that individual consumers can make to help limit damage to our environment and protect it for the benefit of present and future generations.

Chapter 7, “**The Consumer as a Wage Earner**,” includes a new section on inflation that emphasizes how price increases change what consumers’ wages will buy. It explains how the consumer price index is determined, and how it can be used to measure consumers’ real income and purchasing power. This chapter also presents information that concerns the impact of the Civil Rights Act of 1991 on American workers and employers.

Chapter 9, “**Paying for Government**,” is now followed by a consumer issue that discusses how taxpayers may choose appropriate forms to use when filing federal income taxes. It explains the differences between forms 1040 EZ, 1040 A, and 1040. Although this issue cannot provide a comprehensive explanation of how to complete tax returns, it does help students build a foundation of understanding that will allow them to ask informed questions and know where to look for further information.

Chapter 23, “**Consumers in a Changing World**,” presents topics related to the many ways that new technology is changing our lives. It is similar to the chapter on technology in the sixth edition but has a new focus. This focus is on the continuing need of consumers to learn and stay aware of changes in technology. Consumers must stay up-to-date to maintain their standard of living, and to continue to be able to make rational consumer decisions. The point is made that students should not regard consumer economics as a body of knowledge one acquires, but as an ongoing process that never ends in our changing world.

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