110A

Put together a dinner for Martin and his friends, spending no more than $9 and using only the

- pasta sauce
- cereal
- toothpaste

Comparison Shopping

8.
7.
6.

Vegetable Group Work Stage 1:

1.

Discuss how the following factors affected your

- Drive more than 15,000 miles each year.
- Don't want to deal with a trade-in or selling a
- Car when it's time for a new one.
- Buy a new car every two or three years.
- Drive about 15,000 miles a year.

B U Y I N G T H E N E C E S S I T I E S

What is the unit cost of each brand?

- Regularly $3.00 ea.
- Macaroni & Cheese 4 boxes for $1.00
- One Can for $2.99
- 11-ounce Can of Coffee 3/$5.00

The label on a box of instant mashed potatoes reads: "serving size: 1/2 cup; servings/container: 24." The box

Would you buy instant potatoes or make mashed potatoes from scratch? Why?

10% part-timers have employer-provided pensions, versus

part-time workers get employer-provided health care,

becoming "contingent workers"—part-timers, tempo-

raries and freelancers (a.k.a. independent contractors).

It may well be in the process of reducing its full-time, or

posable workers, the ultimate in just-in-time inventory

It becomes "the most effective tool for curbing the worst

mishandling of our economic system." That's the view of

Some observers, like Virginia duRivage, a consultant

on increasing number of people, mostly women, are

Critical to future prosperity. The big question is: Can it

Review and Reinforcement

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BUYING THE NECESSITIES

USING KEY TERMS

An advantage of home ownership is

1. People who are able to use or store large quantities of bulk food items can save money by shopping at

2. Buying only a few durable clothes would reduce a person’s clothing budget, but would not fulfill the

3. According to the table, what is the highest cost of a house that someone earning $54,000 a year could

4. Study the chart and answer the questions below.

5. How does the price of clothing today compare to the price of clothing 70 years ago?

6. Making Predictions

7. Match each item in Column A with the items in Column B. Write the correct

8. Write the letter of the choice that best completes

9. In the blank at the left, write the letter of the choice that best completes

10. Directions:

11. You and your students can visit tx.ett.glencoe.com—the Web site companion to Economics Today and Tomorrow. This innovative integration of electronic and print media offers your students a wealth of opportunities. The student text directs students to the Web site for the following options:

12. Answers are provided for you in the Web Activity Lesson Plan. Additional Web resources and Interactive Puzzles are also available.

13. Use the Glencoe Web site for additional resources. All essential content is covered in the Student Edition.

14. Additional Resources

Reading for the Student


Reading for the Teacher

## Section Resources

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- What are the advantages and disadvantages of shopping at club warehouse stores?  
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| **Section 4**  
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- What are the trade-offs when buying a vehicle?  
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ExamView® Pro Testmaker |

*Also available in Spanish
Driving to Work

In this activity, students “find a job and buy a vehicle.” First, students describe a job that is of interest to them and explain what actions they need to take to be qualified for this job. Have students write to a potential employer and obtain a job application. Copy the various applications and have students practice filling them out.

Next, students should “buy” a vehicle. Have students summarize in a paragraph the type of car they want. Then have them research the down payment, interest rates, monthly payments, and insurance costs of their chosen vehicle. Encourage them to visit a car lot and speak to a sales representative. If possible, have students obtain quotes on the Internet. **ECON: 5A-8, 11A, 23A, 27A**

### Key to Ability Levels

Teaching strategies have been coded for varying learning styles and abilities.

- **L1 BASIC** activities for all students
- **L2 AVERAGE** activities for average to above-average students
- **L3 CHALLENGING** activities for above-average students
- **ELL ENGLISH LANGUAGE LEARNER** activities

### Resources Available from NCEE

- Capstone: The Nation’s High School Economics Course
- Personal Finance Economics: Wallet Wisdom
- Focus: High School Economics
- Personal Decision Making: Focus on Economics

To order these materials, or to contact your State Council on Economic Education about workshops and programs, call 1-800-338-1192 or visit the NCEE Web site at [http://www.nationalcouncil.org](http://www.nationalcouncil.org)
Introducing CHAPTER 5

Chapter Overview

Chapter 5 explains or describes the value of comparison shopping for food, how to obtain the best value in clothing for the price, the advantages and disadvantages of buying or renting a home, and the costs of buying a vehicle.

Why It’s Important

What are the costs of owning a car? How much should you budget for clothes and food? Should you rent or buy a house? This chapter will help you learn to shop wisely for the necessities.

CHAPTER LAUNCH ACTIVITY

Tell students to imagine that a friend has asked for advice on buying a new outfit for school. Mention that the friend has $120 to spend. Then lead a discussion with students on how they would help the friend. Suggest that they draw up a list of questions they might ask the friend about style, quality, durability, and comfort of the clothing desired. Point out that in this chapter they will learn that consumers need to answer such questions when purchasing clothes.

ECON: 3A, 23A, 258
Buying the Necessities

**SECTION 1\_ RESOURCE MANAGER**

**Reproducible Masters**
- Reproducible Lesson Plan 5–1
- Reading Essentials and Study Guide 5–1
- Guided Reading Activity 5–1
- Section Quiz 5–1
- Daily Focus Activity 34
- Daily Lecture Notes 5–1

**Multimedia**
- Daily Focus Transparency 34
- Vocabulary PuzzleMaker CD-ROM
- Interactive Tutor Self-Assessment Software
- ExamView® Pro Testmaker
- MindJogger Videoquiz
- NBR’s Economics & You
- Presentation Plus!
- Economic Survival: A Financial Simulation

**CHAPTER 5**

**SECTION 1, Pages 111–115**

**1 Focus**

**Overview**

Section 1 explains or describes the basic principles of comparison shopping, the differences among brand-name, generic, and private-labeled products; and the trade-off among price, quality, and quantity in shopping for food.

**BELLRINGER**

Motivational Activity

Project Daily Focus Transparency 34 and have students answer the questions.

Available as blackline master.

**FOCUS ACTIVITIES 34**

**CONSUMER DECISIONS: STORES**

1. From this photograph, what can you deduce about brands and merchandise selection in this store? What merchandise might you find here in addition to food?

2. Have either you or your parents ever shopped at this type of food store? Why did you choose to shop there rather than at another type of store?

Answers will vary. For example, the store probably has a wide selection of merchandise and many brands. The store might carry drug and beauty supplies, cleaning products, pet supplies, flowers, some clothing, magazines, some auto supplies, tapes, and videos.

Answers are likely to include references to greater selection and/or lower prices.
A consumer should do only as much comparison shopping as is worthwhile, however. It does not pay a shopper to go far out of his or her way to shop at a store that has only a few needed items at low prices. Such savings would be outweighed by the additional costs of time and transportation.

Remember, your time has an opportunity cost. The more time you spend comparison shopping for food, the less time you have to do anything else. Reading advertisements is a timesaving, inexpensive way to comparison shop. Food store ads describe sales and often contain cents-off coupons. Figure 5.1 lists this tip as well as other suggestions to follow in your food shopping.

Trade-Offs in Food Stores

Americans typically do their food shopping in either supermarkets or club warehouse stores, such as Costco. These stores usually sell a limited number of brands and items, but they often sell them by the case. Warehouse stores typically charge the lowest prices for food.

Meeting Special Needs

Reading Disability  Even students with adequate decoding and sight word skill development may have reading comprehension problems. To assess students’ abilities to comprehend the text, make a copy of page 113. On this copy, delete every sixth or seventh word in two paragraphs. Provide students with copies of these adjusted paragraphs and ask them to fill in the deleted words. Students who enter the correct words or synonyms of the correct words demonstrate good comprehension.

Refer to Inclusion for the Social Studies Classroom Strategies and Activities for students with different learning styles.
Occasionally, you may want to use a convenience store, such as 7-Eleven, for just that reason—because it’s convenient. They are usually open 16 to 24 hours a day, but carry a limited selection of items. The trade-off here is that you may be saving time to buy a few items you need, but you will pay a relatively higher price than you would elsewhere.

Although club warehouse stores offer the largest potential savings for your food dollars, there is a trade-off. Most food items come only in relatively large-quantity containers. So you may end up buying a “value-pack” of soups that has 24 cans, for example. Unless your family is large and eats canned soup regularly, you will have unused cans of soup in your cupboard. Therein lies an opportunity cost. You have tied up your funds in an inventory of food. Although the lost interest on those funds may not be great in any single week, it can add up to a significant amount over a several-year period.

In contrast, a large inventory can be a benefit. When you have a relatively well-stocked cupboard of food items, you do not have to return to the store to buy food so often. Thus, you save in time and the costs of transportation.

**Brand-Name Products Versus Private-Labeled Products**

When you go shopping in virtually any food store, many of the food items have well-known brand names. Some food stores also carry regional brands that are found only in certain areas of the country.

As an alternative to expensive national brands, some big supermarket chains, as well as club warehouse chains, carry their own store-brand products. These are also called private-labeled products. According to some consumer surveys, it is possible to save as much as 40 percent by buying store-brand (private-labeled) products. As shown in Figure 5.2, you can save even more when you buy generic or bulk items.

**Generic and Bulk Foods**

Some food products are available in brand-name, store-label, generic, or bulk form. Generally, price decreases in that order.

What is the difference between private-labeled products and generic products?
Unit Pricing

Trying to compare the prices of different amounts of a product—one gallon of Product A versus one half-gallon of Product B—can be confusing. Unit pricing allows you to compare like amounts: ounces to ounces, pounds to pounds, and so on.

The Trade-Off Between Quality, Price, and Quantity

There is often a trade-off between quality and price in the products you buy. A lower-priced generic dishwasher soap might leave a slight film on your drinking glasses, for example, compared to a more expensive national-brand alternative.

Often you will find that the larger the quantity of any item you buy in a supermarket, the lower the per-unit price. Most states require stores to provide unit pricing for food and other products. See Figure 5.3. This practice makes it easy to compare prices not only for different brands, but for different sizes of the same brand. For example, the price of milk might be expressed in terms of cents per ounce. You can then tell how much you save per ounce if you buy milk in larger containers.

Cents-Off Coupons

Many manufacturers give cents-off coupons. To take advantage of them, a consumer has to buy the brand, size, and quantity named on the coupon. The store then reduces the price paid by the amount printed on the coupon. The manufacturer, in turn, pays that amount to the store.

If you make a habit of using coupons, you can reduce your food bill by more than 10 percent over a one-year period. The use of cents-off coupons, however, requires time—the time to collect and match them to items when shopping. Because time is a scarce resource, you have to decide if the money you save using coupons is worth the time you spend. In addition, coupons tempt you to buy brand-name products you might not otherwise buy—thus not saving you money at all.
Economic Connection to... MATH

Do Coupons Add Up to Savings?

You have a problem. Spread out on the table in front of you are half a dozen discount coupons for breakfast cereal. The discounts offered range from $.75 to $1.50. Which discount coupon will you choose?

The majority of studies of consumer behavior suggest that the answer is simple. The larger the discount, the more likely consumers are to clip and use the coupon. A recent study, however, suggests that the answer may not be so straightforward.

Most subjects in this study seemed to think that the size of the discount was an indication of price. The products featured on coupons offering greater discounts, study subjects felt, probably were very expensive. Consumers, therefore, may not clip and use a coupon offering a large discount because they feel it might not result in real savings.

Advantages: large potential for savings, buying in bulk saves time and transportation costs; Disadvantages: ties up funds in food inventories, limited brands.

Applying Economic Concepts

4. Trade-Offs Do you think using cents-off coupons is worth the time spent clipping and matching them to products that you might buy? Why or why not?

Critical Thinking Activity

5. Making Comparisons List your five favorite foods. Then visit five different food stores, or scan food advertisements in newspapers or on television commercials, and compare the prices of your listed items at each store. Explain why you think the stores had similar or different prices for each item.

Buying the Necessities 115
Background

You might mention that Lloyd Ward was recognized by his alma mater in 1998 when the Michigan State University Alumni Association presented him with the Distinguished Alumni Award. This honor is given to Michigan State alumni who have made exceptional contributions to life in the United States.

Teach

Draw students’ attention to Ward’s approach to failures. Then point out that Ward feels that not punishing people for failures is not enough. Rather, he feels that redefining failure requires building a “framework for people to feel the room to explore, take risks, and innovate.” Conclude by asking students how they think this approach might affect the morale of workers at Maytag. 

**ECON:** 19D, 23A, 23D

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**Lloyd Ward**

**ENTREPRENEUR (1950–)**

In the 1969–1970 season, Lloyd Ward captained the Michigan State University men’s basketball team. His ability to motivate his teammates quickly became apparent. Ward continued to exhibit leadership qualities as he rose through the ranks of the business world. During his time at Maytag, Ward has become known as a team builder. He believes that motivated workers can help to get customers excited about the company’s products:

“The focus [at Maytag] before was never disappoint the consumer, satisfy the consumer, be out there with a reliable, dependable product. Now we think of ‘wowing’ the customer, exceeding their expectations, and providing them with fundamental new benefits they are willing to pay for.”

Such a drastic change in approach involves giving up old and familiar ways of doing business. Persuading workers to adopt new ways, Ward believes, must be undertaken in a positive fashion:

“The challenge within our company is not so much people accepting new ideas as having them forget old ideas. A compelling vision provides a context to let go of tradition and the way things were done before so they can look at new things.

You need to celebrate your failures as much as your successes. Said another way, you need to redefine failure as a learning experience. Everything you do is an opportunity to deepen focus and get better understanding, so you can do significantly better in your next try.”

**Checking for Understanding**

1. What does Ward mean by “wowing” the customer?
2. Why does Ward think that people should celebrate their failures as much as their successes?

**Answers to Checking for Understanding**

1. By “wowing” the customer, Ward means providing products that exceed customers’ expectations and that provide customers with new benefits.
2. Ward thinks that people should celebrate their failures by redefining failure as a learning experience. By doing this, Ward suggests, people deepen their focus and improve their understanding, enabling them to do significantly better the next time.
Buying the Necessities

Terms to Know
• durability
• service flow

Reading Objectives
1. What three factors determine clothing value?
2. When should you take advantage of clothing sales?

Americans spend about $400 billion annually on clothing and other personal products. Most people could save considerable income by purchasing only a few very durable pieces of clothing. The clothes, however, would not serve another purpose—variety. In this section, you’ll learn that variety, for Americans, is typically the motivating factor involved in clothing choice.

Comparing Clothing Value
Comparison shopping is an important part of buying wisely. Comparing value in clothing means more than simply purchasing an item from the store that offers the best price. Clothing value depends on at least three other factors: style, cost of care, and durability. See Figure 5.4 on page 118.

Answer the questions in the Reader’s Guide on page 120.

Preteaching Vocabulary questions are on page 120.

Vocabulary PuzzleMaker
2 Teach

Guided Practice

L1 Applying Ideas  Have students list 5 to 10 items of their favorite clothing from their wardrobes. Then ask students to evaluate each item of clothing in terms of durability, style, and cost of care. Call on volunteers to present their results and explain why they purchased the various items of clothing.  

ECON: 23A, 23D

Daily Lecture Notes 5-2

Daily Lecture Notes
Lesson 5-2

LECTURE LAUNCHER

What should you look for when shopping for dry cleaning for the newly cleaned denim jeans that have to be washed as each piece fades? Why might you want to select a shoulder bag for another handbag that you are considering? Why might the style of a woman's summer dress be important?  

PAGES 1-2

6. Comparing Clothing Value

A buying current style, which tend to change each year, can be expensive because new clothes must be bought annually.

B. Buying classic style, which are ever-bad, and do not change in as much, will help your clothes last longer, saving money.

C. Durability is how well something lasts over time. A person may be able to buy clothes that must be hand washed or dry cleaned versus machine washable.

D. Service flow is the amount of time you get to use the product and the value you place on its use. When you purchase an item of clothing, you are determining how long an item will last and how long you will need it. Then you should compare prices. Suppose you think Coat A will last twice as long as Coat B, and Coat A costs only 20 percent more. Coat A, then, is a better buy.

Durability

When comparison shopping for clothing, you should try to determine how long an item will last and how long you will need it. Then you should compare prices. Suppose you think Coat A will last twice as long as Coat B, and Coat A costs only 20 percent more. Coat A, then, is a better buy.

B. Cost of Care

Dry-cleaning costs can vary widely, from $3 per shirt to $10 for a skirt or sweater.

Cost of Care

Service flow can reduce the amount of time the clothing is available to be worn. For example, the cost of care involved in clothing that must be hand washed or dry cleaned versus machine washable.

Durability

When comparison shopping for clothing, you should try to determine how long an item will last and how long you will need it. Then you should compare prices. Suppose you think Coat A will last twice as long as Coat B, and Coat A costs only 20 percent more. Coat A, then, is a better buy.

Meeting Special Needs

Poor Math Skills  Some students may have trouble calculating savings on items offered in clothing sales. Inform them that they can use the following equation to find the dollar savings on a sale item:

\[ R \times P = S \]

Demonstrate how to use the equation with this example: If a store advertises 25 percent off a $40 blouse, what is the savings? \[ 0.25 \times 40 = 10 \]  

Refer to "Inclusion for the Social Studies Classroom Strategies and Activities for students with different learning styles."
Cost of Care  The cost of care is another factor in assessing value. Two shirts or blouses may cost the same, but one may require dry cleaning, which is more expensive than hand or machine washing. When deciding on the best choice in a clothing purchase, you must consider maintenance costs.

More for Less  
By value shopping, consumers can help themselves in budgeting clothing allowances. It is worth noting, however, that the cost of clothing has decreased significantly over the years. Seventy years ago, a good suit cost about $40. It took an average consumer almost 80 hours to earn enough income to buy that suit. Today a comparable suit sells for just over $500, but costs the average worker the equivalent of 40 hours of work. Over the past 100 years, a pair of name-brand jeans has fallen in work-time cost by more than half. This means that clothing basics cost much less than they did in the early 1900s. See Figure 5.5.

Clothing Sales  Although a smaller percentage of one’s budget goes to clothing purchases now than in the past, it is still the wise consumer who buys clothing on sale. Because clothing sales are so numerous throughout the year, however, it is easy to become a bargain fanatic—buying sale items just because they are on sale. Before going shopping, make a list of the clothing you require. Having this list along may help you keep your spending within limits. It is wise to determine your wants as well as your realistic needs before shopping at any sale. Figure 5.6 on page 120 can help you evaluate these wants.
In deciding on clothing purchases, ask yourself the following questions:

1. What do I already have? Check the condition of the clothes you have, and see what you want to replace.

2. What clothes do I wish to have for school? For my job? For my social life? For recreational activities?

3. How many changes of clothes do I require to meet my minimum standards for cleanliness, variety, and social status?

4. How do my answers to questions 1 through 3 compare with the amount of income I have to spend?

5. Should I pay cash or charge my purchases? Consider the trade-offs involved in paying cash or using credit.

**Checklist for Determining Clothing Wants**

**FIGURE 5.6**

Practice and assess key skills with the Skillbuilder Interactive Workbook, Level 2.

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**Clothing Value**

1. Durability
2. Service flow
3. When should you take advantage of clothing sales?

---

**Applying Economic Concepts**

4. Work-Time Cost  
Ask your parents and grandparents to remember the cost of a pair of jeans, a jacket, and a pair of tennis shoes when they were teenagers. Then ask them to remember the amount they were paid (by the hour) for any jobs they held as teenagers. Calculate their work-time cost of buying those items.

5. Synthesizing Information  
A store advertises jeans at 33 percent off the original price of $37. What is the sale price? For help in understanding percentages, see page xix in the Economic Handbook.

---

**Reteach**

Have students outline the section. Have them explain in an accompanying paragraph how the content of the section applies to their lives. **ECON: 23A, 23D**
some people will save for years in order to buy a small house. Others take out huge mortgages to purchase large homes. Still others are content to rent a house, condo, or apartment most of their lives. In this section, you'll learn about renting versus buying.

Figure 5.7 on page 122 compares the advantages and disadvantages of owning and renting. Wise consumers should consider both when deciding whether to buy or to rent housing.

How Much Should You Spend?

When you decide to buy a house, it is important that you do not take on financial obligations that are beyond your budget. As Figure 5.8 on page 123 shows, lenders use certain rules to help buyers determine how much housing they can afford.

Some people will save for years in order to buy a small house. Others take out huge mortgages to purchase large homes. Still others are content to rent a house, condo, or apartment most of their lives. In this section, you'll learn about renting versus buying.

Some people will save for years in order to buy a small house. Others take out huge mortgages to purchase large homes. Still others are content to rent a house, condo, or apartment most of their lives. In this section, you'll learn about renting versus buying.

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Some people will save for years in order to buy a small house. Others take out huge mortgages to purchase large homes. Still others are content to rent a house, condo, or apartment most of their lives. In this section, you'll learn about renting versus buying.
Advantages and Disadvantages of Owning and Renting

**Home Ownership Advantages**
- Freedom of use; owners can remodel whenever or however they choose
- Pride of ownership; people tend to take better care of things they own
- Greater privacy
- Usually a good investment that in the past has risen in value as much as, or more than, the general rise in prices
- Significant income tax benefits
- Creation of equity, the market value of the property minus the mortgage payments still owed
- Good credit rating if mortgage payments are made on time
- Property to use as collateral for other loans

**Home Ownership Disadvantages**
- Less mobility, especially in years when interest rates on mortgages are high and housing is difficult to sell
- Moving to another property because the present one is too small, too big, and so on is time-consuming
- Necessity of a large outlay of money for a down payment
- Maintenance costs, real estate taxes, and possible depreciation
- Less money for other purchases because of high monthly mortgage payments
- Possibility of overextending a family’s debt load to make home improvements or repairs

**Renting Advantages**
- Greater mobility; a renter does not have to worry about trying to sell property
- Feeling of freedom to choose another place to live if dissatisfied with current rental unit
- Paying only a small security deposit rather than a large down payment
- No direct maintenance costs, real estate taxes, or depreciation
- Good credit rating if rent is paid on time
- More money for other purchases because monthly rental payments are often less than monthly mortgage payments
- No temptation to overspend on home improvements

**Renting Disadvantages**
- No freedom of use; renters may not remodel or even paint without the owner’s permission
- No return on rental money; a renter will never own the property regardless of how much rent he or she pays, regardless of the length of this period of time
- Few or no tax benefits
- Less privacy
- Little feeling of responsibility for seeing that the property is well taken care of
- No property for use as collateral
- Need to wait for maintenance work at the convenience of the owner

**Guided Practice**

**L1 Evaluating Information** Organize students into groups and ask each group member to evaluate each of the advantages or disadvantages listed in Figure 5.7. Suggest that group members rate each renting advantage and disadvantage with a score of 1 through 3, where 1 is a minor advantage or disadvantage, 2 is average, and 3 is major. Then have them follow the same process for the advantages and disadvantages of buying a home. Have groups tally the scores for each advantage and disadvantage. Then have groups use their results to write several statements on the advantages and disadvantages of renting and buying a home. If students need guidance, suggest the following as a beginning statement: The major advantage in buying a home is . . . **ECON: 1A, 3A, 23A, 23G**

**Meeting Special Needs**

**Hearing Disability** Students with hearing difficulties may have problems taking part in group activities. Encourage students to assist their hearing-impaired classmates by allowing them extra time to read information in the textbook and by reviewing group activity directions with them. **ECON: 23A**

Refer to Inclusion for the Social Studies Classroom Strategies and Activities for students with different learning styles.
**Lender’s Rules**  It would be unwise for both you and the lender if you spent more than a third of your income on the mortgage. *Why?*

**Rule 1** Purchase price ÷ annual income = 2.0 or less

**Rule 2** Mortgage payment ÷ monthly take-home income = 33.3 percent or less

**Rule 3** Loan amount ÷ appraised value of the house = 95 percent or less (often 80 percent)

---

In addition to the cash down payment, you will need money for **closing costs**. These are costs involved in arranging for a mortgage or in transferring ownership of the property. Closing costs can include fees for such items as the title search, legal costs, loan application, credit report, house inspections, and taxes. Although the person buying the house usually pays these fees, the seller may agree to pay part or all of them if this will make it easier to sell the house.

In arranging for a mortgage, it is also important to know about points, which are included in closing costs. **Points** are the fees paid to the lender and computed as a percentage of the loan. Each point the lender charges equals 1 percent of the amount borrowed. Lenders charge points—usually one to four—when they believe that the current interest rate is not high enough to pay the expenses involved in handling the mortgage and still make a profit.

**Purchasing a House**

One of the major problems facing today’s home buyer is obtaining a mortgage. **Figure 5.8** on page 124 shows several kinds of mortgages that are available.

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**Cooperative Learning**

Organize students into an equal number of small groups, and tell groups to imagine that they are real estate specialists at a consumer information service. Have half the groups prepare an illustrated pamphlet titled “Buying a Home—What You Need to Know.” Direct the rest of the groups to prepare a similar pamphlet titled “A Renters’ Guide—What You Need to Know.” Inform groups that the information contained in their pamphlets should be suitable for first-time buyers and renters. Call on groups to analyze and explain their pamphlets.

---

**Answer:** The borrower might not be able to make the mortgage payments, and the lender would have to foreclose on the mortgage.

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**Visual Instruction FIGURE 5.8**

**GUIDED READING Activity 5–3**

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**ECONOMICS Online**

Student Web Activity Visit the Economics Today and Tomorrow Web site at tx.eett.glencoe.com and click on Chapter 5—Student Web Activities to compare home prices in your area and around the country.

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**ECONOMICS Online**

See the Web Activity Lesson Plan at tx.eett.glencoe.com for an introduction, lesson description, and answers to the Student Web Activity for this chapter.
A mortgage usually involves a down payment and interest. If you buy a house for $100,000 and make a $20,000 down payment, you will need to obtain a mortgage for the remaining $80,000. The mortgage will then be repaid in monthly installments that include interest on the loan. Property taxes, homeowners insurance, and mortgage insurance are often included on your mortgage payment as well.

Renter Rights and Responsibilities

Most renters sign a lease, or contract, that contains several clauses. A prospective tenant should read the lease carefully. Most

Free Enterprise Activity

Have students consult real estate agents or mortgage company officers to discover how monthly mortgage payments are calculated. Next, ask students to calculate the average monthly payment on a 30-year fixed-rate mortgage at 7.5 percent interest for the following amounts borrowed: (a) $30,000; (b) 50,000; (c) $80,000; (d) $100,000; and (e) $125,000. Then ask students to do the same calculations for a 15-year fixed-rate mortgage.

ECON: 23G
Buying the Necessities

Security Deposit: To make sure you get your apartment security deposit returned, do an initial “walk through” with the landlord to record any damage that already exists. In addition, take dated photos when you move in and when you leave. How much are renters usually required to pay as a security deposit?

Answer: usually one month’s rent

Extending the Content

Other Housing Costs: Owning a home entails many expenses—most notably the cost of improvements, maintenance, and repair. The roof may need to be repaired or replaced, a brick wall may need tuck-pointing, or several rooms may need painting or papering. Some home owners might want to make additions to their homes—a family room, a study, or another bedroom, perhaps. According to U.S. Bureau of the Census estimates, property owners spent about $117 billion on housing maintenance and repairs in 1998. The bulk of this amount—$80 billion—went on home improvements, such as room additions. The rest went to maintenance and repair needed to keep homes in ordinary working condition.

ECON: 23A

CHAPTER 5
SECTION 3, Pages 121–127

L2 Interviewing: Organize students into small groups to interview either real estate agents or rental agents about their occupations. Suggest that students ask questions about such topics as specialized training, responsibilities, and work schedules. You might also suggest that students ask the agents to describe a “typical” workday. After interviews have been conducted, ask groups to prepare and present a short oral report on their findings. ECON: 23A, 24D

ECONOMIC SURVIVAL
A Financial Simulation

To help students learn to manage their own finances, have the class play the game Economic Survival: A Financial Simulation, in which each student enters the workforce, rents an apartment, and deals with everyday events. The simulation takes five days to complete and may be extended for an additional two weeks.

Visual Instruction FIGURE 5.10

Answer: usually one month’s rent

Student Edition TEKS

Page 124: 1A, 11A, 15A, 17A, 23A, 24A
Page 125: 1A-B, 2A-B, 3A, 23A, 24A

Tenant Rights: Among the rights of tenants is the use of the property for the purpose stated in the lease. Tenants also have the right to a certain amount of privacy. A landlord usually cannot enter an apartment anytime he or she chooses. A landlord may enter only to make necessary repairs or to show the apartment to a potential renter.

Tenant Responsibilities: In turn, the tenant’s responsibilities include paying the rent on time and taking reasonable care of the property. If major repairs, such as replacing a leaky roof, are needed, the tenant is responsible for notifying the landlord.

Often a lease will limit how an apartment can be used. The lease may forbid pets, for example, or forbid anyone other than the person named on the lease from living there. In signing a lease, the tenant is usually required to give the owner a security deposit, or money for the owner to hold in case the rent is not paid or the apartment is damaged. The security deposit, usually equal to one month’s rent, is returned after the tenant has moved. The amount returned depends on the condition of the apartment, as determined by the landlord. See Figure 5.10.

CHAPTER 5
SECTION 3, Pages 121–127

Leases are for one to three years, although sometimes you may pay extra to get a six-month or nine-month lease.

CAREERS

Real Estate Agent

Job Description
- Help home buyers find a house to purchase
- Help home sellers find a buyer for their property

Qualifications
- Knowledge of neighborhoods, local zoning and tax laws, and where to obtain financing
- High school graduate, licensed real estate agent

Salary: $45,640
Job Outlook: Below average

—Occupational Outlook Handbook, 2000–01
Avoid these types of clauses in leases:

1. **Confession-of-judgment clause**: The lawyer for the rental owner has the right to plead guilty for you in court if the owner thinks his or her rights have been violated. With a confession-of-judgment clause—illegal in some states—you are admitting guilt before committing any act.

2. **Inability-to-sue clause**: You give up your right to sue the owner if you suffer injury or damage through some fault of the owner, such as neglected repair work.

3. **Arbitrary clauses**, or those based on one’s wishes rather than a rule or law: The owner has the right to cancel the lease because he or she is dissatisfied with your behavior. An arbitrary clause may
   - forbid hanging pictures.
   - forbid overnight guests (to make sure the apartment is occupied only by the renter).
   - forbid subleasing, or the leasing of the apartment by the tenant to someone else.
   - allow the owner or a representative, such as a plumber, to enter your apartment when you are not home.
   - make you legally responsible for all repairs.
   - make you obey rules that have not yet been written.

If possible, add these clauses to your lease:

1. The appliances that come with the apartment—dishwasher, garbage disposal, and air conditioner, for example.
2. The apartment community facilities you have been promised—recreation room, parking space, swimming pool—and whether you must pay extra for their use.
3. Any other promises made by the owner, such as painting the apartment (and what color).
4. The right to cancel your lease if you are transferred to a job in another city. Usually you must agree to pay a certain amount to do this, which should be stated in the lease.
5. The right to put in lighting fixtures, shelves, and so on, and have them remain your property when you move. Otherwise, they become part of the apartment and you may not take them with you.
Landlord Responsibilities In many states, landlords must make sure that their apartments have certain minimum services, such as heat, and that they are fit to live in. Landlords may also have to obey building safety laws. For example, fire escapes and smoke detectors may be required. Leases usually call for the landlord to make repairs within a reasonable amount of time. In many states, a tenant has the right to pay for the repairs and withhold that amount of rent if the landlord does not make the repairs. Figure 5.11 details important items that should not be in your lease or that you should have added to your lease.

Housing in Japan

Land prices in Tokyo and other large cities in Japan are so high that most people feel they cannot buy a home. High land prices also mean that Japanese houses are quite small. On average, a house in Japan has 5 rooms and covers a floor space of about 110 square yards. In comparison, the average American home has 5.5 rooms and some 191 square yards of floor space. Average floor space is even smaller in Japan’s cities—only 74 square yards in Tokyo.
Finding the Main Idea

Begin by asking students how they studied for their last big test. Did they try to memorize every fact, or did they look for main ideas and try to understand those? Then tell students that this skill lesson provides techniques that will help them identify the main ideas in the material they read.

Review the guidelines in the Learning the Skill section, applying them to the excerpt from Business Week. Finally, ask students to complete the Practicing the Skill questions. ECON: 23A

Finding the Main Idea

Finding the main idea will help you see the “big picture” by organizing information and assessing the most important concepts to remember.

Learning the Skill

To learn how to find the main idea, follow the steps listed on the left.

Practicing the Skill

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

“Car shoppers who rely on the Web have traditionally bought models fresh from the factory. But Internet sales of used cars are on the rise. The Net can help you choose a model, search available inventory, and evaluate specific cars. . . . What’s more, you can find low-mileage luxury cars that have just come off lease—with time remaining on their warranties. And once you’ve settled on your pick, you can apply for financing online.”

—Business Week, August 9, 1999

1. Where did this article appear?
2. When was it written?
3. What was the purpose of this article?
4. What is the main idea of this article?
5. What additional details support the main idea?

Application Activity

Bring to class an article that you have found in a newspaper, magazine, or real estate buying guide that deals with home buying or apartment rental hints. Identify the main idea and explain why it is important.

Answers to Practicing the Skill

1. in the magazine Business Week
2. in August 1999
3. to inform readers about used-car sales on the Internet
4. that Internet sales of used cars are on the rise
5. information on the various used-car services available on the Internet

Application Activity Articles and responses will vary.
Buying the Necessities

Cover Story

With cars and trucks driving off dealer lots at a fast clip, automakers have decided now is the time to build factories and expand others. Even with excess capacity at factories that make passenger cars, demand is so great for their highly profitable sport-utility vehicles and pickup trucks that carmakers are willing to risk adding plants to cash in on the good times.

As with every decision in life, when you decide to buy a particular type of car, you are going to make a trade-off that involves an opportunity cost. Three of the major trade-offs include the following:

1. Usually, the smaller the engine, the less gas an automobile burns. This makes a car with a smaller engine less costly to operate, but the car will accelerate less quickly. See Figure 5.12 on page 130.

2. Newer automobiles cost more, but they require fewer repairs than older ones. See Figure 5.13 on page 131 for tips on choosing a new or used car.

Reading Objectives

1. What are the trade-offs when buying a vehicle?
2. What costs are involved in operating a vehicle?
The smaller the automobile, the more energy efficient it is. In an accident, however, larger automobiles usually protect passengers better.

**Buying and Operating a Vehicle**

Buying a car involves opportunity costs. One is the amount of money and time spent shopping for the car. Another is the amount of money and time spent in actually purchasing the car. Because of limited resources, most people have to borrow funds to buy a car. The costs of the loan are the down payment, the monthly payments on the principal, and the interest on the loan.

**Registration Fee**

The owner of an automobile must pay a state licensing fee, or a registration fee, to use the car. Usually the fee must be paid annually. In many states, the amount of the fee varies depending on the car's age, weight, type, and value.

**Normal Maintenance and Major Repairs**

The amount of normal maintenance—oil and filter changes and minor tune-ups—depends on the amount the car is driven and how carefully the owner maintains the car. Major repairs are those that are normally unexpected and expensive. They include rebuilding the transmission and replacing the exhaust system. No one can guarantee that an automobile will not require major repairs while you own it, but you can follow certain steps to reduce the probability.

You should check the repair records of different cars before deciding on a particular make and model. If you are considering a used car, you should also take it to a diagnostic center, or have a mechanic check it. Sometimes dealers offer warranties on used cars for a limited time period, such as 30 days, or you can purchase a warranty covering a longer period of time.

**Answer:** Smaller cars usually burn less gas. This makes smaller cars less costly to operate.

**Meeting Special Needs**

**Language Disability**

Students who have a limited command of language might benefit from the following activity. Have students read sentences or short paragraphs from Section 4. Then have them restate these sentences or paragraphs by giving an example of how they would apply the information to an actual experience—buying gasoline or having a car repaired, for example. Listen carefully to ensure that students are not restating phrases directly from the section. **ECON: 23A**

Refer to *Inclusion for the Social Studies Classroom Strategies and Activities* for students with different learning styles.
Buying the Necessities

Chapter 5
Section 4, Pages 129–133

**Checklist for Buying an Automobile**

These tips will help you in making a good choice of a new car or used car:

1. Ask friends and relatives about their satisfaction or dissatisfaction with their cars.
2. Read articles about different makes and models in car magazines such as *Car and Driver* and *Road & Track*.
3. Read *Consumer Reports* and *Consumers’ Research Magazine* for reviews of new automobiles. Carefully read their reports on repair records of different models.
4. Visit dealers and read brochures about their vehicles, keeping in mind that these pamphlets promote the best features.
5. Personally inspect various makes and models in automobile showrooms.
6. Check what is covered by the service warranty. A used car may still be covered under the original manufacturer’s warranty. Also, some dealers offer their own limited warranties for used cars.
7. After you decide on a particular make and model, compare the prices offered by several dealers.
8. If you are buying a vehicle off the lot rather than ordering one, check the options—air conditioning, a CD player, special paint, and so on—and their prices. If you do not want any options, the dealer may lower the price.
9. If you are buying a used car, have an automobile diagnostic center or a mechanic not connected with the dealer check it. Add the cost of needed repairs to the dealer’s price. This is the real cost of the automobile to you.
10. Make sure the listed price includes federal excise taxes and dealer preparation charges. An excise tax is a tax on the manufacture, sale, or use of specific products, such as liquor, gasoline, and automobiles. Dealer preparation charges can include the costs of cleaning, installing certain options, and checking the car’s engine before you drive it away. State and local sales taxes will be added to the total cost later.
11. Check various dealers for the reputation of their service departments. Your warranty usually allows you to take your car to any dealer selling that make of car.
12. Do not put a deposit on a car unless you are sure you are going to buy it. You may have a problem getting your deposit back if you change your mind.

**Independent Practice**

**L2 Creating a Buyer’s Guide**

Organize students into groups, and ask groups to use the checklist in Figure 5.13 to create a buyer’s guide to automobiles. Suggest that groups include a list of steps buyers might take in investigating various car models. You might also suggest that they include evaluation measures—fuel efficiency and safety features, for example—against which buyers might rate various models. Encourage groups to present their finished guides for review by the class.

**Cooperative Learning**

Organize students into groups to research and develop a fact book on the direct and indirect contribution of the automobile to the American economy. Have groups survey information on automobile manufacturing and sales, gasoline usage, maintenance products and service, automobile insurance, and public works—highways, for example. Direct groups to combine written reports with charts and graphs as needed. Ask groups to display their completed fact books around the classroom.

**Student Edition TEKS**

Page 130: 1A-B, 3A, 5A-B, 11A, 23A, 24D

Page 131: 3A, 11A, 17A, 23G
CHAPTER 5
SECTION 4, Pages 129–133

Extended Warranty  One way to guard against having to pay for major repairs is to buy extended warranty coverage. New-car warranties generally protect owners for all major repairs except tune-ups and damage resulting from improper use of the automobile. New-car warranties usually last only a few years, or up to a certain limit of miles or kilometers. These warranties, however, can often be extended for another one, two, or three years by paying additional money when the car is purchased.

Depreciation  Depreciation—a decline in value over time—takes place as an item wears out or becomes outdated. Age is the major factor. A car loses value every year even if it is not driven because an automobile is a durable good. All durable goods deteriorate, or become worse over time.

Another cause of depreciation is the technology and features of new makes and models. These changes make older models obsolete—out of date and out of style.

The amount of depreciation caused by physical wear and tear varies. It depends on how hard a car is driven, how many miles
or kilometers it is driven, and how well it is maintained. Generally, cars depreciate about 20 percent each year.

**Insurance** A major cost of owning an automobile, especially for someone under age 25, is insurance. Many states require that liability insurance be purchased before an automobile can be licensed. **Liability insurance** pays for bodily injury as well as property damage if you are in an accident.

Insurance companies classify drivers in various ways, usually according to age, gender, and marital status. Rates depend on the category into which a person fits. The categories, in turn, are based on statistics showing that different types of drivers have different accident rates.

Young people almost always have to pay higher insurance rates. For example, single males in the 16–25 age group have the highest accident rate of all drivers. Not surprisingly, most insurance companies charge these drivers the highest insurance rates. Married women ages 25–45 have the fewest accidents and the lowest rates.

**Figure 5.14** shows factors in addition to age and sex that affect insurance rates. Rates cannot vary too widely, however, because states set limits on the rates that companies can charge within state borders.

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**Understanding Key Terms**

1. **Define** registration fee, liability insurance.

**Reviewing Objectives**

2. What are the trade-offs when buying a vehicle?

3. **Graphic Organizer** Use a chart like the one below to identify the costs of operating a vehicle.

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**Applying Economic Concepts**

4. **Insurance Risk** Apply the six factors in **Figure 5.14** to your personal driving situation. Are you a risk for insurance companies? Why or why not?

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**Critical Thinking Activity**

5. **Making Comparisons** Search the Internet for information on car insurance in your area. Write an article about the companies that sell insurance and analyze the factors they use in determining what to charge for drivers in your age group.

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**SECTION 4 Assessment Answers**

1. All definitions can be found in the Glossary.

2. Trade-offs include: buying a smaller car that burns less gasoline and is less costly to operate, but losing on acceleration and power; buying a newer car that requires fewer repairs than older ones, buts costs more; buying a smaller car that is more energy-efficient and easier to maneuver, but losing the protection provided by a larger car in an accident.

3. Costs of operating a vehicle: registration fee, normal maintenance, major repairs, depreciation, insurance.

4. Answers will vary. Ensure that student responses are realistic.

5. Articles will vary. Have students compare and discuss their findings.
Backseat Driver on the Dash

The most striking thing about Alpine Electronics’ computer navigation system for cars is its dead-on accuracy. Using a global-positioning system keyed to satellites and combined with gyroscopic motion sensors, the car knows its position within, at worst, half a city block. This is combined with a map database from Navigation Technologies (NavTech) that knows about details as small as right-turn cutouts at intersections.

When driving, the five-inch LCD display, which is bright enough to be seen even in strong sunlight, offers a choice between a map view, which can zoom from block-level detail to a city overview, and a diagram of driving instructions. A synthesized female voice warns you of turns, usually with ample time to maneuver safely. The display and controls are laid out to be informative without being distracting.

NavTech’s database divides the U.S. into nine regions. You get one with the unit, and additional ones cost $150. Major metropolitan areas have block-by-block detail for all streets. Rural areas and smaller cities offer only major roads.

The only really serious flaw . . . is the cost. The price [$2,000], whether as an option in a few luxury models or as an aftermarket add-on, is way too steep for most consumers.

Of course, it wasn’t long ago that auto CD players—and even antilock brakes—were luxury options, too. With prices likely to slide down the technology cost curve quickly, it’s not hard to imagine the day when in-car navigation systems become standard features.

—Reprinted from April 19, 1999 issue of Business Week by special permission, copyright © 1999 by The McGraw-Hill Companies, Inc.

Think About It

1. Analyze how the computer navigation system for automobiles works.
2. What is the main flaw of this system, and why may that change in the near future?

Answers to Think About It

1. It uses a global-positioning system keyed to satellites and gyroscopic motion sensors to pinpoint the automobile’s position within half a city block.
2. Its major flaw is its cost. Like other one-time luxuries—CD players, for example—the price of the in-car navigation system is expected to drop considerably in the future.
Use the Chapter 5 Summary to preview, review, condense, or reteach the chapter.

**Preview/Review**

- **Vocabulary PuzzleMaker** CD-ROM reinforces the key terms used in Chapter 5.
- **Interactive Tutor Self-Assessment Software** allows students to review Chapter 5 content.

**Condense**

- Have students listen to the Chapter 5 Audio Program (also available in Spanish) in the TCR. Assign the Chapter 5 Audio Program Activity and give students the Chapter 5 Audio Program Test.

**Reteach**

- Have students complete Reteaching Activity 5 in the TCR (Spanish Reteaching Activities are also available).

**Economics Journal**

**Consumer Decision Making**

Have students record the number of times they go from one place to another during a week’s period. For each journey, have students list the distance traveled, the mode of transportation, and any alternative modes of transportation that they might have used. After students have completed this “travel log,” ask them to record the total number of routes and the total miles they traveled. Then have them develop a transportation map of their most frequently traveled routes. Encourage students to write a paragraph discussing the most efficient way for them to get to the places they need to go.  

**Chapter Overview**

Visit the Economics Today and Tomorrow Web site at tx.ett.glencoe.com and click on Chapter 5—Chapter Overviews to review chapter information.

**SECTION 1**

**Shopping for Food**

- Comparison shopping for food involves making comparisons among brands, sizes, and stores.
- Reading advertisements and collecting cents-off coupons is a timesaving, inexpensive way to comparison shop.
- Supermarkets or club warehouse stores usually charge the lowest prices for food, whereas convenience stores may save you time.
- Per-unit pricing of goods makes it easy to compare prices.
- If you make a habit of using coupons, you can reduce your food bill by more than 10 percent over a one-year period.

**SECTION 2**

**Clothing Choices**

- Americans spend about $400 billion annually on clothing and other personal products.
- Clothing value depends on price, style, durability, and cost of care.
- When you purchase an item of clothing, you are purchasing it for the service flow that it yields.

**SECTION 3**

**To Rent or to Buy**

- There are economic and psychological advantages and disadvantages to both owning your own home and renting.
- If you choose to buy a house, you will probably need to obtain a mortgage, which involves a cash down payment, monthly installments, and interest, plus money for closing costs and points.
- Most renters pay a security deposit and sign a lease that protects their rights as well as lists their responsibilities.
- Tenant responsibilities include paying the rent on time and taking reasonable care of the property.

**SECTION 4**

**Buying and Operating a Vehicle**

- Some of the trade-offs you’ll make when purchasing an automobile include small car versus large car, new versus used, and powerful engine versus having to buy less gasoline.
- The costs of operating an automobile include the registration fee, normal maintenance, major repairs, depreciation, and liability insurance.
- One way to guard against having to pay for major repairs is to buy extended warranty coverage.

**Buying the Necessities**

- The work-time cost of clothing has decreased over the past 100 years, but it is still the wise consumer who buys clothing on sale.

**Student Edition TEKS**

Page 134: 4B, 23A, 26A-B  
Page 135: 1A-B, 3A, 4A-B, 5A-B, 11A, 24A
CHAPTER 5
Assessment and Activities

Identifying Key Terms

1. b 6. g
2. d 7. f
3. c 8. i
4. h 9. e
5. a 10. j

Recalling Facts and Ideas

Section 1
1. What is one of the best ways to engage in comparison shopping for food products?
2. What is the trade-off involved when you buy a generic brand rather than a brand-name product?

Section 2
3. What four factors influence the kind of clothing choices people make?
4. What is the normal relationship between how long an article of clothing will last and its price?

Section 3
5. What are some of the disadvantages of owning a house?
6. What are some of the disadvantages of renting a house or an apartment?
7. State three responsibilities of landlords.

Section 4
8. If you do not pay cash for a car, what expense must be included in the cost of buying the car?
9. What is included in the cost of operating an automobile?

Thinking Critically

1. Understanding Cause and Effect Analyze why automobile insurance companies charge more for unmarried males between the ages of 16 and 25 than they do for married males between these ages.

2. Have students visit the Economics Today and Tomorrow Web site at tx.ett.glencoe.com to review Chapter 5 and take the Self-Check Quiz.

Self-Check Quiz Visit the Economics Today and Tomorrow Web site at tx.ett.glencoe.com and click on Chapter 5—Self-Check Quizzes to prepare for the Chapter Test.

Identifying Key Terms

Write the letter of the definition in Column B that correctly defines each term in Column A.

Column A
1. service flow
2. durability
3. security deposit
4. registration fee
5. liability insurance
6. club warehouse store
7. private-labeled products

Column B
a. pays for injury or property damage
b. stream of benefits from using a good
c. usually one month’s rent left on deposit
d. how long something lasts
e. fee charged by lender for paperwork, taxes, and other activities
f. goods with the store’s label on them
g. large stores requiring a membership
h. money paid to license a vehicle
i. agreement describing rental terms
j. fees paid to a lender, normally when interest rates are low

5. less mobility, less choice, large outlay of money, maintenance costs, real estate taxes, possible depreciation, high mortgage payments, and possibility of overextending debt load
6. no freedom of use, no return on rental money, few tax benefits, little sense of responsibility, no collateral, may have to wait for maintenance

7. providing tenants with minimum services, such as heat and safe living conditions; providing reasonable maintenance; maintaining tenant’s right to privacy
8. loan expenses, including down payment, interest, and monthly payments
9. registration fee, normal maintenance and major repairs, depreciation, and insurance

Have students visit the Economics Today and Tomorrow Web site at tx.ett.glencoe.com to review Chapter 5 and take the Self-Check Quiz.

GLENCOE TECHNOLOGY

MindJogger Videoquiz

Use MindJogger to review Chapter 5 content.
2. **Making Comparisons** The two basic types of mortgages used today are flexible rate and fixed rate. Create a chart like the one below to explain the advantages and disadvantages of each.

<table>
<thead>
<tr>
<th>Type of mortgage</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Applying Economic Concepts**

**Competition and Market Structure** Examine the food ads in your local newspaper for one week. List those food items that are common to each ad. Compare the prices from the different food stores for the common items. What is the largest percentage difference between the highest and lowest prices?

**Reviewing Skills**

**Finding the Main Idea** In *The Theory of the Leisure Class* (1899), economist Thorstein Veblen criticized the leisure class, or the rich, and its spending habits. He talked about “conspicuous consumption,” which is buying goods and services to impress others.

List examples of conspicuous consumption that you notice throughout the day—whether on television or in real life. Write a paragraph explaining what kinds of products are typically consumed in this way.

**Technology Activity**

**Using the Internet** On the Census Bureau Web site, look up the section of the most recent Census of Housing entitled *Selected Housing Characteristics by States and Counties*. Make a table listing the following statistics for your county: (1) number of total housing units; (2) number of units occupied by owners; and (3) number occupied by renters.

**Cooperative Learning Project**

Organize into six groups. Call separate automobile insurance agents and ask for a rate quote by giving the following facts:

- Age: 21
- Gender: at least 3 males and 3 females should make the calls
- Automobile type: 2000 Chevy Malibu
- Use: Drive to college and part-time job (80 miles a week)
- Coverage desired: 100/300/50, which means up to $100,000 for one person injured in an accident, up to a total of $300,000 for all personal injuries suffered in the accident, and up to $50,000 for damages to private or public property caused by the accident
- Collision and comprehensive deductible: $500; no medical or towing

After each group receives its quotes, compare your information:

1. Which agent/insurance company gave the highest quote? The lowest?
2. Was there a substantial difference between the insurance rates for females and males?
3. What was the average percentage difference between the rates quoted for females and males?

**Analyzing the Global Economy**

You might have students work in groups to create collages of different makes and models of cars and their prices.

**Chapter Bonus Test Question**

**ASK:** Why do many states require car owners to carry liability insurance? To ensure that there will be compensation for other people for injuries or damage to property in case of an accident **ECON:** 1A, 3A-B, 11A

**Student Edition TEKS**

1 Focus

Direct students’ attention to the prices listed under the various cities. Point out that these are average prices, based on surveys of many stores, restaurants, gasoline stations, and movie theaters.

2 Teach

Have students note the varying prices of lunch from city to city. Then point out that there are many reasons for these differences. First, the type of food might be of varying qualities. Second, the costs of production vary greatly from country to country. For instance, labor tends to be cheaper in less developed countries, such as India.

ECON: 12A-B, 23A

Teacher’s Notes

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*All prices have been converted to U.S. $.*
Thinking Globally

1. In which city would your day on the town cost the most? The least?

2. Look at the prices for Mumbai. How do you think most people get around the city—by car or by public transportation? Why?

Answers to Thinking Globally

1. The day on the town would cost the most in Tokyo. It would cost the least in Mumbai.

2. by public transportation, because the subway fare is only 10¢, while a gallon of gasoline is over $2