

# Consumers Want More Goods and Services

## LESSON DESCRIPTION AND BACKGROUND

This lesson focuses on spending decisions, particularly the decisions that students make as consumers. The activities establish a rationale for the study of financial decision making. The lesson is introduced on one day and completed after the students have collected information over a week-long period.

Children make many decisions about consumer spending. They make decisions about spending their own money, and sometimes they assist in making decisions for which others pay.

They may decide what to have for lunch or which candy bar to buy. They may take part in family decisions about spending—which breakfast cereals to buy, perhaps, or what to do during summer vacation, or whether to adopt a pet.

Children can learn to make decisions carefully. Because they cannot have everything they want, they face scarcity. Scarcity means that there are not enough resources and, therefore, not enough goods and services, to satisfy all wants. Because of scarcity, students must make choices. Classroom activities that involve the students in choosing among alternatives can improve their understanding of the choices they must make.

Lesson 6 correlates with national standards for English language arts, mathematics, and economics, and with personal finance guidelines, as shown in Tables 1-4 in the introductory section of this publication.

## ECONOMIC AND PERSONAL FINANCE CONCEPTS

- Consumers
- Consumer spending decisions
- Economic wants
- Goods
- Scarcity
- Services

## OBJECTIVES

At the end of this lesson, the student will be able to:

- Explain how spending on **goods** and **services** satisfies **economic wants**.
- Identify **consumer spending decisions**.
- Compare and contrast individual spending with group or family spending.
- Compare various **spending decisions**, noting similarities and differences.

## TIME REQUIRED

Two 45-minute periods, one week apart

## MATERIALS

- A transparency of **Exercise 6.2, 6.3, and 6.4** from the *Student Workbook*
- At least two copies of **Exercise 6.1** from the *Student Workbook* for each student
- A copy of **Exercise 6.2, 6.3, and 6.4** from the *Student Workbook* for each student
- A can of soup, candy bar, newspaper, small toy, book, and other small goods

**ADDITIONAL RESOURCES**

To download visuals, find related lessons, correlations to state standards, interactives, and more visit <http://fffl.councilforeconed.org/3-5/lesson6>

**PROCEDURE****Part 1: Getting Prepared to Use Spending Diaries**

1. Display a can of soup, a candy bar, a book, a newspaper, and a small toy or other items in front of the class. Write the following list of services on the chalkboard: "Repairing a bicycle," "Attending a baseball game," "Grooming a dog," and "Watching a movie at the theater."
2. Have several students come to the front of the room and hold the soup can, candy bar, book, newspaper, and small toy. These items can be held in one's hand: They are goods. Ask the students: Is it possible to "hold" repairing a bicycle, grooming a dog, attending the baseball game, or watching a movie? **(No.)**
3. Underscore the distinction. "Goods" are things that satisfy people's economic wants. "Services" are activities somebody provides to satisfy people's economic wants. Ask the following questions:
  - a. How are goods and services similar? **(They satisfy people's economic wants; people buy and use them.)**
  - b. How are goods and services different? **(Goods are things that you can touch. Services are activities; you can't touch them. For example, in the case of baseball games and movies at the theater, the service that is being enjoyed is the entertainment that is being provided by the players and actors who are producing the service.)**
  - c. Give some examples of other goods and services. **(Goods: milk, cans of soda, cookies, board games, computers; services: dry cleaning, house cleaning, dog sitting, plant watering, car washing.)**
  - d. Explain that an "economic want" is a desire to have a good or a service. Refer the students to the goods displayed and the services listed on the board. Ask the following questions:
    - a. If you are hungry, what could satisfy your want? **(Soup, candy bar, etc.)**
    - b. If you want to be entertained or have fun, what could satisfy your want? **(Watching baseball, watching a movie, playing with a toy.)**
    - c. If you want your broken bike fixed, what would satisfy you? **(Bicycle repair.)**
    - d. If you want to learn about things happening in the world, what could satisfy you? **(Reading the newspapers, watching television.)**
    - e. If you want your dog to smell good and look nice, what could satisfy you? **(Dog grooming.)**
5. Introduce three definitions, starting with the word "consume." Ask: What does "consume" mean? **(Answers will vary.)** Have a student look the word up in the dictionary and read the definition to the class. **(To eat, to use.)** Explain that, in economics, "consume" means to use a good or service to satisfy an economic want. If that is so, what must the word "consumer" mean? **(Someone who uses a good or a service to satisfy an economic want.)** And, related to that definition, what are we talking about if we talk about "consumer spending decisions?" **(The choices consumers make as they buy goods and services. Buy a new sweater, or make do with the old one for a while? Buy a new car or a used car? Pay cash for groceries or use a credit card? And so on.)**
6. Ask the students to provide examples of goods and services that students or their families purchase in a day, a week, or a year. **(Clothing, food, toys, medical or dental care, transportation, shelter, entertainment, books, etc.)**
7. Point out that there were probably times when the students wanted something, but their families couldn't afford to buy it. The school also faces that problem. It wants things for the stu-

dents, but it can't always afford them. Explain that when people can't have everything they want, they face the economic problem of "scarcity." Ask the following questions:

- a. When you can't have all the goods and services you want, what must you do? **(Make choices or decisions.)**
  - b. Give an example of a decision you made because you couldn't have everything you wanted. **(Answers will vary.)**
8. Explain that people can check to see what kind of spending decisions they make by keeping a record of all their spending for a period of time. Ask the students to keep track of their spending decisions for one week.
9. Distribute a copy of **Exercise 6.1**, My Spending Diary, to each student. Have the students cut out and staple pages to create their own spending diary. Review the information requested on the form so that the students will know how to make diary entries correctly. Use starter examples as necessary to clarify the procedure. (Some students may wish to recreate their spending diaries in computer files and use those files to document their spending.)
10. Explain that the students should use the spending diaries to record all their spending for one week. Establish a due date for the completed diaries. During the week, remind the students frequently to record their spending activity. Replenish the supply of diary pages for students as necessary.

### Part 2: What Can We Learn from the Spending Diaries?

11. On the date set for taking stock of the spending diaries, have the students examine their diary entries and count the number of goods and services they bought during the week. Each student should independently add their total number of goods and services he or she bought.
12. Display a transparency of **Exercise 6.2** and give each student a copy of **Exercise 6.2** from the

*Student Workbook.* Explain that the students will create bar graphs to represent their purchases. Ask each student to refer to his or her spending diary, determine the total number of "goods" consumed, and enter that number in line 1 on

**Exercise 6.2:** "I consumed \_\_\_\_\_ goods."

Next ask each student to determine the total number of "services" consumed and enter that number on line 2 of **Exercise 6.2:** "I consumed \_\_\_\_\_ services." When they have done this, direct their attention to the blank bar graph form and ask the following questions:

- a. How many columns are in the form? **(3)**
- b. How many rows are in the form? **(17)**

13. Demonstrate how the form shown on **Exercise 6.2** can be used to create a bar graph by projecting a transparency of the blank form for the class to view. Note that the narrower, left-hand column will be used to count out the numbers consumed in equal size intervals (this will be the Y-axis), while the two other columns will be labeled "Goods" and "Services," respectively (these will be on the X-axis).

14. Point out that now the students must determine how many goods and services will be represented by each row; that is, they must determine a scale for their bar graphs. Tell them to look at the number of goods and the number of services that were consumed and identify which is larger. Make sure they understand that the Y-axis in their bar graph must go at least as high as this larger number, and that the scale should be spaced in consistent intervals counting up from the bottom of the Y-axis to the top of the Y-axis. Teachers may wish to guide the students to create an interval of 2 for their Y-axis scale.

15. When the students have determined the scale of their graphs, have them number the Y-axis in consistent intervals from bottom to top (for example 0, 2, 4, 6, 8, 10, and so on.)

16. Using the middle and right-hand side columns (which represent the X-axis), have the students color the appropriate number of "Goods" boxes in one color and the appropri-

ate number of “Services” boxes in another color. Tell them to complete the bar graph title as follows: “[student name] \_\_\_\_\_ Consumes Goods and Services.”

17. If time permits, create a graph titled “Our Class Consumed Goods and Services.” The graph could be created on an overhead transparency, a bulletin board, Smart board, or document camera. If you choose the bulletin board, use 4” x 2” rectangles of construction paper to represent a multiple unit of goods and services consumed.

18. Have each student report one item from his or her spending diary. As the students report, record their items on the board. Tell the students that they should not report items that have already been listed on the board. Demonstrate by reading an item from your spending diary. **(I bought an ice cream cone. I bought lunch at school. I attended a movie, etc.)**

19. Distribute a copy of **Exercise 6.3** from the *Student Workbook* to each student. Explain that the students will compare their personal spending decisions with the set of class decisions listed on the board. To make comparisons, the students will use a Venn diagram. Display a transparency of **Exercise 6.3**. Demonstrate how students are to complete the diagram as follows:

- Each student should write her or his name in the space in back of “my consumer decisions.” Note that the other space references “the class’s consumer decisions.”
- Write a class spending decision that is not on their list in “the class” circle, explaining that this is a spending decision that others in the class made, but they did not make.
- Write a spending decision in their circle that is not on the class list, explaining that this is a spending decision that they made that others in the class did not make.
- List a decision that others in the class made and that they made in the overlap titled “Our Common Decisions.” Explain that this is a de-

cision they had in common with the class.

20. Tell the students to use their spending diaries and the list of class spending decisions on the board to complete the diagram.

21. When the students have finished, ask the following questions:

- What spending choices did you make that were different from those on the class list? **(Answers will vary.)**
- Why did you make different choices? **(Different tastes, different amounts of money to spend, different hobbies, etc.)**
- Name some spending decisions you had in common with the class. **(Answers will vary.)**
- Why did you have common choices? **(Similar tastes for food, toys, movies, music, books, and clothes, etc.)**

22. Point out that there are many things to consider when making spending decisions. Display a transparency of **Exercise 6.4**. Demonstrate how to complete the table with the examples below and the questions that follow:

- Tell the students to consider new shoes as the first good entered in column 1. Ask the students: How often do you buy new shoes? **(Every few months, when old shoes wear out, when I outgrow them.)** Then ask the students to answer the following questions:
  - Is this a spending decision that is made rarely or often? **(Rarely.)**
  - Is this a choice that you make by yourself or with other members of your family? **(Other members of the family.)**
  - What does your family consider in decisions about buying shoes? **(The price of the shoes; the type of shoe; who is paying; durability of the shoes, etc.)**
  - If you must pay part of the price, are you likely to buy more expensive or less expensive shoes? **(Less.)** Why? **(Not willing to spend as much of our own money as we are willing to spend some of someone**

*else's money.)*

- f. Now ask the students to consider school lunch as the second item chosen on the list, and ask the following questions:
- i. Is lunch at school a choice you make rarely or often? **(Answers will vary from student to student.)**
- ii. Who decides if you buy your lunch? **(Answers will vary.)**
- iii. Who pays for your lunches? **(Parents or someone else.)**
- iv. If you had to pay for your own lunch, would you be more or less likely to buy it? **(Less likely.)** Why? **(Rather spend my own money on something other than school lunches; don't have enough money, etc.)**
23. Distribute a copy of **Exercise 6.4** to each student. Have the students list items from their spending diaries and decide how often, who decided, and who paid for each item. When the students have finished, ask them the following questions:
- a. In general, what do you consider when deciding to spend your money? **(Answers will vary but they should include price, how much money is available to spend, other things that may be purchased for the same amount of money, the amount of satisfaction received from the items, quality of the items, etc.)**
- b. Do you consider the same things when you are spending someone else's money? **(Answers will vary; often people are willing to spend more when someone else is paying.)**

24. Point out that people tend to be more careful about consumer spending when they are using their own money. Ask the following questions:

- a. Is it easier to make decisions about things that you buy often (such as cereal) or things that you buy occasionally (such as clothes)? Why? **(Decisions that are more common may be easier to make because the**

**consumer may have the habit of buying the same goods and services.)**

- b. Can you name some things to consider when an item is purchased often or occasionally? **(Price, who pays, price of similar items, quality of the items, etc.)**

### CLOSURE

Use the following questions to review the lesson:

- What is an economic want? **(A desire that can be satisfied by consuming a good or service.)**
- What want or desire would a bicycle satisfy? **(A want for exercise, desire to have fun with friends, a want for transportation, etc.)**
- What is a good? **(Something people use to satisfy wants; goods can be touched or held.)**
- What is a service? **(An activity that satisfies economic wants.)**
- What is a consumer? **(Someone who purchases and uses goods and services.)**
- Why must consumers make spending decisions? **(Because of scarcity, they can't have everything they want.)**
- Can you name things to consider when making consumer spending decisions? **(The price of the item, how much money is available to spend, other things that may be purchased for the same amount, the quality of the item, who is paying for the item, etc.)**

### ASSESSMENT

At the end of the **Spending and Credit** Theme, select appropriate assessment questions for this lesson.

**EXTENSION**

Have the students generate a list of questions to ask classmates about consumer decisions. Each student may interview other students about their consumer decisions. Construct a classroom pictograph that represents how each person from the interviews responded to the questions.

Sample questions:

- Have you helped your family decide what breakfast cereal to buy?
- Have you helped your family decide whether to buy cable TV services?
- Have you helped your family decide what movie to rent?
- Have you helped your family decide what clothes you will buy?
- Have you helped your family decide what games or toys to buy?
- Have you helped your family decide what car to buy?
- Have you helped your family decide what soft drinks to buy?