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LESSON 6



THEME: IN AN ECONOMY BASED ON MARKET PRICES PEOPLE ARE FREE TO SUBSTITUTE ONE ITEM FOR ANOTHER.

IMPLICATION: WHEN PURCHASING GOODS AND SERVICES, CONSUMERS OFTEN HAVE A WIDE RANGE OF ALTERNATIVES, OR SUBSTITUTES, FROM WHICH TO CHOOSE.

INTRODUCTION

It is often difficult for consumers to imagine finding a substitute for a product or service they regard as necessary. However, if prices for various products rise relative to other prices, consumers begin looking for alternatives. A society may say that it needs wood or heating oil, but if their prices rise relative to other prices, most consumers first reduce consumption and later seek substitutes that furnish benefits similar to those wood or heating oil provided. For example, as the price of wood has gone up relative to that of plastics, producers have tended to substitute plastic for wood in their products. As heating oil prices rose drastically in the 1970s, some consumers and producers turned to using coal instead of oil as fuel.

Awareness of the wide range of alternative goods and services available to consumers and businesses should help them to make intelligent choices. For example, everyone needs food to survive. But there is a wide variety of products that fulfill food needs. For example, in considering the purchase of a loaf of bread, the consumer can choose to buy (a) a well-known name brand, (b) a private-label brand, (c) the ingredients to make bread, (d) a breadlike product, (e) or can decide not to buy bread at all. In making purchasing decisions, consumers should weigh the costs and benefits of choosing a particular product in terms of price, quality, quantity, and personal preference.

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Understanding the concept of substitutes--or alternatives--is a basic help in understanding consumer behavior. In discussing the concept of substitution, it is important to remember that consumers and other buyers are always seeking the greatest benefits at the lowest costs.

Time 30 minutes on each of two days; the lesson involves outside activity within the community.

Concepts

Price
Substitution
Wants

GOALS

This lesson is designed to help students understand that:

1. Virtually every good or service has a substitute.
2. Prices influence choice.
3. The higher the relative of their first choice, the greater the tendency for consumers to substitute a less costly item for that choice.
4. Preferred items and actual purchases are often not the same.
5. Consumer choice reflects decisions based on personal values, financial constraints, and wants.

ACTIVITY DESCRIPTION

Materials

- Wrappers of several different kinds of candy bar (see LESSON FORMAT)
- Action bulletin board (oaktag, heavy cardboard, commercial dry-erase surface). Prepare the board by attaching the wrappers as indicated in the drawing below.
- One or two consumer product packages or containers, e.g., soup can, cereal box, for your use in the closure activity.

LESSON FORMAT

This activity utilizes an action bulletin board (see diagram) and discussion. (We use candy bars for this activity. You may want to substitute something else.) Put candy wrappers -- or the equivalent if you use another product -- on the action bulletin board. The candy bars selected should represent local tastes and preferences. It is best to include the children's favorite bars as well as some less popular ones.

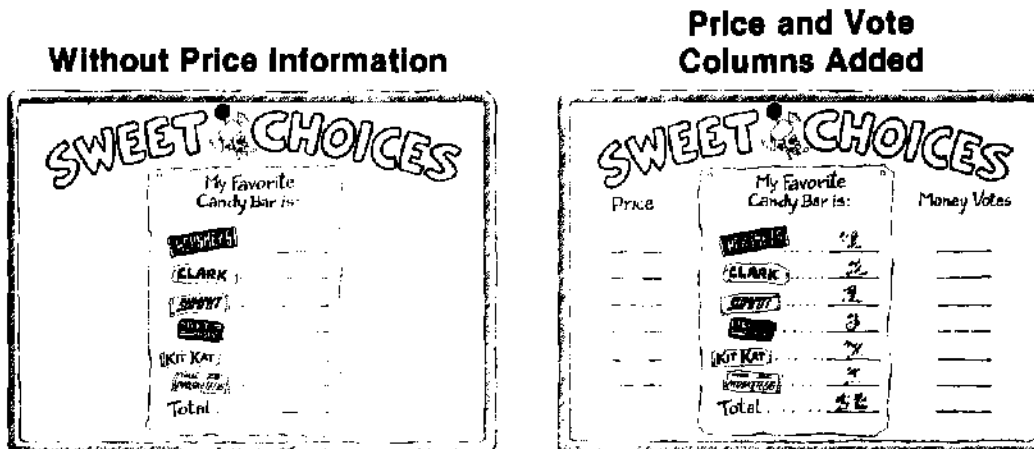
Motivation

To stimulate interest in this lesson, direct the class's attention to the bulletin board. Determine how many students like to eat candy bars. Ask them to think about which of the candy bars represented on the board is their favorite. Ask students to suggest additions to the bulletin board. (You may wish to add drawings of the wrappers of these bars to the display). Tell students they will be voting for their favorite candy bar from among those represented on the bulletin board.

Learning Environment

1. Conduct a vote to determine the preferred candy bar and record the results in the right-hand column of the bulletin board (leave space to record the voting results obtained in Step 2). The

BULLETIN BOARD DISPLAYS



students have only one vote each and should vote by raising their hand when you name their favorite candy bar. Students who voted for the "winning" candy bar should receive an opportunity to tell why they like their favorite.

2. The importance of price in determining what is actually purchased can now be shown. Add the "Price" and "Money Votes" columns to the bulletin board. Arbitrarily assign a price of \$1 to the candy bar voted as the favorite, 75 cents to the second most desirable, 50 cents to the third, 30 cents to the fourth, 25 cents to the fifth, and 10 cents to the least liked. Tell the class that you want to take another vote, but this time you want the students to consider the arbitrary prices for each candy bar. Compare the results of the first round of votes to the results of the second round. Ask the class or point out how many students voted to buy their favorite candy bar after the price was added. Did the price cause any student to vote for a substitute candy bar?

3. Discuss the results, using the following questions:

- Were the results of the two votes the same? (*Probably not. If consumers are not convinced that an item more expensive than others is worth the difference in price, consumers will substitute a lower-priced item for the more expensive one. This will occur even though the less expensive item may not be as desirable to the consumer. The money not spent can be used to purchase something else.*)
- Why is knowing the prices of the items you would like to buy so important? (*Consumers try to make themselves as satisfied as possible. Prices help consumers determine how much they gain and how much they give up when they make a choice. In general, examining relative prices helps prospective buyers to judge whether an exchange is worthwhile for them.*)

Closure

Give your students a homework assignment.

1. Each child is to go to a supermarket, pharmacy (drug store), or variety store. The outlet must be one that carries multiple brands or choices of an item. The student is to select one item from the displays of soups, shampoos, juices, soaps, etc., and write down its price, weight, ingredients, and the benefits (if any) it can confer. Show the class how to find the required information on cans, boxes, bottles, etc. (Use a soup can, cereal box, and/or similar items as examples, if you wish.) Explain that benefits are the "good things that result when you buy the item." For example: (a) if a can of juice is frozen, the benefit is that it can be kept for a comparatively long time until it is needed; (b) if a box of laundry soap requires fewer cups per wash than others of the same weight, the benefit is that the box will last longer; (c) if one brand of soup has more flavor than another, you may enjoy it more.
2. Next, the student is to select the same type of product, but made by a different company, and repeat the procedures in step 1 for the new selection.
3. After listing the details about the two brands or choices of the same item, the student is to list all the brands or choices of this product that are available.
4. Ask students to discuss the list compiled in Step 3 with a parent and then decide which brand they would buy, and why.
5. The next time the class meets, have some children briefly share their decision and then reasons for making it with the class.

REVIEW

Discussion

To achieve the goals of the lesson, you should include the following points in your discussion:

- Changes in the purchasing behavior of buyers occur as prices for a particular product or an entire category of products rise. Mention examples to students.
- The more the price of a product rises, the greater the incentive for a prospective buyer to purchase a substitute product.
- When consumers are aware of alternatives, they can make intelligent choices in their purchases.

Generalizing

You may wish to apply the concepts presented in this lesson to other classroom and everyday situations. Relate the following story, which contains a class assignment and can act as a bridge to an everyday situation:

How many of you are familiar with "Old Mother Hubbard"? When she went to the cupboard it was bare, so her poor doggie had no food to eat! Well, I want you to imagine that you are in a similar situation. . .;

All girls in the class are hereby married. All boys in the class are hereby married, too. Now each of you has a husband or a wife. Each of you is responsible for preparing a

meal for yourself and your spouse. And, just like Mother Hubbard, you've gone to the cupboard to get your poor husband or wife some food. But when you got there the cupboard was bare, and all you found was \$4.

Now you have to take that \$4 and buy food for the two of you for the evening. The meal must consist of soup, a main course, at least one vegetable, and something to drink. Dessert is optional.

Note: You may vary the amount of money -\$4- as necessary by region and the socioeconomic status of your students.

Ask the students to go to a food store (supermarket, neighborhood grocery, etc.) and choose their menus. They are to be prepared to:

- describe the meal
- state the cost of each item
- state whether a substitute was available (i.e., some other brand) and its cost
- explain their choices

At the next session, ask those students who had any change left over from the \$4 to raise their hands. Place some student menus on the chalkboard and discuss similarities and differences. Call on specific students or ask for volunteers to tell what they learned from their meal-planning experience as it relates to the ideas introduced in the lesson.

LOOKING AHEAD

Students should now realize that as consumers, they have the opportunity to choose among a variety of alternative products. In Lesson 7, People Must Decide How to Allocate Income, students learn that they also have the opportunity to forgo consumption and invest instead.



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