

Chapter 19 – Economics and the Consumer

I-Study

The United States has a free-enterprise economic system, in which there is limited government regulation of the production, buying, and selling of goods and services. The marketplace is the arena where producers and consumers “meet” for buying and selling. Prices may go up or down, depending on supply and demand, production costs, and competition. A period in which the economy is growing is called expansion, and a period in which the economy is declining is called recession. These fluctuations are called the business cycle. The condition of the economy can be measured by the Gross Domestic Product, the Consumer Price Index, and the unemployment rate.

Smart shopping involves paying attention to quality, timing purchases, taking advantage of discount stores, considering second-hand goods, and exploring online options when possible. There are a number of methods of consumer fraud, including fraudulent advertising, auto repair fraud, and fake prize notifications. Consumers need to be aware of fraud schemes and to be on guard against getting cheated. Government agencies and private consumer groups protect and educate the consumer as well as handle consumer complaints.

I-Quiz

1. What is the term for the study of how people produce, distribute, and consume goods and services?
 - A. logistics
 - B. free enterprise
 - C. consumption
 - D. economics
2. People who buy and use goods and services are called
 - A. capitalists
 - B. producers
 - C. consumers
 - D. commodities
3. What is the term for the rise in the price of goods and services that results in a decrease in the purchasing power of money?
 - A. globalization
 - B. consumer fraud
 - C. inflation
 - D. deflation

Answer Key

1. D

2. C

3. C