DOCUMENT RESUME

ED 073 996 SO 005 456

TITLE	The Auto Industry. Grade Nine. Resource Unit (Unit IV). Project Social Studies.
INSTITUTION	Minnesota Univ., Minneapolis. Project Social Studies Curriculum Center.
SPONS AGENCY	Office of Education (DHEW), Washington, D.C. Div. of Elementary and Secondary Research.
PUB DATE	68
NOTE	79p.
EDRS PRICE	MF-$0.65 HC-$3.29
DESCRIPTORS	Activity Units; Behavioral Objectives; Concept Teaching; Consumer Education; Curriculum Guides; *Economic Education; Grade 9; *Industry; Inquiry Training; Manufacturing Industry; Secondary Grades; *Social Studies Units; Social Systems
IDENTIFIERS	Auto Industry; Capitalism; *Project Social Studies

ABSTRACT

Unit four of this curriculum plan for ninth grade social studies outlines a study of the automobile industry in the United States. Objectives state the desired generalizations, skills, and attitudes to be developed. A condensed outline of course content precedes expanded guidelines for teaching procedures and suggested resource materials. A bibliography includes books, articles, and other related references. Appended are a questionnaire on autos, an exercise on purchasing an auto, and an excerpt from the President's statement to Congress on truth in lending. Related documents are SO 005 451 through SO 005 455 and SO 005 457. (SHM)

Grade Nine

Unit: The Auto Industry

RESOURCE UNIT

These materials were developed by the Project Social Studies Center of the University of Minnesota under a special grant from the U.S. Office of Education. (Project No. HS-045)

1968

OBJECTIVES

This unit should make progress toward helping pupils develop t

GENERALIZATIONS

1. Economic wants of people seem never to be satisfied, since many goods and services must be replenished constantly as they are used up, since population is expanding, and since new inventions or styles create new wants.

2. Prices are affected by changes in supply and demand.

   a. Demand is affected by the supply of money and credit.

   b. The elasticity of the demand for goods varies. For some "essential" goods, demand does not differ much regardless of the price.

3. In a private enterprise system, allocation of resources to different kinds of production is achieved largely by changing patterns of consumer demands and by the responses of producers who wish to make a profit.

4. Competition exists where there are a number of sellers of a product or service and no single seller can dominate or control the market price. However, price competition is not the only form which compe

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   b. Firms m trying product

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which competition takes.

a. Firms may compete with each other by cutting prices.

b. Firms may compete with each other by trying to improve the quality of their product or by product differentiation.

c. Firms may compete with each other by heavy advertising to make their products better known and so increase the demand for them rather than for competing products.

d. Firms may compete with each other by introducing substitute products which will be more attractive to consumers or cheaper.

5. When there is a monopoly or such a concentration of production in the hands of a few firms that these firms can dominate prices, competition is reduced and supply may be restricted in lieu of cutting prices.

a. Competition is affected by the end of entry of new competitors into a field.

b. Government policies may tend to reduce

or increase pressure toward concentration of industry or monopolistic tendencies.

6. In a competitive system many of the consumers do not have a perfect knowledge of prices and quality of goods; consequently, the market system does not always work out in practice as described in theory.

7. Laborers may join together in labor unions to agglomerate their power.

   a. Collective bargaining by labor unions may help restore competition at times, or may hurt competition.

8. As compared with individual enterprises and partnerships, corporations make possible both a larger investment in capital goods (with an accompanying mass production and lower costs) and a control of this investment with a much smaller amount of money than the capital goods are worth.

   a. Corporations make possible a larger investment in capital goods than do most individual enterprises and partnerships since shares of stock can be sold to many people.

   b. A few large stockholders can control a corporation with a relatively small investment of money as compared to the capital go tion.

   c. Holding compan uals to pyrami number of othe a small amount to the total w panies.

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10. Specialization of and regions leads

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of money as compared to

the capital goods owned by the corporation.

c. Holding companies permit a few individuals to pyramid their control over a number of other corporations with just a small amount of money as compared to the total worth of all of the companies.

9. Industries sometimes involve third party costs which the industry does not pay. Such costs sometimes lead to government regulation or expenditures.

10. Specialization of individuals, businesses, and regions leads to interdependence.

a. Companies sometimes diversify their products to provide for greater security against risks of a drop in profits from one product.

11. In the long run, a rise in real wages will be achieved only by a rise in labor productivity.

12. Investment in technological research and development may lead to higher levels of technology and so to greater productivity because of more or better quality capital goods.

a. New inventions open up whole new fields of production.

b. New technological developments bring improved efficiency to tools and machines and increased labor productivity.

13. Most businesses in mature economies depend more upon corporation savings for new investment than upon investment from outside the business.

14. Output can be increased by a more efficient combination of productive resources (by the way in which production is organized).

a. The most efficient combination of resources is the one which produces the largest output given the same cost or value of resource input.

b. Division of labor and specialization can increase a person's output.

1) Mass production permits reduction in costs, but it is dependent upon a big enough market to make it profitable.

2) Mass production, with its greater specialization and substitution of capital goods for labor, permits reduction of costs.

3) Mass production needs a mass market with mass consumers, as well as standardization of products and parts tion of capital

c. Up to a certain degr production is likely duced costs by sprea over a larger output increasing productiv

15. Purchasing costly items the cost to the consumer proves more profitable t to the seller.

16. People buy insurance to to themselves; the risks many people.

17. Culture traits may sprea well as by internal inve

18. A culture is an integrat in one part of the cultu ramify and bring about c parts of the system.

SKILLS

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production needs a mass
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ducts and parts and a high proportion of capital goods.

c. Up to a certain degree, large-scale production is likely to lead to reduced costs by spreading fixed costs over a larger output of goods and by increasing productivity of labor.

15. Purchasing costly items on credit raises the cost to the consumer and frequently proves more profitable than cash sales to the seller.

16. People buy insurance to reduce the risk to themselves; the risks are spread among many people.

17. Culture traits may spread by diffusion as well as by internal invention.

18. A culture is an integrated whole; a change in one part of the cultural system will ramify and bring about changes in other parts of the system.

SKILLS

1. Attacks problems in a rational manner.

   a. Identifies value-conflicts.

   b. Identifies factual questions which need investigation.

c. Sets up hypotheses.

2. Locates information efficiently.

a. Uses Reader's Guide to locate information.

3. Gathers information effectively.

a. Draws inferences from data.

1) Draws inferences from tables and graphs.

b. Uses index numbers.

c. Reads for details.

4. Evaluates information and sources of information.

a. Distinguishes between relevant and irrelevant data. (Detects persuasion devices.)

b. Identifies incomplete data.

c. Detects inconsistencies.

5. Organizes and analyzes data and draws conclusions.

a. Applies previously-learned concepts and generalizations to new data.

b. Uses simple mathematical devices

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c. Uses models to help analyze data.

d. Identifies differences in data.

e. Tests hypotheses against data.

f. Generalizes from data.

g. Considers probable consequences of alternative courses of action.

ATTITUDES

1. Is curious about social data.

2. Is sceptical of the finality of knowledge. Holds theories and generalizations as tentative, subject to change in the light of new evidence.

CONDENSED OUTLINE OF CONTENT

I. The auto industry has the largest manufacturing firms in the U.S. and, along with the related firms, constitutes the largest sector of U.S. industry.

   A. A large proportion of Americans consider cars a necessity, not a luxury. The car has affected many aspects of American life.

   B. Many auto companies and companies related to the auto industry are found among the largest corporations in the country.

   C. The auto industry has given rise to many other related industries or has at least increased their sales tremendously. It has also caused some industries to decline.

II. An auto was developed first in Europe, and the ideas were borrowed by Americans who developed a highly competitive industry in the early days of the automobile.

   A. The first auto was built in Europe, and many ideas were brought to the U.S.

   B. The auto industry did not develop in this country until after the bicycle craze led to the development of better roads.

   C. In the early part of this century (1900-1920), there were a large number of auto companies which assembled cars from parts which were made largely by other companies. Many of these companies

failed soon, but others made profits for a number of years.

D. GM was organized as a holding company in 1908 (holding the companies of Buick, Cadillac and the Olds as well as eight other lesser auto companies and a number of companies making individual parts for autos). Although GM almost went bankrupt a few years later, it was reorganized and had surpassed Ford in sales by 1927, lost sales supremacy briefly, but regained and has held it since 1930.

E. Ford developed a sturdy car, built only one model at a time, and mass-produced the car with interchangeable parts and an assembly line in order to cut costs. He sold the car at a low price in order to get a big market and made his profits by a small profit margin on many sales. (He assumed an elastic demand for cars.) Other companies assumed an inelastic demand and continued to sell at higher prices. Ford soon outstripped all of the others in sales and profits.

F. Once the market had been saturated with current cars, other auto companies began to build new models with different styles in order to persuade people to buy new cars before the old ones wore out. Ford, who stayed with his one model and color for a number of years, began to drop behind General Motors in sales. Finally, he too, shifted to a new model.

III. Today the auto industry is an oligolopy, with three companies selling over 80 per cent of the autos and one company selling 50 per cent of the autos.

C. The consumer frequently buys on credit, and he needs to be well-informed if he is to get the cheapest credit or know how much he is really paying for credit.

D. Consumers in the market for cars need to budget carefully and consider many factors other than credit or the attributes of different cars before buying.

V. The auto industry provides an example of third party or consumer costs which are not borne by the industry itself.

A. The auto industry has not always paid as much attention to safety as many think they should have. Not only have they let style interfere with safety features within cars, but they have developed more and more powerful cars and have not always warned purchasers of faulty features of cars which may cause accidents.

B. The industry could not survive unless the government built roads, and highway development and city traffic problems are affected by changes in auto styling and power and sales.

C. The auto industry has done little to try to solve the problems created by junked cars.

D. The auto industry has done little to try to reduce the air pollution which is creating problems for cities around the country.

D. Government regulation of the auto industry has arisen because of these third party or consumer costs.

OBJECTIVES

OUTLINE OF CONT

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A. A large proportion of Americans consider cars a necessity, not a luxury. The car has affected many aspects of American life.

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TEACHING PROCEDURES

Initiatory Activities

1. Give pupils the questionnaire in the appendix. This questionnaire should stimulate pupils to think more about the effects of automobiles on American life and on their own lives, it should identify some of their attitudes toward automobiles, and their susceptibility to certain kinds of advertising, and it should find out what they already know about the auto industry.

2. Have a committee tabulate the results of the questionnaire, or do the tabulation in class. Then do the following:

   a. Have the class figure out the average number of cars per family and people per car as reported by pupils in answer to the first question on the questionnaire. Then show the class a chart comparing car ownership per capita today and in earlier years. Ask: What has happened to car ownership in this country?

      Perhaps project the chart on increased registration of cars and trucks from 1940 to 1965 in Goodman and Harriss. Compare it with a table or graph showing changes in population during this period. Ask: How can you explain the great increase in auto registration over this period as compared to the increase in population? Why do you think auto registrations increased so much more rapidly than trucks and buses?

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G. A culture is an integrated whole; a change in one part of the cultural system will ramify and bring about changes in other parts of the system

S. Detects inconsistencies.

G. The elasticity of the demand for goods varies. For some "essential" goods, demand does not differ much regardless of the price.

S. Detects inconsistencies.

A. IS CURIOUS ABOUT SOCIAL DATA.

b. Use the responses to questions 2, 3, 5, and 6 to discuss the effects of the auto on American life and the role of the auto in their own lives.

Now read aloud a quotation or brief article describing the changes which have resulted from the use of the car and current place of the car in American life. Or have a pupil investigate and report on changes.

c. Compare the class' responses to question 15 on the elasticity of demand for cars with the class' responses to question two. Ask: Are your responses consistent? What factors do you think may have led to greater inelasticity of demand for cars than in the early years of the automobile?

d. Discuss: Do the responses to question 8 on the kind of car desired agree with the responses to question 7 on why members of the class want a car? (If they have answered transportation to number 7 and have indicated a desire for an expensive prestig car in number 8, ask: Do you need this expensive car the purposes you have indicated? Why do you want it then? Relate the desire to other factors to which auto makers cater or to appeals which they try to make.)

Have pupils begin to collect car advertisements and cartoons dealing with cars. These will be used later in the unit, but point out now that they should begin to think about the kinds of ads which appeal to them and what these appeals are.

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See Compton's Pictured Encyclopedia, Vol. 1, pp. 566-569.

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B. Many auto companies and companies related to the auto industry are found among the largest corporations in the country.

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e. Use the answers to question 13 if most pupils say that Henry Ford or at least some American invented the car. Ask for a volunteer to check on this idea and investigate the early history of the automobile. (He should report below in activity #14).

f. Use the answers to questions 9 and 10 to find out how much time the class should spend developing the concepts of mass production and automation in connection with the unit.

g. Use the responses of the class to question 11 to find out how well known the UAW is. If it is well known, ask: Why do you think so many of you know about this union? If it is not well-known, point out that they will find out more during the unit about why it is a powerful union which affects the lives of pupils in the class.

h. Use the answer to question 12 to point out that the class lists only a few companies. Ask: Do you think this is because there are only a few or because you just don't know the others? (Begin to introduce the idea of a market in which only a few companies control the production of the product.)

i. Have pupils note their answers to 14. Then show charts or figures or read aloud quotations to show that prices do not usually fall when demand for cars drops off. Ask: Why do you think this might be so? Let pupils set up hypotheses.

S. Draws inferences from tables.

G. New inventions open up whole new fields of production.

G. Specialization of businesses makes for interdependence.

G. The elasticity of the demand for goods varies. For some "essential" goods, demand does not differ much regardless of the price.

S. Draws inferences from tables.

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C. The auto industry has related industries or their sales tremendou some industries to de

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C. The auto industry has given rise to many other related industries or has at least increased their sales tremendously. It has also caused some industries to decline.

1. The auto industry has brought prosperity to the gasoline industry and to the tire industry (which began earlier making tires for bicycles).

a. Tire companies are only one of many kinds of companies making products or accessories for cars.

b. Gasoline for cars tends to have an inelastic demand, even though the demand for any one producer's gasoline is elastic. This means that price wars among gasoline companies do not lead to increased sales in total and generally lead to a drop in profits.

Developmental Procedures

3. Show the class the current Fortune list of the largest companies in the United States. Use the top 20 or 40 companies. Have pupils count the number which are directly engaged in auto production or the production of auto parts. How many more are indirectly related to auto-production? How? This list includes a statement of profits and of assets. Provide figures on the government expenditures the previous year for the pupils' own state. How does this figure compare with the profits made by General Motors?

The Fortune each

4. Have pupils try to list all of the kinds of industries which have grown up to service autos or provide auto parts. Now have a pupil check the local telephone directory and with a car dealer to add to the list.

5. Give pupils a table showing gasoline sales at different prices. What happens to the sales? Is the demand elastic or inelastic? Or show a figure on elasticity. Ask: How can you explain this? Would you expect the demand for gas to be more or less elastic than the demand for salt or bread? Why? Do you think the demand today would be less elastic than it was some twenty years ago before the suburbs grew so rapidly? Why or why not?

McAllister, " Demand for Ga 230.

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The issue of Fortune each year.

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McAllister, "Elasticity of Demand for Gasoline," p. 230.

G. Firms may compete with each other by cutting prices.

G. The elasticity of the demand for goods varies. For some "essential" goods, demand does not differ much regardless of the price.

S. Sets up hypotheses.

S. Tests hypotheses against data.

G. The elasticity of the demand for goods varies. For some essential goods, demand does not differ much regardless of the price.

S. Generalizes from data.

G. Specialization of individuals, businesses, and regions leads to interdependence.

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2. Many industries have been aided by the auto industry even though they have nothing to do with autos as such. (e.g. motels, restaurants, etc.)

6. Have pupils compare gasoline prices at stations selling different brands of gasoline. How much do they differ? What would be likely to happen if one station greatly reduced its prices? Why don't companies reduce their prices more frequently in order to take customers away from other gas stations? Would total sales be likely to rise? Why or why not? What would happen if one station reduced its prices? Explain the meaning of price war if no one can explain it. Ask: Would total sales of gasoline be likely to increase during such a price war? Why or why not? What would happen to the profits of a company during such a war?

See di: wars f "Elast Gasoli

7. If a recent gasoline price war has been going on, have pupils check with gasoline station owners about what is happening to their sales and profits. Let pupils make a chart showing the sales as against prices. Who is making the most sales? Have total sales gone up or down or stayed about the same? What do these figures show about the elasticity of demand for a particular brand of gasoline? about the effects of price wars upon gasoline dealers in general?

8. Now compare the elasticity of demand for autos and for gasoline in this country. Which is more elastic? Why?

McAllis Demand 233.

9. Have pupils try to list industries or businesses which have been aided by or even grown up as a result of the widespread use of the auto even though they have nothing to do with cars as such.

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See discussion on price wars for teachers, McAllister, "Elasticity of Demand for Gasoline," pp. 233-235.

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S. Sets up hypotheses.

S. Uses Reader's Guide to locate information.

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3. The auto industry is so large that anything affecting its prosperity affects other parts of the nation's economy.

11. An auto was developed first in Europe, and the ideas were borrowed by Americans who developed

10. Perhaps have pupils read the article on "Auto Sales--Barometer of Prosperity." Then discuss: Why is the prosperity of the auto industry so important to the prosperity of the rest of the nation? What would happen if there were a long strike in the auto industry?

Senior Scholas
1965.

11. Have pupils use the Readers' Guide to locate articles dealing with the many economic effects of the auto strike during the winter of 1967-68. (If necessary, review the use of the Reader's Guide.)

Use Reader's G
articles. Als
graphy.

12. Have pupils list kinds of companies which would have gone out of business or declined drastically as a result of the widespread use of the auto. Perhaps have one pupil give a report on problems facing railroads today.

13. Prepare a bulletin board display on THE AUTO INDUSTRY THEN AND NOW. On one side of the board show the early

Use local libr
pictures. Or

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Senior Scholastic, Oct. 14, 1965.

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Use Reader's Guide to locate articles. Also see bibliography.

list kinds of companies which would have
business or declined drastically as a re-
widespread use of the auto. Perhaps have
ive a report on problems facing railroads

ulletin board display on THE AUTO INDUSTRY
V. On one side of the board show the early

Use local library files for pictures. Or see Rae, Am.

G. Firms may compete with each other by trying to improve the quality of their product or by product differentiation.

a highly competiti
of the automobile.

A. IS CURIOUS ABOUT SOCIAL DATA.

G. Culture traits may spread by diffusion.

S. Generalizes from data.

A. The first auto
ideas were brou

B. The auto indust
country until a
the development

C. In the early pa
there were a la
which assembled car
other companies.
but others made pr

1. Most of the
dividually a
pany could b
could build
cash.

2. Many of the

may compete with each other
ying to improve the quality
eir product or by product
rentiation.

RIOUS ABOUT SOCIAL DATA.

re traits may spread by dif-
n.

alizes from data.

a highly competitive industry in the early days of the automobile.

A. The first auto was built in Europe, and many ideas were brought to the U.S.

B. The auto industry did not develop in this country until after the bicycle craze led to the development of better roads.

C. In the early part of this century (1900-1920), there were a large number of auto companies which assembled cars from parts which were largely by other companies. Many of these companies failed soon, but others made profits for a number of years.

   1. Most of the early cars were assembled individually at a high cost; however, a company could be organized with few funds and could build on credit and sell for immediate cash.

   2. Many of the early companies which lasted

competitive auto industry and on the other side show the modern oligopoly. Include pictures of products of the times and costs and techniques of production. (Or use an opaque projector to compare the products and show charts on the structure of the industry today and in the past.)

Automobile
sury of the
Hebb, Cars

Ask: Given what you have studied earlier, what is the usual claim about why products are improved by firms? Why would an industry which has become less competitive produce cars which most think superior to those produced in the days of greater competition? Let pupils set up hypotheses.

14. Have a pupil or committee investigate and report on the early history of the automobile, including the earliest inventions in Europe, the diffusion of the idea to the U.S., the many companies which produced individual autos, ways in which these companies raised money, and the way in which producers of other goods began to produce autos. Afterwards discuss: Why do you think there were so many auto companies then and so few now? How did the bicycle craze contribute to the development of the auto industry?

Rae, Am. Au
1-3, 5-6.
Compton's F
pedia, pp.
See graphs
dents and m
years in We
American In

Perhaps show the film Auto-Biography which deals with the history of the automobile in this country.

Film: Auto
Distributed
26 min.

e auto industry and on the other side show
oligopoly. Include pictures of products
es and costs and techniques of production.
opaque projector to compare the products
arts on the structure of the industry to-
the past.)

Automobile; Stein, The Treasury of the Automobile; Hebb, Cars in Pictures.

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about why products are improved by firms?
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of greater competition? Let pupils set
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oducers of other goods began to produce autos.
discuss: Why do you think there were so many
ies then and so few now? How did the bicycle
ibute to the development of the auto industry?

Rae, Am. Automobile, chs. 1-3, 5-6.
Compton's Pictured Encyclopedia, pp. 569-572, vol. T.
See graphs on no. of independents and makes of autos over years in Weiss, Economics and American Industry, p. 327.

w the film Auto-Biography which deals with
of the automobile in this country.

Film: Auto-Biography, CBS-TV, Distributed by McGraw-Hill, 26 min.

at all came to a
made in producin
bicycles, wagons

D. GM was organized as
(holding the compan
the Olds as well as
companies and a numb
individual parts fo
almost went bankrupt
was reorganized and
by 1927, lost sales sup
has held it since 19

G. Mass production permits reduction in costs, but it is dependent upon a big enough market to make it profitable.

E. Ford developed a stu
model at a time, and
interchangable parts
order to cut costs.
price in order to ge
his profits by a sma
sales. (He assumed
cars.) Other compan
demand and continued
Ford soon outstripped
sales and profits.

S. Sets up hypotheses.

S. Tests hypotheses against data.

S. Draws inferences from graphs.

F. Once the market had
cars, other auto com
models with differen
suade people to buy
ones wore out. Ford
model and color for
to drop behind Gener
ally, he too, shifte

at all came to auto production with funds made in producing other products such as bicycles, wagons, etc.

D. GM was organized as a holding company in 1908 (holding the companies of Buick, Cadillac and the Olds as well as eight other lesser auto companies and a number of companies making individual parts for autos). Although GM almost went bankrupt a few years later, it was reorganized and had surpassed Ford in sales by 1927, lost sales supremacy briefly, but regained and has held it since 1930.

on permits reduction
it is dependent upon
narket to make it pro-

E. Ford developed a sturdy car, built only one model at a time, and mass-produced the car with interchangable parts and an assembly line in order to cut costs. He sold the car at a low price in order to get a big market and made his profits by a small profit margin on many sales. (He assumed an elastic demand for cars.) Other companies assumed an inelastic demand and continued to sell at higher prices. Ford soon outstripped all of the others in sales and profits.

eses.

es against data.

es from graphs.

F. Once the market had been saturated with current cars, other auto companies began to build new models with different styles in order to persuade people to buy new cars before the old ones wore out. Ford, who stayed with his one model and color for a number of years, began to drop behind General Motors in sales. Finally, he too, shifted to a new model.

15. Have a pupil report on Henry Ford's contribution to the auto industry. Be sure that the class discusses the importance of mass production and of his pricing policy as well as the problems which he encountered in the 1920's when other companies came out with many different styles.

Rae, Th
chs. 4-
See fig
Weiss,
Industr

16. Be sure to discuss: Would Ford's pricing policy result in a profit for products of inelastic as well as elastic demand? What would happen to the elasticity of demand as more autos were sold in the early 1920's? Set up hypotheses and then check against a graph which shows autos and households from 1890 to 1960.

See gra
and Ame

report on Henry Ford's contribution to the
. Be sure that the class discusses the
mass production and of his pricing policy
e problems which he encountered in the 1920's
mpanies came out with many different styles.

Rae, The American Automobile, chs. 4-5, pp. 95-100.
See figures on his prices in Weiss, Economics and American Industry, p. 330.

scuss: Would Ford's pricing policy result
or products of inelastic as well as elastic
would happen to the elasticity of demand
were sold in the early 1920's? Set up
d then check against a graph which shows
seholds from 1890 to 1960.

See graph in Weiss, Economics and American Industry, p. 333.

A. IS CURIOUS ABOUT SOCIAL DATA.

S. Uses index numbers.

S. Generalizes from data.

III. Today the auto industr
three companies sellir
autos and one company
the autos.

S. Sets up hypotheses.

G. Competition exists where there are a number of sellers of a product or service and no single seller can dominate or control the market price. However, price competition is not the only form which competition takes.

A. The auto industry i
tered prices, in wh
duction rather than
below supply.

IOUS ABOUT SOCIAL DATA.

ndex numbers.

lizes from data.

III. Today the auto industry is an oligopoly, with three companies selling over 80 per cent of the autos and one company selling 50 per cent of the autos.

hypotheses.

tion exists where there are
of sellers of a product or
and no single seller can
or control the market price.
price competition is not
form which competition

A. The auto industry is an example of administered prices, in which companies reduce production rather than prices when demand falls below supply.

17. If possible bring in old magazines from the 1930's or earlier and have pupils look at auto ads at that time. They should identify car features which were introduced at that time which pupils have thought must have been part of cars from the beginning. They might compare car costs in the two periods, using wage indexes to figure out to what extent the rise in costs have been offset by increases in wages. Do people have to spend a smaller or larger proportion of wages for a car today than in this earlier period? Are people paying for greater quality as well as different styles today?

18. Project a table or graph showing profits by General Motors from 1930 on and in 1955-59. Do the same for the other large companies.

Also project a table or chart showing the proportion of the cars sold by the different companies in the past year or over a period of years. (A pupil could construct this chart from data obtained in Motor Trends.)

Weiss, Ec
Industry,

Motor Tre

19. Review the hypotheses about the relationship between prices and demand for cars which pupils developed for the questionnaire (see question #14 and activity 2i). Now ask: Would you expect to find sales prices changing somewhat throughout the year? Why or why not? (Cite prices of other goods which do shift during the year.) Let pupils set up hypotheses about what they think might happen to car prices during the course of one year. (The class might set up two hypotheses, one about list prices from the manufacturer and one about prices from dealers.)

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ave pupils look at auto ads at that
hould identify car features which were
that time which pupils have thought must
t of cars from the beginning. They might
osts in the two periods, using wage in-
re out to what extent the rise in costs
set by increases in wages. Do people
a smaller or larger proportion of wages
ay than in this earlier period? Are peo-
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930 on and in 1955-59. Do the same for
ge companies.

Weiss, Economics and American Industry, pp. 350, 370.

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old by the different companies in the
over a period of years. (A pupil could
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Motor Trends

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mand for cars which pupils developed for
aire (see question #14 and activity 2i).
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throughout the year? Why or why not?
of other goods which do shift during the
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appen to car prices during the course of
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ices from the manufacturer and one about
ealers.)

G. When there is such a concentration of production in the hands of a few firms that these firms can dominate prices, competition is reduced and supply can be restricted in lieu of cutting prices.

S. Tests hypotheses against data.

A. IS SCEPTICAL OF THE FINALITY OF KNOWLEDGE. HOLDS THEORIES AND GENERALIZATIONS AS TENTATIVE, SUBJECT TO CHANGE IN THE LIGHT OF NEW EVIDENCE.

S. Draws inferences from tables and graphs.

G. When there is a monopoly or such a concentration of production in the hands of a few firms that these firms can dominate prices, competition is reduced and supply may be restricted in lieu of cutting prices.

S. Generalizes from data.

1. The other cc
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cutting prices.

s from data.

1. The other companies follow the price lead of General Motors which dominates the industry. General Motors, in turn, hesitates to force competitors out by a price war because of the danger of government interference under anti-trust laws.

20. Project two charts, one showing changing sales of autos (or new auto registration) over the years, and one showing suggested retail price for cheapest four-door sedan in high powered line during same years. Ask: What happened to prices when sales dropped off? How did prices of different auto companies compare? (Be sure to discuss reason for drop of sales in 1940 to 1945.)

See Weiss, American In 351.

21. Project a table or graph showing the proportion of the market controlled by the three largest companies in several different fields, including the auto industry and the tire industry. Ask: Why do these figures differ somewhat? Now have pupils consider once again the question about how the auto companies can cut production rather than cutting prices. Ask: How does the auto industry seem to compare with the farm situation in terms of supply and adjustment to demand? How can the auto industry reduce supply when farmers find it so difficult to do so without government controls?

Graph, p. nomics and Table, p. Figures on See also M eds., Econ 115 and Li Our Americ 165. Weiss, p. on price a

Ask: Suppose you are a very small auto company and you cut your prices in order to take customers away from the big auto companies? What might happen? If you were Ford or Chrysler managers, why would you tend to follow the lead of General Motors in setting prices for different car models? Cite examples of how Ford

charts, one showing changing sales of autos registration) over the years, and one showd retail price for cheapest four-door sedan red line during same years. Ask: What hapces when sales dropped off? How did prices auto companies compare? (Be sure to discuss rop of sales in 1940 to 1945.)

See Weiss, Economics and American Industry, pp. 333, 351.

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Graph, p. 327 of Weiss, Economics and American Industry.
Table, p. 328 in Weiss.
Figures on p. 326 of Weiss.
See also Mark and Slate, eds., Econ. in Action, p. 115 and Lindholm and Driscoll, Our American Economy, p. 165.
Weiss, p. 353 includes data on price adjustments by Ford.

e you are a very small auto company and prices in order to take customers away auto companies? What might happen? If d or Chrysler managers, why would you tend e lead of General Motors in setting prices t car models? Cite examples of how Ford

S. Uses Reader's Guide to locate information.

G. Government policies may tend to reduce or increase pressure toward concentration of industry or monopolistic tendencies.

S. Draws inferences from data.

S. Applies concepts to new data.

G. Prices are affected by changes in supply and demand.

2. Retail outlets
make room for n

s Guide to locate infor-

olicies may tend to re-
ease pressure toward
n of industry or mono-
dencies.

nces from data.

epts to new data.

fected by changes in
mand.

2. Retail outlets cut prices on old models to make room for new ones if supply exceeds

adjusted prices to G.M. prices.

Have a pupil use the Reader's Guide or clippings which you have put in the clipping file to find out what has happened to list prices of cars as announced by the large companies. They should note what happens when GM announces its prices for new cars. Ask: Does this evidence indicate that the auto industry still follows a practice of price leadership?

Use Rea
article

22. Tell the class briefly or have a pupil report on anti-trust legislation and action in this country. Now ask: Why doesn't General Motors wage a price war to force the other auto companies out of business? Suppose the government forced GM to cut prices by threats of court action? What would happen to GM's competitors?

23. Place the word "monopoly" on the board. Have they seen any situation so far this year in which one person or firm had a monopoly of any kind? Be sure that pupils define the term. Now ask: Is there a monopoly in the auto industry? Be sure to define oligopoly and distinguish between it and monopoly.

Perhaps have pupils read an account of price collusion in the electrical industry and have them compare such collusion with price leadership in order to understand the difference between the two.

Ammer,
pp. 49-

24. Have several pupils present a report on retail pricing both at the end of the year and during the early part

See Wei
merican

ces to G.M. prices.

use the Reader's Guide or clippings which in the clipping file to find out what has ist prices of cars as announced by the es. They should note what happens when its prices for new cars. Ask: Does this cate that the auto industry still follows price leadership?

Use Reader's Guide to locate articles.

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Ammer, ed., Readings and Cases, pp. 49-50.

pupils present a report on retail pricing nd of the year and during the early part

See Weiss, Economics and American Industry, pp. 356-57.

S. Generalizes from data.

demand. Ther
among dealers

S. Generalizes from data.

G. Firms may compete with each other by trying to improve the quality of their product or by product differentiation.

B. The foreign auto
sales in the U.S.
with American aut
extent.

from data.

demand. There is more price competition among dealers than among producers.

rom data.

pete with each other
improve the quality
uct or by product
on.

B. The foreign auto companies have made many sales in the U.S., but they do not compete with American auto companies to any great extent.

of the year. They should discuss packs as well as ways of altering the amount of money to be paid for a trade-in. Ask: Who takes most of the loss in reduction of prices at the retail level? How has the government affected retailing prices by legislation? These pupils might examine car advertisements from dealers to find out what kinds of prices, if any, are being quoted for the same make of car from one dealer to another and the comparative prices being offered by dealers for different makes of cars in the same general range. Discuss these findings in class. Ask: Why is it difficult to judge what one must pay for a car even when a dealer does mention a price in advertising?

25. Have pupils compare the reduction in auto prices in last year's model of cars, as found in the local area, with the depreciation losses estimated for cars each year. Discuss: Does the consumer come out ahead financially by buying a last year's model of a new car at the beginning of the year?

26. Have a pupil report on several kinds of foreign cars which are sold in the area. They should describe the characteristics of these cars as against those made in America. They should also try to find out how sales of such cars in their own area compare with sales of U.S. made cars and how sales have changed over time. Do these cars offer a real threat to American auto dealers? Why are such small cars so common in European countries? Why do Americans buy these cars? (Pupils might obtain some of their information through interviews with foreign car dealers in the local area.)

S. Sets up hypotheses.

G. Firms may compete with each other by trying to improve the quality of their product or by product differentiation.

G. Economic wants of people seem never to be satisfied, since many goods and services must be replenished constantly as they are used up, since population is expanding, and since new inventions or styles create new wants.

G. Firms may compete with each other by trying to improve the quality of their product or by product differentiation.

S. Sets up hypotheses.

S. Tests hypotheses against data.

C. Competition in th
an attempt to gai
by product-differ

1. Each company t
slightly diffe
people that it
ducts are not
differentiated
other factors
choices. (Thi
for wheat.)

2. Each producer
year, but not
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be replaced.
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second-hand ca
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cars are produ
to create a co
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3. Each company ha
els in an atte
different price
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Market researcl
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compete with each other
to improve the quality
product or by product
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as they are used up,
ulation is expanding, and
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compete with each other
to improve the quality
product or by product
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potheses.

theses against data.

C. Competition in the auto industry comes through an attempt to gain a larger part of the market by product-differentiation and advertising.

1. Each company tries to make its product slightly different and tries to persuade people that its product is best. When products are not interchangeable and can be differentiated, people are likely to let other factors besides cost affect their choices. (This is not true in the market for wheat.)

2. Each producer changes his own styling each year, but not too much. By changing style, the company hopes to make consumers feel that their old car is obsolete and should be replaced. By not changing style too much, companies make it easier to sell second-hand cars. Each company decides on style changes several years before such cars are produced and then uses advertising to create a consumer demand for such a style. Consumer demand for specific styles does not cause the changes.

3. Each company has developed a number of models in an attempt to appeal to people in different price ranges and to have a line of cars within which consumers will buy. Market research has shown that people tend to have loyalty to a particular company's cars if there are models at different price ranges within that company's products.

27. Bring to class newspaper items or advertisements about auto shows and new car styles. Use them to initiate a discussion of competition in terms of changing styles. Discuss: Why do you think the auto makers like to make style changes even when they make few other changes in the operations of the car? Have the class set up hypotheses to check.

28. Read aloud quotes from a GM executive to effect that GM was building "dynamic obsolescence" into their cars and the principle of style cycling. Discuss.

Keats, pp. 52

29. Ask: Why do you think auto companies such as General Motors or Ford make so many different models of cars? Read aloud quotes from Keats on Popular Mechanics survey.

See di
Weiss,
dustry

Relate product differentiation in autos to product differentiation of other products.

Keats, pp. 61

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and new car styles. Use them to initiate a
of competition in terms of changing styles.
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Keats, The Insolent Chariots, pp. 52 ff.

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ord make so many different models of cars?
quotes from Keats on Popular Mechanics sur-

See discussion for teacher in Weiss, Economics and Am. Industry, p. 337.

Keats, The Insolent Chariots, pp. 61-63.

uct differentiation in autos to product dif-
n of other products.

S. Draws inferences from data.

G. Corporations make possible a larger investment in capital goods than do most individual enterprises and partnerships, since shares of stock can be sold to many people.

S. Detects persuasion devices.

G. Governments affect business activity.

G. Firms may compete with each other by heavy advertising to make their products better known and so increase the demand for them rather than for competing products.

S. Distinguishes between relevant and irrelevant data. (Detects persuasion devices.)

4. Auto companies spe
tising in order to
which is needed fo
dustries. The adve
try to create an ir
which differs from
other words, the ac
ferentiate the proc
cluding their own p
ple will buy new ca
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(Detects persuasion

4. Auto companies spend huge sums for advertising in order to develop a mass market which is needed for mass production industries. The advertising is likely to try to create an image of the car--an image which differs from that of other cars. In other words, the advertising tries to differentiate the product from the others, including their own past models, so that people will buy new cars frequently and will buy their company's new model.

30. Have a pupil give a report on the Edsel car and how it was built only after extensive market research. He should explain the research, the amount of the investment, and what happened. Be sure that the class is aware of the cost of the attempt to produce the Edsel. Discuss: In the light of this cost, why didn't Ford go bankrupt?

31. Perhaps have pupils read the Sylvia Porter article for June 19, 1967, on developing a trade name. Discuss both the importance of a name to the sale of a product and the way in which the government protects trade names.

e.g. N
Tribun

32. Have all pupils collect newspaper and magazine ads for autos for three days. They should also copy down the ads for autos which they see in outdoor advertising. (Perhaps some pupil who likes to take photographs might phototgraph several and bring them in for projection.) Have pupils analyze ads. What appeals are being made? Is the appeal primarily to safety, style, performance, etc.? How relevant are the facts which are presented to the way in which the auto actually performs? Does the ad leave out any information which pupils would want to know before deciding what kind of car to buy? Compare ads for several companies. Can pupils tell about actual performance of cars from these ads?

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arch, the amount of the investment, and
Be sure that the class is aware of the cost
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n developing a trade name. Discuss
nce of a name to the sale of a product
hich the government protects trade names.

e.g. Minneapolis Morning Tribune, June 19, 1967.

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days. They should also copy down the
ich they see in outdoor advertising.
pil who likes to take photographs might
ral and bring them in for projection.)
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ant are the facts which are presented
ich the auto actually performs? Does
any information which pupils would
ord deciding what kind of car to buy?
several companies. Can pupils tell
rformance of cars from these ads?

S. Identifies value-conflicts.

Instead or in addition you may wish to do one or more of the following:

a. Project some of the ads, showing them only briefly at first, and asking: What did you see in this ad? Then let pupils analyze the ads in more detail. To what extent does their first impression differ from their reactions to the ad after longer study? Why? Ask: If you were in charge of auto sales, would you expect television or newspaper ads to be more effective? Why?

b. Have pupils count the number of times different types of appeals are found in the car ads which they have found. Discuss: Are these advertisements trying to sell "transportation" or something else? What do the manufacturers think are the things most likely to sell cars to American consumers? Why do you think they do not play up safety features more?

c. Tape some of the auto commercials on radio and television. Have pupils analyze the sales appeals.

d. Have pupils write their own car ads. They might identify the audience to which they wish to appeal, write a description of the car design which they would develop for such an audience, and then write a paragraph of advertising copy for it.

e. Show auto ads from old magazines of the 1940's or 1930's once more. Ask: How did the appeals in car ads in those days compare with those today? Why do you think that this is so?

33. Perhaps have pupils debate the pros and cons of the ethics of advertising in this fashion.

G. Up to a certain degree, large-scale production is likely to lead to reduced costs by spreading fixed costs over a larger output of goods and by increasing productivity of labor.

G. Mass production needs a mass market with mass consumers, as well as standardization of products and parts and a high proportion of capital goods.

G. Mass production, with its greater specialization and substitution of capital goods for labor, permits reduction of costs.

G. As compared with individual enterprises and partnerships, corporations make possible both a larger investment in capital goods (with an accompanying mass production and lower costs) and a control of this investment with a much smaller amount of money than the capital goods are worth.

G. Corporations make possible a larger investment in capital goods than do most individual enterprises and partnerships, since shares of stock

D. The auto co
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than the capital
h.

ake possible a larger
capital goods than do
l enterprises and
ince shares of stock

D. The auto companies are huge corporations which produce on a mass scale.

1. Advertising helps develop the big market needed for mass production.

2. The companies are corporations, with ownership widely dispersed but with a few people holding control and choosing management.

34. Give pupils figures for the amount spent on advertising by some of the large auto companies. Ask: Why do you think the companies spend so much? Do you think these expenditures on advertising raise the cost of cars by much? Why or why not? What advantages or disadvantages do you see in such large scale advertising for auto companies? for the consumers?

Weiss, p. 342 pp. 366-368.

Perhaps show the class the table in Goodman and Harriss on "Marketing Costs In Various Industries." Ask: How do advertising costs as a per cent of sales compare in the auto industry with that in other industries? Why is it so much lower than in the drug or cigarette industry? How does the selling and delivery expense compare in the auto industry and in the other industries? Why is it so much lower than in some of the industries but higher than in aircraft and shipbuilding? How does the total per cent of sales costs compare with other industries which sell to the general public rather than to a few large industries or to the government?

Goodman and H
mics, p. 364.

35. Have pupils examine an annual report of one of the auto companies. Ask: Who owns the company? How are those who run the company chosen? What are the advantages of a corporation over a single owner? Over a partnership? (This is a review from the fourth grade course. If pupils have not had that course, have a pupil investigate and prepare a chart to compare the different types of organization.)

igures for the amount spent on advertising
e large auto companies. Ask: Why do you
panies spend so much? Do you think these
on advertising raise the cost of cars by
why not? What advantages or disadvantages
such large scale advertising for auto
or the consumers?

Weiss, p. 342; see also Weiss, pp. 366-368.

the class the table in Goodman and Harriss
g Costs In Various Industries." Ask: How
g costs as a per cent of sales compare in
stry with that in other industries? Why
lower than in the drug or cigarette in-
does the selling and delivery expense compare
ndustry and in the other industries? Why
lower than in some of the industries but
n aircraft and shipbuilding? How does the
t of sales costs compare with other industries
the general public rather than to a few
ies or to the government?

Goodman and Harriss, Economics, p. 364.

xamine an annual report of one of the auto
sk: Who owns the company? How are those
ompany chosen? What are the advantages of
over a single owner? Over a partnership?
view from the fourth grade course. If pu-
had that course, have a pupil investigate
chart to compare the different types of

can be sold to many people.

G. A few large stockholders can control a corporation with a relatively small investment of money as compared to the capital goods owned by the corporation.

G. Holding companies permit a few individuals to pyramid their control over a number of other corporations with just a small amount of money as compared to the total worth of all of the companies.

G. Up to a certain degree, large-scale production is likely to lead to reduced costs by spreading fixed costs over a larger output of goods and by increasing productivity of labor.

G. Division of labor and specialization can increase a person's output.

G. Mass production, with its greater specialization and substitution of capital goods for labor, permits reduction of costs.

G. Mass production needs a mass market with mass consumers, as well as standardization of products and parts and a high proportion of capital goods.

3. The companies use me
cluding new automat
costs of production.

many people.

ockholders can con-
tion with a relatively
nt of money as com-
apital goods owned by
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needs a mass market
mers, as well as
of products and parts
ortion of capital goods.

3. The companies use mass production, including new automation devices, to cut costs of production.

36. Use a chart to illustrate how a few people can control a large corporation. Use the example of the early GM holding company as well as of a typical company.

    Now ask: Who really runs the auto companies? How are they paid for their efforts? Are they working for the profit motive?

37. Have a pupil read an account of advantages resulting from large-scale production and prepare a chart to illustrate. Discuss the chart. Be sure to bring out the possibilities of research and development in large companies, as well as the reduction in cost per unit.

    Lindholm a
    American E
    158.

38. Have the class view a film showing mass production on an auto assembly line. Or have pupils visit a local auto assembly plant to see how the assembly line works.

    Film: Man
    Line, McGr.

    Or have a pupil report on auto assembly lines. Discuss: How does the assembly line affect production and output? cost of production? What problems might arise on such an assembly line? How might workers react to such an assembly line? How large a market is needed for mass production? How can the organization of assembly lines affect efficiency?

    Hebb, Cars

    Compton's
    pp. 573-76

t to illustrate how a few people can control
rporation. Use the example of the early GM
mpany as well as of a typical company.

Who really runs the auto companies? How are
for their efforts? Are they working for the
ive?

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-scale production and prepare a chart to il-
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ies of research and development in large com-
well as the reduction in cost per unit.

Lindholm and Driscoll, Our American Economy, pp. 156-158.

lass view a film showing mass production on
sembly line. Or have pupils visit a local
bly plant to see how the assembly line works.

Film: Man on the Assembly Line, McGraw-Hill, 27 min.

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he assembly line affect production and output?
oduction? What problems might arise on such
y line? How might workers react to such an
ine? How large a market is needed for mass
? How can the organization of assembly lines
iciency?

Hebb, Cars in Pictures.

Compton's Pictured Encyclopedia, pp. 573-76, vol. 1.

G. Output can be increased by a more efficient combination of productive resources (by the way in which production is organized).

G. The most efficient combination of resources is the one which produces the largest output given the same cost or value of resource input.

G. Mass production, with its greater specialization and substitution of capital goods for labor, permits reduction of costs.

G. Specialization of individuals, businesses, and regions make for interdependence.

G. New technological developments bring improved efficiency to tools and machines and increased labor productivity.

G. The most efficient combination of resources is the one which produces the largest output given the same cost or value of resource input.

S. Draws inferences from tables and graphs.

G. In the long run, a rise in real

39. Instead or in addition to activity #38, project the maps and pictures (in sequence) in the section on "A Region-Sized Assembly Line" which describes the many places, factories, and jobs involved in finally putting together a Chrysler Dodge Coronet. Prepare cards for yourself to read as you show the pictures. Or perhaps have a pupil prepare this illustrated report to the class.

McLaughlin
Time-Life B
land, pp. 9

40. Perhaps show a film of an automated plant. Ask: What advantages are there in such a plant? What disadvantages might there be?

41. Cite figures or show charts on results of automation on output, the number of workers, costs, and wages in an auto industry. Discuss: Has automation helped or hurt the workers?

Buckingham,
21, 37, 101,

r in addition to activity #38, project the maps
res (in sequence) in the section on "A Region-
embly Line" which describes the many places,
, and jobs involved in finally putting together
r Dodge Coronet. Prepare cards for yourself to
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McLaughlin and the Editors of Time-Life Books, The Heartland, pp. 97-107.

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e be?

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e number of workers, costs, and wages in an
try. Discuss: Has automation helped or hurt
s?

Buckingham, Automation, pp. 21, 37, 101.

wages will be achieved only by a rise in labor productivity.

G. Output can be increased by a more efficient combination of productive resources (by the way which production is organized).

G. Up to a certain degree, large-scale production is likely to lead to reduced costs by spreading fixed costs over a larger output of goods and by increasing productivity of labor.

4. The corporation
zontal and vert
to cut costs an
supplies. Vert
to ownership of
control (althou-
dealers) and so

G. Most businesses in mature economies depend more upon corporation savings for new investment than upon investment from outside the business.

G. Collective bargaining by labor unions may help restore competition at times, or it may hurt competition.

G. Laborers may join together in labor unions to agglomerate their power.

E. The huge companies
labor union in the

be achieved only by a rise
oductivity.

be increased by a more
ombination of productive
by the way which pro-
organized).

tain degree, large-scale
is likely to lead to re-
by spreading fixed costs
er output of goods and by
productivity of labor.

4. The corporations have developed both horizontal and vertical integration in order to cut costs and ensure themselves of supplies. Vertical integration extends to ownership of wholesale agency plus control (although not ownership of retail dealers) and sometimes to credit companies.

sses in mature economies
upon corporation savings
estment than upon invest-
utside the business.

bargaining by labor
help restore competition
it may hurt competi-

join together in labor
gglomerate their power.

E. The huge companies are countered by a huge labor union in the area of labor relations.

42. Project charts showing General Motors as both a vertical and a horizontal organization. Compare it with an auto company organized vertically. Discuss the pros and cons of both kinds of organizations--or the purposes of both types. Tell the class how Ford and Chrysler have also decentralized their corporations to overcome inefficiencies which sometimes arise in very large industrial organizations.

See chart
Driscoll,
p. 162.

See discus
Weiss, Ecc
dustry, pp

See also M
Economics
122.

See chart
Giant Ente

43. Have pupils check with auto dealers from different auto companies to find out what kinds of arrangements are made between companies and dealers and how wholesaling of cars is handled. They should report their findings to the class, and the class should compare findings for dealers of different companies.

See discus
Weiss, Eco
Industry,

44. Give pupils figures on assets and profits of G.M. and on the estimated cost of a new plant. Ask: How likely would it be for any one bank to loan G.M. the money needed for such a plant? How might G.M. raise the money? Now tell pupils about what is the general practice.

45. Have a pupil give a report on the rise of the United Automobile Workers. He should describe the growth, demands made, tactics used, and degree of success. Discuss: How does the union tend to counterbalance the strength of the auto industries? (Describe Galbraith's idea of counter-

charts showing General Motors as both a vertical rizontal organization. Compare it with an auto organized vertically. Discuss the pros and both kinds of organizations--or the purposes of es. Tell the class how Ford and Chrysler have entralized their corporations to overcome in- cies which sometimes arise in very large in- organizations.

See chart in Lindholm and Driscoll, Our Am. Economy, p. 162.

See discussion for teacher in Weiss, Economics and Am. Industry, pp. 331-332, 347-350.

See also Mark and Slate, eds., Economics in Action, pp. 117-122.

See chart on GM in Chandler, Giant Enterprise, pp. 120-121.

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See discussion for teacher in Weiss, Economics and American Industry, p. 336.

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G. Competition is affected by the end of entry of new competitors into a field.

F. It is very diffic
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companies is decl

G. Up to a certain degree, large-scale production is likely to lead to reduced costs by spreading fixed costs over a larger output of goods and by increasing productivity of labor.

1. Entry is made c
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G. When there is such a concentration of production in the hands of a few firms that these firms can dominate prices, competition is reduced and supply can be restricted in lieu of cutting prices.

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competitors into a

F. It is very difficult for new companies to enter the auto industry, and the number of auto companies is declining rather than increasing.

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spreading fixed
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productivity of

1. Entry is made difficult by the huge amounts of capital needed for mass production of autos which could compete successfully on the modern market.

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the hands of a
ese firms can domi-
etition is reduced
restricted in lieu

vailing power.)

46. Ask: If we wanted to start a new auto company, why would it be more difficult today than in 1910? How would the financial resources needed to begin a company differ in these two periods? If we were to go into the business to compete with existing firms, what would we need to know? (e.g. production techniques, sales techniques and force, advertising, analysis of consumer demand, service shops around country, etc.) Would people be likely to buy our cars? Why or why not? What would we have to do to sell them?

You may wish to expand upon this discussion by doing several of the following, wherever a factor hampering entry seems to need further development:

a. Ask: Give pupils figures on estimates by auto officials about the number of car sales needed to make an auto assembly plant efficient. (Define meaning of term efficient here.) Now show pupils figures of sales for different companies once again. Could the independent companies operate an efficient assembly line? If so, why were their costs higher than those of the larger companies? Now tell pupils about how the larger companies have built a number of assembly plants around the country. Why might they do so? (How would such plants reduce their costs?) Have pupils figure out how many such assembly plants the independents could afford to build, given their sales and a desire to operate such plants efficiently. Ask: What effect would this smaller number have upon their costs as compared to the costs of the larger companies?

See Weiss, p. 340.

G. Up to a certain degree, large-scale production is likely to lead to reduced costs by spreading fixed costs over a larger output of goods and by increasing productivity of labor.

2. E
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S. Draws inferences from data.

G. Companies sometimes diversify their products to provide for greater security against risks of a drop in profits from one product.

G. Investment in technological research and development may lead to higher levels of technology and so to greater productivity because of more or better quality

certain degree, large-scale
on is likely to lead to re-
sts by spreading fixed costs
arger output of goods and by
ng productivity of labor.

2. Entry is made difficult because it is difficult to gain an immediate market for the number of cars which must be sold to reduce fixed costs per unit. Such costs include new tools for new styles, research, and national advertising campaigns.

ferences from data.

s sometimes diversify their
to provide for greater
against risks of a drop
ts from one product.

nt in technological re-
nd development may lead
r levels of technology
o greater productivity be-
more or better quality

b. If necessary, cite figures on the number of cars which must be produced to make it economical to introduce new tools needed for changes in auto styles and models. Ask: What would happen to the company which could not produce and sell this many automobiles? Now give pupils figures on the number of companies which reached this figure and on figures reached by some of the independent companies, including some of those which failed to survive.

See Weiss, Ec
American Indu
Watson, ed.,
in Action, pp

c. Ask: Would the big companies be as likely to produce and sell as many of their high-priced cars as of their low-priced cars? Why? Given what you have just learned about the relationships between car sales and economy in the use of new tools, would it be easier for independent companies to compete in low-priced cars or high-priced cars in general? Why? What would this mean if sales of all cars dropped drastically because of hard times?

See Weiss, Ec
Industry, p.

d. Remind pupils of the way in which the Big Three have diversified their products with cars for different price ranges. Ask: What possible advantages does this give these companies if they make bad guesses as Ford did with the Edsel or if the styling of an old car does not appeal to the public one year? What would happen to one of the independents if it made bad guesses?

See Weiss, Ec
Industry, p.

e. Ask: Why would it be easier for a large, established company to engage in research and market developments?

ry, cite figures on the number of cars be produced to make it economical to new tools needed for changes in auto models. Ask: What would happen to the ich could not produce and sell this many s? Now give pupils figures on the number es which reached this figure and on fig- ed by some of the independent companies, some of those which failed to survive.

See Weiss, Economics and American Industry, p. 337, Watson, ed., Price Theory in Action, pp. 212-213.

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See Weiss, Economics and Am. Industry, p. 337.

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See Weiss, Economics and Am. Industry, p. 337.

would it be easier for a large, established engage in research and market develop-

capital goods.

G. Output can be increased by a more efficient combination of productive resources (by the way in which production is organized).

3. Entry is made c
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3. Entry is made difficult by the edge in experience and know-how of management in going concerns which tends to make them more efficient than new companies.

4. Entry is made difficult because of the need to develop a large sales organization in order to compete successfully.

s from data.

5. Entry is made difficult because of the low resale values for cars of new companies.

f. Ask: Given what you have learned about advertising spent by General Motors and Ford, why would it be difficult to enter the auto business or even keep up with the other companies if you were a small producer?

See Weiss, Econo Industry, pp. 34

g. Ask: Suppose you wanted to start a new auto company. What problems might you have with management and supervision for workers to begin with? Why would this make it difficult to compete with older firms?

h. Ask: Given what you have learned about auto dealers, how easy do you think it would be for a new company to set up business with many dealers? Why would the largest companies have an advantage over the smaller independents?

See Weiss, Econo Industry, pp. 34

i. Ask: Why do consumers pay attention to possible resale values of cars? (Cite Consumer Union Reports on such sales in their evaluation of cars each spring.) What relationship is there between probable resale value and the size and success of companies? Why would this factor in sales affect the ability of new companies to enter the field?

See Weiss, Econor Industry, pp. 34

47. Have a pupil report on the Kaiser auto. Why was Kaiser able to enter the auto industry for a time? Why did he finally give up auto production?

Rae, Am Automobil 170; Weiss, Econ. Industry, p. 339.

at you have learned about advertising
al Motors and Ford, why would it be
nter the auto business or even keep
ner companies if you were a small pro-

See Weiss, Economics and Am. Industry, pp. 342-43.

you wanted to start a new auto company.
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npanies have an advantage over the
ndents?

See Weiss, Economics and Am. Industry, pp. 343-46.

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What relationship is there between
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new companies to enter the field?

See Weiss, Economics and Am. Industry, pp. 346-47.

on the Kaiser auto. Why was Kaiser
uto industry for a time? Why did he
o production?

Rae, Am Automobile, pp. 167-170; Weiss, Econ. and Am. Industry, p. 339.

G. Companies sometimes diversify their products to provide for greater security against risks of a drop in profits from one product.

G. Up to a certain degree, large-scale production is likely to lead to reduced costs by spreading fixed costs over a larger output of goods and by increasing productivity of labor.

G. In a competitive system many of the consumers do not have a perfect nowledge of prices and quality of goods; consequently, the market system does not always work out in practice as described in theory.

IV. The consumer does n
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lge of prices and quality of
consequently, the market
does not always work out in
ce as described in theory.

IV. The consumer does not play the role typically envisioned for him in the model of a highly competitive market.

A The product is too complicated for him to be able to differentiate products by quality.

48. Have a pupil give a report on it happened to the Studebaker Company which used to make automobiles. (Perhaps tell about ratings in Consumer Reports before you ask pupil to check on what happened.) Afterwards, discuss: What caused the end of Studebaker's auto production? What did the Studebaker company do to keep from going out of business when it stopped producing autos?

Use Reader's information, bibliography

49. Ask: What do you think of _____? (Name of some new type of tire or engine development.) The boys are likely to know something about whatever you name, but they are not likely to agree about it. After letting them argue vociferously for a brief time, ask: Why do you think you disagree so much? Why don't the girls have more to say?

Now have several pupils investigate some of the current controversy over the new product which you have mentioned. For example, if you used tires, have a pupil investigate some of the articles on the advantages and disadvantages of new kinds of tires and the controversy over federal regulations to obtain uniform labels on tires. Discuss: Why is it difficult for the consumer at present to buy wisely when selecting tires?

See bibliogra Reader's Guid articles.

50. Have pupils read annual issues on autos published by such organizations as Consumers Union or Consumers Research. What differences are there between the reports of the different organizations, if any? Why

report on t happened to the Stude- Use Reader's Guide to locate
used to make automobiles. (Perhaps information. Also see
n Consumer Reports before you ask bibliography.
at happened.) Afterwards, discuss:
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erences are there between the
rent organizations, if any? Why

G. In a private enterprise system, allocation of resources to different kinds of production is achieved largely by changing patterns of consumer demands and by the responses of producers who wish to make a profit.

G. In a competitive system many of the consumers do not have a perfect knowledge of prices and quality of goods; consequently, the market system does not always work out in practice as described in theory.

do these organizations make such complicated studies of autos? Does the more expensive car always get the best evaluation? Why or why not?

51. Have pupils examine different kinds of materials from agencies providing help to those purchasing autos or auto-parts. Discuss the kinds of help which can be obtained.

52. Perhaps have a pupil or several pupils investigate some of the controversy over car repairs and possible frauds in some car repair businesses. They should report back to the class about the recommendations of those concerned about consumers' interests. Discuss: Why is it so difficult for the ordinary consumer to know whether or not he is being given a fraudulent deal when he buys car repair services?

Use Reader's articles. Also see bibl

53. Quote an auto businessman to the effect that the best way to regulate the auto industry is to leave it up to the consumer to choose the best product. Do pupils agree or disagree? Why?

fications make such complicated studies of
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ny or why not?

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ding help to those purchasing autos or
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Use Reader's Guide to locate articles.
Also see bibliography.

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the auto industry is to leave it up to
choose the best product. Do pupils
ee? Why?

S. Generalizes from data.

B. Although auto companies c
in one sense, they try to
create his desire for the
to build into their produ
consumers really prefer s
features is a highly deba

S. Sets up hypotheses.

S. Tests hypotheses against data.

G. Firms may compete with each other by trying to introduce substitute products which will be more attractive to consumers or cheaper.

G. Purchasing costly items on credit raises the cost to the consumer and frequently proves more profitable than cash sales to the seller.

C. The consumer frequently b
needs to be well-informed
cheapest credit or know h
paying for credit.

G. Demand is affected by the supply of money and credit.

m data.

B. Although auto companies cater to consumer wants in one sense, they try to use advertising to create his desire for the style which they plan to build into their products. Whether or not consumers really prefer style to safety features is a highly debatable question.

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ly items on credit
to the consumer and
es more profitable
to the seller.

C. The consumer frequently buys on credit, and he needs to be well-informed if he is to get the cheapest credit or know how much he is really paying for credit.

ed by the supply of
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54. Read aloud quotes from authors who believe that auto companies are not necessarily providing better quality but are more interested in style for purposes of selling cars. Ask: Do you think the consumer in the auto market determines what is produced or do you think the auto manufacturer determines what is produced or do you think both affect decisions about style, etc?

Keats, J
pp. 24-2

55. Use the illustration in Weiss of possible car lengths desired by consumers and optimal lengths of two cars to satisfy consumers as compared to the way in which big companies tend to move closer on lengths. Why do they do so rather than offering very different lengths in different price ranges? (Quote examples of how they do tend to follow each other on this point.) Now ask: If you were one of the independents and wished to pick up some of the market among consumers who do not like this car length, what length would you choose? Why? Have a pupil report on how American Motors regained strength with its smaller car and the trend it started in this country. Also discuss: Why is the competition of the foreign car important in helping the consumer get some of the qualities it wants from American car companies?

See Weis
American

56. Ask: Why would so many people buy cars on credit rather than paying cash? Have several pupils read articles about how car dealers dislike cash deals and the way in which they make profits on those buying on credit. They should report to the class on their findings. Pupils should then check with their parents to find out if they have found similar situations when they have purchased cars.

Consumer
258-261.
densed i
and Case
220-224.

uotes from authors who believe that auto e not necessarily providing better quality interested in style for purposes of sel- Ask: Do you think the consumer in the auto mines what is produced or do you think the turer determines what is produced or do you ffect decisions about style, etc?	Keats, The Insolent Chariots, pp. 24-29, 37-38, 39-40.
stration in Weiss of possible car lengths onsumers and optimal lengths of two cars onsumers as compared to the way in which s tend to move closer on lengths. Why o rather than offering very different ifferent price ranges? (Quote examples do tend to follow each other on this . . . ask: If you were one of the independents o pick up some of the market among con- o not like this car length, what length oose? Why? Have a pupil report on how ors regained strength with its smaller trend it started in this country. Also y is the competition of the foreign car helping the consumer get some of the wants from American car companies?	See Weiss, Economics and American Industry, p. 365.
uld so many people buy cars on credit paying cash? Have several pupils read ut how car dealers dislike cash deals in which they make profits on those edit. They should report to the class dings. Pupils should then check with s to find out if they have found similar hen they have purchased cars.	Consumer Reports, May, 1965, 258-261. (Reprinted in condensed form in Ammer, Readings and Cases in Economics, pp. 220-224.)

G. Purchasing costly items on credit raises the cost to the consumer.

S. Uses simple mathematical devices to analyze data.

S. Identifies incomplete data.

C. Purchasing costly items on credit raises the cost to the consumer.

S. Identifies value-conflicts.

S. Identifies value-conflicts.

S. Considers possible consequences of alternative courses of action.

57. Perhaps have pupils read the story of Ed. Doe or Ralph Homer and the way in which they use credit. Discuss: How wise is it for a person to use as much credit as this? Let pupils discuss this question before they listen to the report in activity #59 b.

Black, Buy
pp. 3-5 (H
(Doe).

58. Give pupils an exercise on the cost of credit. Have pupils work with one of the formulas for figuring out true annual cost of credit. Then have one or more pupils check with local agencies to find out what credit arrangements and costs are locally for auto financing.

See append
For a form
true annua
Black, Buy
appendix.

59. You may also wish to expand your analysis of credit to areas outside of buying an auto. For example, you might do the following:

a. Have pupils read the story of the pressure sales and building up of credit in Harlem. Discuss the ethics of such procedures. Should the government try to set up legislation to prevent such tactics? How might they do so, or don't you think this possible?

Black, Buy
pp. 132-13

b. Have a group present a panel discussion on the increased sale of credit to the American public and the ways in which such credit affects the consumer and industries. They might debate the ethics of such sales of credit.

Black, Buy

c. Have pupils read the section of the President's message to Congress in 1967 on the truth in lending act. Then have a group of students present a panel discussion on the pros and cons of such an act. They should be sure to include an analysis of how it would affect auto buyers, and the auto industry.

See Appendi

ave pupils read the story of Ed. Doe or Ralph
the way in which they use credit. Discuss:
is it for a person to use as much credit as
t pupils discuss this question before they
the report in activity #59 b.

Black, Buy Now, Pay Later, pp. 3-5 (Homer) or 82-83 (Doe).

ls an exercise on the cost of credit. Have
rk with one of the formulas for figuring out
al cost of credit. Then have one or more
eck with local agencies to find out what credit
nts and costs are locally for auto financing.

See appendix.
For a formula for figuring true annual interest, see Black, Buy Now, Pay Later, appendix.

lso wish to expand your analysis of credit to
side of buying an auto. For example, you
the following:

upils read the story of the pressure sales
ilding up of credit in Harlem. Discuss the
of such procedures. Should the government
set up legislation to prevent such tactics?
ght they do so, or don't you think this possible?

Black, Buy Now, Pay Later, pp. 132-133.

group present a panel discussion on the in-
d sale of credit to the American public and
ys in which such credit affects the consumer
dustries. They might debate the ethics of
ales of credit.

Black, Buy Now, Pay Later.

upils read the section of the President's
e to Congress in 1967 on the truth in
g act. Then have a group of students present
l discussion on the pros and cons of such an
They should be sure to include an analysis of
would affect auto buyers, and the auto industry.

See Appendix.

S. Reads for details.

S. Identifies incomplete data.

S. Identifies incomplete data.

D. Consumers in the market for
carefully and consider many
credit or the attributes of
before buying.

ds.

nplete data.

nplete data.

D. Consumers in the market for cars need to budget carefully and consider many factors other than credit or the attributes of different cars before buying.

60. Have a pupil or several pupils investigate the importance of examining any contract signed in relationship to a car deal. What kinds of things should buyers be particularly alert to when signing a contract?

Use textbook
education or

61. Say: Suppose you are going to buy a car and try to figure out what you need to put into your budget for car expenses for next year. What would you include? Which of these items do you think will cost you the most?

Now show the class the figures prepared by a federal agency for average costs for a ten-year period in Baltimore, Maryland, for a 4-door sedan car costing $2,806 plus an excise tax of $150.00.

Cost over period of ten years for:

Gasoline -- about 7000 gallons on average	$2,230.00
Parking fees and tolls	1,800.00
Maintenance and repairs	1,763.00
Insurance	1,415.00
State and federal auto taxes	1,188.00

Now have pupils examine the federal agency's breakdown of operating costs for a car in terms of cents per mile:

2.8 cents for depreciation of original auto cost.
2.1 cents for maintenance, accessories, parts, and tires.
1.8 cents for garage parking and tolls.
1.7 cents for gas and oil, not counting taxes on these items.
1.4 cents for insurance.
1.2 cents for state and federal taxes.

l or several pupils investigate the impor-
omining any contract signed in relationship
al. What kinds of things should buyers be
y alert to when signing a contract?

Use textbooks on consumer education or business law.

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what you need to put into your budget for
s for next year. What would you include?
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ts for depreciation of original auto cost.
ts for maintenance, accessories, parts, and
res.
ts for garage parking and tolls.
ts for gas and oil, not counting taxes on
ese items.
ts for insurance.
ts for state and federal taxes.

S. Generalizes from data.

S. Generalizes from data.

G. People buy insurance to reduce the risk to themselves; the risks are spread among many people.

G. People buy insurance to reduce the risk to themselves; the risks are spread among many people.

S. Identifies value-conflicts.

S. Considers probable consequences of alternative courses of action.

G. Industries sometimes involve third party costs which the industry does not pay. Such costs sometimes lead

V. The auto industry provides an
party or consumer costs which
industry itself.

rom data.

rom data.

surance to reduce the
elves; the risks are
many people.

urance to reduce the
lves; the risks are
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able consequences of
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etimes involve third
ich the industry does
costs sometimes lead

V. The auto industry provides an example of third party or consumer costs which are not borne by the industry itself.

62. Have pupils analyze the relative costs of depreciation from selling a car every year or two years and the costs of repairs and new parts, etc. if a car is kept longer than that. They might examine the federal report on auto operating costs as well as other articles. The federal report assumes that a car costing $2,806 will depreciate about $842 the first year and by $1,431 by the end of the second year. However, it points out that the cost per mile of owning a car differs little for car owners of cars which they have kept a number of years as compared to those of car owners who trade every year or two, since other repairs jump so greatly after several years.

63. Have a pupil investigate the legal responsibilities of car owners. What kinds of insurance are important for the car owner to have? Also discuss some of the things which may negate insurance coverage, such as charging for car pool rides, etc.

64. Have a pupil or a group of students investigate car insurance. They might present a report on the kinds of things which a consumer should study when buying auto insurance as well as the current debate over insurance rates, cancelling policies, payments of accidents, etc. They should also analyze some of the current proposals being debated for federal regulation of insurance companies and for a form of insurance which would get around some of the current problems of court litigation

Use Rea
article

65. Tell pupils about cause of the slow development of the auto industry in England and about early developments in France. What governmental actions hindered or helped the

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Use Reader's Guide to locate articles.

s about cause of the slow development of the
try in England and about early developments in
hat governmental actions hindered or helped the

to government regulation or expenditures.

S. Identifies incomplete data.

G. Industries sometimes involve third party costs which the industry does not pay. Such costs sometimes lead to government regulation or expenditures

S. Identifies value-conflicts.

S. Identifies factual questions which need investigation.

S. Identifies value-conflicts.

G. Industries sometimes involve third party costs which the industry does not pay. Such costs sometimes lead to government regulation or expenditures.

A. The auto industry has no
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Not only have they let s
ty features within cars,
more and more powerful c
warned purchasers of fau
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times involve third
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A. The auto industry has not always paid as much attention to safety as many think they should have. Not only have they let style interfere with safety features within cars, but they have developed more and more powerful cars and have not always warned purchasers of faulty features of cars which may cause accidents.

auto industry in these two countries? Explain the meaning of "third-party costs."

66. Show the film Signal 30 or some other film dealing with the human costs of auto accidents. Discuss: What point of view does the film maker take toward the reasons for accidents? Would you agree that these reasons are important? What other possible factors are there that are neglected in this film?

67. Now have pupils report on the Nader book or on the whole controversy raised by the legislative investigations into auto safety. He should report on the controversy and the legislation passed, not upon its effects. Then ask: Why do you think the companies did not notify all customers about faults? Did competition in this case lead to the best of all products for customers? Why or why not? (Develop idea of third party costs.) Why didn't some of the car companies install safety devices sooner? (Have a pupil tell about the consumer reaction to some of the early safety devices.) Also discuss: How effective do you think such legislation would be? Why? What limitations might it have?

Nader, Unsafe At . chs. 1-3.

68. Now have a follow up report on the effects of this legislation thus far and about current debates about the need for modification of the law. (They should include an analysis of company reports on cars recalled for safety modifications.)

Use Reader's Guide articles.

ry in these two countries? Explain the "third-party costs."

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Nader, Unsafe At Any Speed, chs. 1-3.

follow up report on the effects of this thus far and about current debates about r modification of the law. (They should analysis of company reports on cars recalled modifications.)

Use Reader's Guide to locate articles.

G. Industries sometimes involve third party costs which the industry does not pay. Such costs sometimes lead to government regulation or expenditures.

B. The industry could
government built r
city traffic probl
in auto styling; p

S. Considers probable consequences of alternative courses of action.

G. Industries sometimes involve third party costs which the industry does not pay. Such costs sometimes lead to government regulation or expenditures.

C. The auto industry h
solve the problems

S. Identifies value-conflicts.

S. Identifies factual questions which need investigation.

S. Identifies value-conflicts.

G. Industries sometimes involve third party costs which the industry does not pay. Such costs sometimes lead to government regulation or expenditures.

D. The auto industry h
reduce the air poll
problems for cities

tries sometimes involve third
costs which the industry does
ay. Such costs sometimes lead
vernment regulation or expendi-
.

B. The industry could not survive unless the government built roads; highway development and city traffic problems are affected by changes in auto styling, power, and sales.

ers probable consequences of
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ries sometimes involve third
costs which the industry does
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ernment regulation or expendi-

C. The auto industry has done little to try to solve the problems created by junked cars.

fies value-conflicts.

fies factual questions which
nvestigation.

fies value-conflicts.

ries sometimes involve third
costs which the industry does
. Such costs sometimes lead
ernment regulation or expenditures.

D. The auto industry has done little to try to reduce the air pollution which is creating problems for cities around the country.

69. Discuss other problems raised by the auto industry. What would happen if the government did not provide highways? What has happened in many cities because of the great increase in auto ownership?

Read aloud several quotations about the traffic problems and freeway developments. Discuss: What would happen to the auto industry if governments did not collect taxes to expand the highway system? How does auto styling and the type of production affect highway costs and construction? Quote the early comment that autos would be far safer than runaway horses. How do the decisions by auto manufacturers to increase the length of cars affect highway costs?

70. A pupil might investigate the whole question of how to handle junked cars, the eyesores of car graveyards, public costs in removing abandoned cars, and some of the possible ways of disposing of the junked cars. Ask: Why is the problem greater for cars than for most consumer durable goods? (Relate to third-party costs once more.)

Use Reader's

71. Have several pupils role-play a discussion between a representative of the auto industry and government health officials about the problems of air pollution.

Nader, Unsafe
ch. 4.
Goldman, ed.,
Pollution, pp

lems raised by the auto industry.
if the government did not provide
s happened in many cities because
ase in auto ownership?

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Use Reader's Guide.

s role-play a discussion between a
the auto industry and government
bout the problems of air pollution.

Nader, Unsafe At Any Speed, ch. 4.
Goldman, ed., Controlling Pollution, pp. 49-58.

S. Generalizes from data.

E. Government regulation of u
arisen because of these th
sumer costs.

S. Identifies differences in data.

S. Generalizes from data.

S. Uses models to help analyze data.

S. Uses models to help analyze data.

S. Applies previously-learned concepts and generalizations to new data.

S. Tests hypotheses against data.

data.

E. Government regulation of the auto industry has arisen because of these third party or consumer costs.

rences in data.

data.

elp analyze data.

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ly-learned concepts
ons to new data.

against data.

72. Discuss: How do third party costs which are not paid by industry lead to government interference with business or government enterprise? Is the auto industry the only industry with third party costs?

73. Now compare the auto industry and farm enterprise in as many ways as possible. Ask: How do they differ? How do they resemble each other, if at all? Have pupils make a chart showing different economic models for each type of industry.

74. Give pupils other examples of industries which they have not studied so far and have groups investigate each to decide which model it comes closest to. Discuss results in class. Include industries which fall under highly competitive and oligopoly types of markets. Then add some industries which might be classified even differently and have pupils examine and discuss them.

75. Quote an economist to the effect that our most technologically progressive industries are among the oligopolies rather than among the most competitive markets. Ask pupils if they think he may be right. Then have pupils examine profits tables for some of the different industries and quotations about the degree of technological development in each. Do they still agree with their earlier hypotheses? Caves p. 99

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lead to government interference with busi-
ernment enterprise? Is the auto industry
dustry with third party costs?

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Caves, American Industry, p. 99.

Grade Nine
Unit: Auto Industry

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QUESTIONNAIRE ON AUTOS

1. How many families live in your house or apartment building? How many people live in your house or apartment building? How many autos do these people own?

2. If tomorrow, your family automobile were to disappear, how would life in your family change?

3. If the automobile had never been invented, how do you think American life would be different from the way it is now?

4. Do you agree or disagree with the following statement: American automobiles, on the whole, are pretty good.

5. Do you think you will own your own car some day?

6. If your answer to question five was yes, how old do you think you will be when you first get your own car?

7. If your answer to question five was yes, why do you want to own a car?

8. If you could own any car in the world, which kind would it be? Why?

9. What do you think the purpose is of mass production?

10. What does automation mean?

11. What is the UAW?

12. What are the names of companies which manufacture automobiles in the U.S. today?

13. Who invented the automobile?

14. According to what you have learned about how prices are determined, what do you think would happen to auto prices if the demand for autos were to decrease?

15. Do you think the demand for autos is elastic or inelastic?

EXERCISE ON PURCHASING AN AUTO

Henry Glurp is convinced that he wants to buy a new car, a flashy Enchilada Super. After a good deal of talk with the Enchilada salesman, who boasted that he could make "the hottest deal in town," Henry got away from the salesman and sat down to think. As nearly as Henry could figure it out, he could trade in his two-year-old Panther De Luxe on a new Enchilada, and owe $1200 on the new car. Now he has to decide how he can best pay the $1200. He is considering these possibilities:

(1) Henry can withdraw the $1200 from his savings account. The interest paid to him on his savings is 4 1/2% per year.

(2) Henry can borrow the $1200 from his friendly neighborhood bank. The banker has told him that he will be charged 6% per year in interest for every $100 he borrows, and that he will need to repay the loan in 12 equal installments.

(3) Henry can borrow $1200 from the credit union at his place of work. There, the interest on the loan is 6% per year of the unpaid balance of the loan. Henry will have to repay the loan in 12 installments.

(4) Henry can borrow $1200 from a finance company, the Friendly Loan and Thrift Co. The finance company advertises a "low, low 1 1/2% interest per month on the unpaid balance of the loan." Again, Henry will have 12 months to repay the loan.

Questions

1. Which of the four possibilities listed above do you suppose looks best, at first glance, to Henry?

2. Will the first possibility listed above (taking the money out of his savings account) cost Henry anything?

   If your answer is "yes," how much will it cost him?

3. Under the second possibility listed above (borrowing from the bank), how much, in interest, will Henry have to pay?

4. Under the third possibility listed above, (borrowing from the credit union) how much, in interest, will Henry have to pay?

5. What is the basic difference between the way the bank figures its interest rates, and the credit union's way?

6. How much in interest will Henry have to pay if he borrows from the Friendly Loan and Thrift Co. (the fourth possibility)?

7. What seems to be the "catch" in the way the finance company charges interest?

8. Of the four possible ways of paying the $1200, which really is the cheapest? Is your answer here the same one as your answer to the first question?

9. Do you think Henry might become confused about how to pay for the new Enchilada?

TRUTH IN LENDING

Consumer credit has become an essential feature of the American way of life. It permits families with secure and growing incomes to plan ahead and to enjoy fully and promptly the ownership of automobiles and modern household appliances. It finances higher education for many who otherwise could not afford it. To families struck by serious illness or other financial setbacks, the opportunity to borrow eases the burden by spreading the payments over time.

Because of these benefits, consumers rely heavily on credit. Outstanding consumer credit today totals $95 billion; $75 billion takes the form of installment credit. The interest costs on consumer credit alone amounted to nearly $13 billion in 1966.

The consumer has the right to know the cost of this key item in his budget just as much as the price of any other commodity he buys. If consumers are to plan prudently and to shop wisely for credit, they must know what it really costs.

In many instances today, consumers do not know the costs of credit. Charges are often stated in confusing or misleading terms. They are complicated by "add-ons" and discounts and unfamiliar gimmicks. The consumer should not have to be an actuary or a mathematician to understand the rate of interest that is being charged.

As a matter of fair play to the consumer, the cost of credit should be disclosed fully, simply, and clearly.

Now that the right of consumers to be fully informed is protected when they shop in the supermarkets, the time has come to protect that right for shoppers who seek credit.

I recommend the Truth-in-Lending Act of 1967 to assure that, when the consumer shops for credit, he will be presented with a price tag that will tell him the percentage rate per year that is being charged on his borrowing.

We can make an important advance by incorporating the wisdom of past discussions on how the costs of credit can best be expressed. As a result of these discussions, I recommend

legislation to assure--

Full and accurate information to the borrower; and
Simple and routine calculations for the lender.

This legislation is urgently needed to--
Close an important gap in consumer information.
Protect legitimate lenders against competitors who misrepresent credit costs.

The Truth-in-Lending Act of 1967 would strengthen the efficiency of our credit markets, without restraining them. It would allow the cost of credit to be freely determined by informed borrowers and responsible lenders. It would permit the volume of consumer credit to be fully responsive to the growing needs, ability to pay, and aspirations of the American consumer.

The above is an excerpt from Message from the President of the United States to the Congress (House of Representatives: Document No. 57, 90th Congress, 1st Session).