Unit 1 Lesson 1

Economic Reasoning: Why Are We A Nation of Couch Potatoes?

Introduction

Economics This lesson identifies the key principles that guide economic analysis. It introduces students to the basic economic problems of scarce resources, unlimited wants, the need to choose among alternatives, the consequences of cost, and the importance of incentives. While noting that nothing of value is free, the lesson explains how voluntary trade helps to provide more goods and services. While today is important, people are forward-looking in the decisions they make.

Reasoning Economic reasoning proceeds from basic assumptions about human activity. This lesson introduces students to these basic assumptions and uses them to model economic reasoning about an issue. It shows students how to apply the assumptions in the case of what seems to be a mystery: Why would people who admire a trim, slender appearance in others choose to eat too much and be inactive?

Concepts
- Choice
- Economic system
- Future consequences
- Incentives
- Opportunity cost
- Voluntary trade

Objectives

Students will:
1. Identify basic principles of economic reasoning, including choices, costs, incentives, rules of the system, voluntary trade, and future consequences.

Content Standards
- Productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others. (NCEE Content Standard 1)
- Effective decision making requires comparing the additional costs with the additional benefits. Most choices involve doing a little more or a little less of something; few choices are all-or-nothing decisions. (NCEE Content Standard 2)
- Different methods can be used to allocate goods and services. People, acting individually or collectively through government, must choose which methods to use to allocate different kinds of goods and services. (NCEE Content Standard 3)
- People respond predictably to positive and negative incentives. (NCEE Content Standard 4)
- Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and among individuals or organizations in different nations. (NCEE Content Standard 5)

Lesson Description

Students examine visuals to identify an economic mystery regarding exercise and diet. They use the Guide to Economic Reasoning to analyze the costs and benefits of decisions about diet and exercise. They discover that human behavior is influenced by choices, costs, incentives, rules, voluntary exchange, and future consequences, even in decisions about diet and exercise.

Time Required: 45 minutes

Materials
- A transparency of Visuals 1, 2, and 3
- Activity 1

Procedure
1. Welcome the class to the world of economic reasoning. Explain that economics is sometimes thought to be a dry, remote subject. This economics course will be different. It is designed to provide young people with a new way to look at issues and questions. It asks students to consider problems in a mature, real-world sort of way. It even invites students to have fun in doing economics.
2. Explain that the purpose of this lesson is to show how economic reasoning can be applied in the analysis of a wide range of human behavior. Specifically, this lesson uses economic reasoning to examine why it is that America is becoming a land of couch potatoes.
3. Explain that exercise and diet have recently become an important issue in the United States. Display Visual 1. Ask:

   • Which well known people do Americans tend to admire?

   (The trim, slender people depicted in the media.)
• How are Americans’ exercise and diet habits changing?
  (Americans appear to be exercising too little and eating too much.)
• What is the mystery?
  (Why do an increasing number of Americans, the same ones who admire the trim, slender people often featured in the media, exercise too little and eat too much?)

4. Display Visual 2. Ask the students to speculate about whether each statement is true or false.
• Few Americans know that exercising more and eating less can help many people become healthier. (False)
• Exercise and a healthful diet are free. (False)
• In jobs that involve physical work, exercise is like a fringe benefit. (True)
• The price of food has been increasing. (False)
• Passive modes of entertainment — like television and video games — are popular with many Americans. (True)
• Common jobs in the past — in mining, farming, and manufacturing, for example — were much safer than today’s jobs in technology, law, and finance. (False)

5. Refer the students to Activity 1 and ask them to read it. Then ask:
A. What is the economic view of choice?
  (People strive to choose the best combination of costs and benefits in making decisions.)
B. How do choices influence people in respect to exercise and diet?
  (The level of exercise people maintain and the diet they favor reflect their personal choices.)
C. What is an opportunity cost?
  (The opportunity cost is the second-best choice.)
D. How does opportunity cost influence people in their decisions about exercise and diet?
  (The opportunity cost of exercising used to be much lower when many occupations involved more physical effort.)
E. What is an incentive?
  (A reward.)
F. Why is money such an attractive incentive?
  (Money can be exchanged for many other things that people desire.)
G. What incentives influence people in their decisions about exercise and diet?
  (The incentives that influence decisions about exercise include forms of passive entertainment, like television and computer games. One incentive influencing decisions about diet is the reduced cost of food.)
H. Why are the rules of the economic system important?
  (Economic behavior occurs in a climate of formal and informal rules. These rules often act as incentives and influence the choices people make.)
I. How do the rules of the economic system influence people in their decisions about exercise and diet?
  (The American economy responds to changes in technology. Many of these changes have eased the physical demands of working. Consumer demand also has encouraged the development of work-saving products.)
J. What is voluntary trade?
  (Voluntary trade is a cooperative activity in which people exchange something they value less for something they value more.)
K. How does voluntary trade influence people in their decisions about exercise and diet?
  (Many people today are exchanging their labor for service jobs in which they are less likely to be injured and more likely to live longer.)
L. What does it mean to say that people’s choices have future consequences?
  (People strive to make decisions they hope will benefit them in the future.)
M. How do future consequences influence people in their decisions about exercise and diet?
  (Many Americans have in effect decided to be less thin today in order to live longer and healthier lives by working in a service-based economy that demands little in the way of physical work. However, this choice comes with costs; losses in physical fitness may spur people to search out new ways to exercise.)
N. Solve the mystery.

(The analysis in this lesson suggests that Americans are gaining extra weight not because they are lazy or because of a sudden increase in the desire to eat fatty foods. Instead, many Americans have accepted the new jobs created in a changing market system — jobs that involve less exercise than the jobs of an earlier era. In an economic sense, American employees have traded thinness and some of the health benefits that came with strenuous, dangerous work for other values and work-related benefits that enable them, in the aggregate, to live longer and healthier lives. Outside the workforce, some Americans have benefited from new forms of passive entertainment. The opportunity cost of physical activity has gone up, prompting people to make new choices regarding exercise.)

CLOSURE

Review the key points of the lesson. Ask:

• What are the principles of the Guide to Economic Reasoning?
  1. People choose.
  2. People's choices involve costs.
  3. People respond to incentives in predictable ways.
  4. People create economic systems that influence individual choices and incentives.
  5. People gain when they trade voluntarily.
  6. People's choices have consequences that lie in the future.

• What are some of the costs associated with failure to exercise enough and being overweight?
  (Many health risks are associated with obesity and the failure to exercise, including heart disease, diabetes, and cancer.)

• What incentives might influence people to exercise less and eat more?
  (People used to get exercise "on-the-job." Today's service economy has enabled people to choose occupations that involve less physical effort. These jobs are much less dangerous than were jobs in mining, farming, and manufacturing. Other incentives include the reduced cost of food and the increased attractiveness of passive entertainment.)

• How might you solve the mystery?
  Display Visual 3 to reinforce the solution.

market system have resulted in less exercise. Many Americans have traded thinness and some of the health benefits that came with strenuous, dangerous work for other values and work-related benefits that enable them, in the aggregate, to live longer and healthier lives. Outside the workforce, some Americans have benefited from new forms of passive entertainment. The opportunity cost of physical activity has gone up, prompting people to make new choices regarding exercise.)

• What are some ways to change the incentives associated with exercise and diet?
  (Suggestions might include increasing health education, finding ways to reward exercise on-the-job, imposing a "calorie" tax on certain foods, and so forth.)


MULTIPLE-CHOICE QUESTIONS

(CORRECT ANSWERS SHOWN IN BOLD)

1. Recent evidence suggests that Americans are not exercising enough and are eating too much. Using economic reasoning, how would you explain this behavior?
   A. Americans are lazy.
   B. Americans cannot resist fatty foods.
   C. No one has ever told Americans about the advantages of exercise and a healthy diet.
   D. The overall benefits associated with working in service jobs outweigh the costs of reduced physical activity.

2. Claire decided to try out for the soccer team last season even though she had a serious knee injury. Her parents and friends have decided that she is crazy. Her friend Linda told Claire that she obviously did not care one bit about her future health. Using economic reasoning, how would you explain Claire's action?
   A. Claire had no respect for her health.
   B. Claire's parents and friends must not care for Claire.
   C. Claire is prone to make irrational decisions.
   D. Claire thought that the benefits associated with playing soccer outweighed the costs.
Essay Question

Molly received a grade of D in economics because she did not complete enough of the homework assignments. She asked her teacher: “How could I complete all those assignments when I have so many things to do? I have a job after school. On Saturdays I am supposed to babysit while my mother goes to the grocery store. On Sundays, half the day is tied up at church. Who has time to do school work?” What would an economics teacher tell Molly?

(Molly made a choice regarding her economics homework. She assumed that the benefits of not doing her homework were worth the costs. The opportunity cost of a good grade was the combination of all the other things she chose to do rather than doing homework. Molly traded off getting a good grade in economics in order to gain the benefits of employment and family obligations, which were of greater value to her.)
Unit 1, Lesson 1
Visual 1

WHY ARE WE A NATION OF COUCH POTATOES?

• Surf the television channels, glance at any news stand, or open a clothing catalog, and it becomes clear: Americans admire people who look slender and physically fit.

• Yet, according to the Center for Disease Control and Prevention, only about 25 percent of Americans are getting enough exercise and about 35 percent of American adults are overweight.

• The percentage of children who are overweight has doubled since the early 1970s.

• Why do an increasing number of Americans, the same people who admire the trim, slender look so often featured in the media, exercise too little and eat too much?
TRUE/FALSE CLUES

• Few Americans know that exercising more and eating less can help many people become healthier.

  True or False?

• Exercise and a healthful diet are free.

  True or False?

• In jobs that involve physical work, exercise is like a fringe benefit.

  True or False?

• The price of food has been increasing.

  True or False?

• Passive modes of entertainment — like television and video games — are popular with many Americans.

  True or False?

• Common jobs in the past — in mining, farming, and manufacturing, for example — were much safer than today’s jobs in technology, law, and finance.

  True or False?
SOLUTION TO THE COUCH POTATO MYSTERY

THE MYSTERY

Why do an increasing number of Americans, the same ones who admire the trim, slender look so often featured in the media, exercise too little and eat too much?

THE SOLUTION

• Americans are not gaining extra weight because they are lazy or because of a sudden increase in the desire to eat fatty foods.

• Instead, they are choosing new jobs created in a changing market system — new jobs that have resulted in less exercise.

• Americans have in effect traded thinness for other values and work-related benefits enabling them to live longer and healthier lives.

• Some Americans enjoy new forms of passive entertainment; for them, the opportunity cost of physical activity would include giving up time they now spend watching TV or playing video games.
Unit 1, Lesson 1

Activity 1

Why Are We a Nation of Couch Potatoes?

Many people think that economics is as dry as dust and as remote as the moon. Is it really? Not at all. Economics asks you to consider problems in a mature, real-world sort of way. It gives you an intellectual edge in addressing problems. Its twists and turns are sometimes unexpected and sometimes fun.

Guide to Economic Reasoning

The key assumptions of economics may be stated variously and applied with different emphases, depending on the problem at hand. These principles can’t do your thinking for you, but they provide you with a source of hunches to play out against the evidence, and a means of sorting the useful clues from the useless ones.

This Guide to Economic Reasoning focuses on six principles:

1. People choose.
2. People’s choices involve costs.
3. People respond to incentives in predictable ways.
4. People create economic systems that influence individual choices and incentives.
5. People gain when they trade voluntarily.
6. People’s choices have consequences that lie in the future.

To get familiar with these principles, think about how they might apply to the mystery of why the United States is becoming a nation of couch potatoes. We know that many Americans admire people who are fit and trim. We also know that not exercising enough and eating too much can cause a number of health problems including cancer, diabetes, and heart disease. So, why do Americans become couch potatoes? Using economic reasoning, we assume that behavior related to exercise and diet is the result of personal choice regarding several matters, including work and the use of leisure time.

2. People’s choices involve costs.

Decisions come with costs. Always. This is clear enough in the case of decisions to buy something. But the costs that come with decisions are not always dollar costs. Deciding to chat on the phone a while longer with a friend might seem to be free. But the cost in that case might be, for example, not doing your homework or missing a favorite television show.

While there are many kinds of cost, economists stress the importance of opportunity cost. In any decision, the opportunity cost is the person’s second-best choice. It is not every alternative not selected. After all, the list of alternatives in a given case is endless. Of all the possibilities, the opportunity cost is the second-best alternative — the one you would have chosen next.

Do costs apply to decisions about exercise? Of course. Imagine that you have just returned home from school. You are a little tired. You could pull on your running shoes and go for a two-mile jog. Or you could sink into your favorite chair, reach for the remote, and watch your favorite after-school television show. You choose to watch television. You traded off jogging for watching television. The opportunity cost was jogging not jogged. Exercise is not free.

Do choices about diet entail costs and trade-offs? Of course. Imagine that you have joined a group of friends to eat out at your favorite fast-food restaurant. You consider two items from the menu, a tasty salad or your favorite double cheeseburger with mushrooms, bacon, and a special sauce. You choose the salad. Your opportunity cost is the double cheeseburger — a big sacrifice for many of us!

continued on next page
According to two prominent economists, the cost of exercising has increased recently. What might this mean? Not long ago, and throughout most of our history, work in the United States was often strenuous and dangerous. Many jobs involved plowing, hauling, shoveling, climbing, digging, lifting, chopping, stooping, handling large animals, fishing from small boats in heavy seas, and so on. In doing work of this sort, Americans were, in effect, paid to exercise. Exercise came with the job, as a sort of fringe benefit.

In the United States today, work has changed. Most work now entails little exercise. For millions of Americans, work means sitting at a desk staring into a computer screen, tapping on a keyboard, talking on a cell phone, and attending meetings. Instead of getting paid to exercise, many people in sedentary jobs must pay to exercise—spending money and leisure time to exercise at health clubs, for example. The increased cost in time and money discourages many Americans from exercising or decreases the time they spend doing it.

3. People respond to incentives in predictable ways.

Incentives are rewards. One powerful incentive is money. It is a powerful incentive because it can be exchanged for other things that people want. But not all incentives are monetary. Another sort of incentive has to do with the satisfaction that comes from doing the right thing. Examples abound. Many people perform acts of kindness that involve no monetary rewards. They volunteer to donate blood and vital organs, they pick up trash in a park or along the highway, they show up to vote on election day. Some people—including police officers and fire fighters—risk their lives daily for reasons that go beyond the salaries they earn.

In one sense, however, these acts of kindness and civic virtue can also be explained by economic principles. Such acts reflect self-interest, economists might say, not selfishness. The self-interest is the interest some people have in living a certain sort of life.

How do incentives bear on the case of the burgeoning couch potatoes? Americans must be responding to incentives. Consider two. First, the price of food acts as an incentive. Technological changes have greatly lowered food prices. This means that the cost of calories, including excess calories, has decreased. The decrease in cost amounts to an incentive, encouraging people to eat more than they otherwise would.

Improvements in passive entertainment provide a second incentive. Many Americans now have hundreds of choices for television viewing. New programs are constantly being invented, tested, and accepted or rejected by audiences. Computer games also are attractive to many people. For some, these games are nearly impossible to put down. The fun people derive from passive entertainment acts as an incentive, encouraging them to remain firmly rooted to their couches or desk chairs.

4. People create economic systems that influence individual decisions.

Economic behavior occurs in a climate of rules, formal and informal. The “rules of the game” influence the choices people make in particular cases. Rules often act as incentives. Tax laws, for example, influence people’s behavior. If a city government places a heavy tax on the width of buildings, tall, narrow buildings soon begin popping up. If a state government places a large tax on savings accounts, people soon begin keeping less money in those accounts.

How might the “rules of the game” influence the behavior of couch potatoes? The American economy is a relatively open and free system. It changes and grows as technology and consumer tastes change. People are rewarded for creating new goods and services and new ways of supplying them to consumers.

The historic shift from manufacturing jobs to service jobs in the United States has changed our typical levels of physical activity. Most service jobs involve light work, physically, and some jobs in the service sector pay very well. Thus, our economic system has created conditions in which people now are likely to take jobs that are not physically demanding.

The rules of the American economic system encourage businesses to respond to consumer demand. Many consumers are obviously interested in making life easier at home. Businesses have responded by producing all sorts of labor-saving devices: power lawn mowers, snow and leaf blowers, dishwashers, washing machines and dryers, electric stoves, TV remotes, gas and electric furnaces, freezers, vacuum cleaners, prepared foods, microwaves, and so on. But in the drive for ease and convenience there is an unintended consequence. The devices that save us time and effort also reduce the amount of physical work done at home. At home and at work, then, our economic system allows people to substitute technology for physical effort.

5. People gain when they trade voluntarily.

“Voluntary” here refers to a lack of coercion. “Your money or your life!” does not describe an instance of voluntary trade. “Gain” refers to money gains, of course, but also to other benefits. Examples of voluntary trade are everywhere. Purchasing a movie ticket, filling a car with gas, buying a stock—all involve instances of voluntary trade in which people exchange something they value less for something they value more.

continued on next page
What does voluntary trade have to do with exercise and diet? Exchanges involving employment rarely highlight exercise and diet as top priorities. Instead, people understand that service jobs are likely to be safe and healthful in a physical sense, involving little wear and tear on the body. Many people are willing to trade their labor for the income and benefits offered by employers in the service sector. They recognize correctly that they are likely to live longer and work longer as a result. Both the employer and the employee benefit from such an exchange.

People gain when they trade voluntarily, but this general principle does not mean that people can't make mistakes. Things can go wrong, as anybody who has ever made a bad decision knows. While the benefits of safer jobs are clear, safer jobs come with problems of their own. The desk job that ensures a worker against threats of muscle strain and frostbite may also add to the worker's risk of gaining weight.

In purchasing food, people also engage in voluntary trade — sometimes more than they should. Grocery store owners and restaurant owners are happy to oblige. In this sense, all parties are better off as a result of the exchanges they make. But here too people obviously make mistakes — eating more today, perhaps, while telling themselves that they will reduce their intake and start exercising tomorrow.

6. People's choices have consequences that lie in the future.

Despite messages from advertisers urging all of us to “live for today,” many people work hard at living for tomorrow. At least they give thought to tomorrow as they strive to make decisions that will benefit them in the future. For example, people tend to care for cars they own better than the cars they sometimes rent. Car owners have a long-term interest in caring for their cars, since maintenance bills and resale values are affected by the quality of care owners provide. Similarly, many homeowners care for their homes more lovingly than they cared for the apartments they once rented — again because they have a long-term interest in their homes’ quality and market value.

Overall, the shift toward work that is physically less demanding and less dangerous has made Americans better off. The same economic and technological progress that has boosted Americans’ standard of living has made work more sedentary. For many Americans it also has made life outside the workplace more interesting. While workers are less often “paid” to exercise today, they also are less vulnerable to the dangers and costly injuries their parents and grandparents often faced on the job. In this sense, people have traded thinness to live longer, healthier, and more interesting lives than ever before. This is not to say that people want to be overweight, but they do seem to prefer it to the alternatives.

The negative consequences of being a couch potato, however, have also begun to influence people in their views of the future. People are joining health clubs in record numbers. People are trying to reduce the cost of exercise by doing more of it on the job — by forming exercise groups at work, for example, or by avoiding elevators and taking walks during breaks, or by parking at remote lots and walking or bicycling into the office. In an economic system of choices, costs, and consequences, one thing does lead to another in this way.

Questions for Discussion
A. What is the economic view of choice?

B. How do choices influence people in respect to exercise and diet?

C. What is an opportunity cost?

D. How does opportunity cost influence people in their decisions about exercise and diet?

E. What is an incentive?
F. Why is money such an attractive incentive?

G. What incentives influence people in their decisions about exercise and diet?

H. Why are the rules of the economic system important?

I. How do the rules of the economic system influence people in their decisions about exercise and diet?

J. What is voluntary trade?

K. How does voluntary trade influence people in their decisions about exercise and diet?

L. What does it mean to say that people’s choices have future consequences?

M. How do future consequences influence people in their decisions about exercise and diet?

N. Solve the mystery: Why do an increasing number of Americans, the same people who admire the slender look so often featured in the media, exercise too little and eat too much?
Three easy ways to order!
1. Online – pay with your credit card -- www.councilforeconed.org/store
2. Fax – (212) 730-1793
3. Mail – use the address above

<table>
<thead>
<tr>
<th>Order No.</th>
<th>Copies</th>
<th>Title</th>
<th>Price</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Order No. is **bold 3-digit** part of ISBN number. Ex: Order No. with ISBN# of 1-56183-471-8 is 471)

Coupon or Discount Code (if applicable): ____________________________________________ Subtotal:

- Payment enclosed (Make check payable to Council for Economic Education)
- Purchase order enclosed

Shipping:
- Less than $30, add 25%
- More than $30, add 10%

Discounts:

Shipping:

Total:

Payment enclosed (Make check payable to Council for Economic Education)

Credit card:
- [ ] MasterCard
- [ ] Visa
- [ ] AmEx

Authorized signature:

SHIP TO:
Name: ____________________________ School/Organization: ____________________________
Street Address: ____________________________
City: ____________________________ State: ________ Zip Code: ________
Email: ____________________________ Phone: ____________________________

Would you like to receive e-mail updates from the Council for Economic Education
(Privacy: We don’t rent or sell your name.)
- [ ] Yes
- [ ] No

BILL TO: [ ] same as SHIP TO
Name: ____________________________ School/Organization: ____________________________
Street Address: ____________________________
City: ____________________________ State: ________ Zip Code: ________