Semester 1, 2013/14

PSP 3000 (3+0)

Family and Consumer Economics

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<table>
<thead>
<tr>
<th></th>
<th>Group 1</th>
<th>Group 2</th>
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<tbody>
<tr>
<td><strong>Lecture</strong></td>
<td>Tuesday 2-4</td>
<td>Wednesday 8-9</td>
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<td>Thursday 9-10</td>
<td>Thursday 11-1</td>
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<tr>
<td><strong>Consultation</strong></td>
<td>Monday 2-4</td>
<td>Monday 2-4</td>
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<td>By Appointment</td>
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COURSE SYNOPSIS

This course encompasses the relevant economic principle and theory and its application to individuals/family as consumers and producers. The impact of economic, psycho-social, political, environmental factors, government economics policy and marketing practices on the wellbeing of the family and consumer are also discussed.

(Kursus ini merangkumi prinsip dan teori ekonomi yang relevan serta aplikasinya ke atas individu/keluarga sebagai pengguna dan pengeluar. Impak faktor ekonomi, psiko-sosial, politik, persekitaran, dasar ekonomi kerajaan dan amalan pasaran ke atas kesejahteraan keluarga dan pengguna juga dibincangkan).
COURSE CONTENT

- Refer course outline
## EVALUATION

<table>
<thead>
<tr>
<th></th>
<th>Coursework</th>
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<tbody>
<tr>
<td>I</td>
<td></td>
<td>60%</td>
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<tr>
<td></td>
<td>Assignment</td>
<td>30%</td>
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<td></td>
<td>Test</td>
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<tr>
<td>II</td>
<td>Final Exams</td>
<td>40%</td>
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<td>TOTAL</td>
<td>100%</td>
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CHAPTER 1

Introduction To Family And Consumer Economics

Objectives:

- To explain concepts and definitions of relevant terms.
- To explain the principle and the economic theories.
- To explain economic questions and economic well-being.
<table>
<thead>
<tr>
<th>WHAT IS ECONOMICS?</th>
<th>WHAT IS FAMILY ECONOMICS?</th>
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</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>To study how human groups use price to allocate scarce resources to accomplish desired ends</td>
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<tr>
<td><strong>Key Question:</strong></td>
<td>How do humans determine who gets what, when and how?</td>
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<tr>
<td><strong>Assumption:</strong></td>
<td>Humans are rational decision makers; more is better</td>
</tr>
<tr>
<td><strong>Essential Concepts:</strong></td>
<td>Price, scarcity, utility, markets, information, trade-offs, marginality</td>
</tr>
<tr>
<td><strong>Information:</strong></td>
<td>Data about prices and quantities of goods, services purchased</td>
</tr>
<tr>
<td><strong>Interpretation and Inference:</strong></td>
<td>Economics predicts and explains response to changes in prices of scarce resources</td>
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<tr>
<td><strong>Implications and Consequences (Why bother?):</strong></td>
<td>By understanding the rational behavior of humans in allocating resources to desired ends, markets can make humans happier.</td>
</tr>
<tr>
<td><strong>Point of View:</strong></td>
<td>Humans are rational and predictably plan how to get what they want</td>
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## Definition of concepts

<table>
<thead>
<tr>
<th></th>
<th>Family Economics</th>
<th>Consumer Economics</th>
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<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>A body of laws, principles, and concepts related to families use of scarce resources to attain desired standard of living (Fitzsimmons, 1973).</td>
<td>The study of economic interactions of consumers with their external environment.</td>
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<tr>
<td><strong>Focus</strong></td>
<td>Concern with determinants of the level of living (of families and individuals) and the possibilities of improving them to better meet personal and societal needs.</td>
<td>Economic analysis of market and non market consumption activities, incorporating relevant social, psychological, political &amp; ecological.</td>
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Family

- Basic structure/ fundamental unit of production & consumption, components of economics.
- Each member had a different roles in contributing to the family economy (spouse, daughter, son)
- Gary Becker economic approach to marriage, home production and fertility – explain dramatic changes in family behavior
- Level of income and wealth – altering the family functions and structure (smaller family size, caring for family members)
Relationship between economic components: Close economy
Economics Roles and Functions of Family/consumer

- Allocation of resources
- Production of wealth (or commodities) & services
- Distribution of products among family members
- Consumption of products
Relationship Between HH Activities, Goal & Constraint

**Goals**
- Maximizing satisfaction/happiness/well-being

**Activities**
1. Market work,
2. Household work,
3. Voluntary work,
4. Child care,
5. Leisure

**Constraints**
1. Resource
2. Technology
3. Legal & Socio-Culture
Factors affecting the economy of the family

- Geography
- Science and technology
- Values, social culture
- Economic system
- Government policies
## Definitions of concepts

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Family</td>
<td>A group of two or more persons related by blood, marriage or adoption living in one dwelling unit &amp; dependent on a common or pooled income for major items of expense (Fitzsimmons, 1973)</td>
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<tr>
<td>Consumer</td>
<td>Individual or group of individual who determine about consumption &amp; resource allocation to achieve well-being /maximize utility.</td>
</tr>
<tr>
<td>Economics</td>
<td>A social science field of study which focus on human behavior from the aspects of consumption, production and allocation of limited production factor to fulfill unlimited needs.</td>
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</table>
Resources
Allocation of Resources

= The assignment of produced goods to their intended use

- **RESOURCES**
  - Human resource (energy, interest, creativity, etc.) & material (income-money, wealth & ownership)
  - Economics resource (money, time, human capital etc.) & non economics (utility, interest, loving etc.)

**ECONOMIC ACTIVITIES**

In the market – receive income, benefit

In the household – give real income, unpaid activities, benefit for all & not calculated in GNP
Principles in resource allocation

Not wasted
Protect available resources
Balance in consumption
Aware and appreciate latent resources
Increase resources
Goods/services are distributed based on household needs and wants.

- Unfair distribution – unsatisfied problem involve
- Specific to – OKU, old person
Different Between Wants And Needs

Wants
- Good/services desired for consumption after basic need were met.
- For life satisfaction
- Formed from culture, producer, technology

Needs
The basic things to carry on our life
(Maslow Hierarchy)
Maslow Hierarchy

- **Physiological**
  (Health, food, sleep)

- **Safety**
  (Shelter, removal from danger)

- **Belonging**
  (Love, affection, being a part of groups)

- **Esteem**
  (Self-esteem and esteem from others)

- **Self-actualisation**
  (Achieving individual potential)
<table>
<thead>
<tr>
<th>Hand phone</th>
<th>Suit</th>
<th>Cooking appliances</th>
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<tbody>
<tr>
<td>I pod</td>
<td>Computer</td>
<td>Make up</td>
</tr>
<tr>
<td>Buffalo</td>
<td>Tree</td>
<td>Watch</td>
</tr>
<tr>
<td>Car</td>
<td>Clean water</td>
<td>Fertile soil</td>
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<tr>
<td>Matches</td>
<td>Cow</td>
<td>Pencil</td>
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<tr>
<td>Soap</td>
<td>Seeds</td>
<td>Medical box</td>
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<tr>
<td>Paper</td>
<td>Blanket</td>
<td>Saw</td>
</tr>
<tr>
<td>Tissue</td>
<td>Solar panel</td>
<td>Wooden stove</td>
</tr>
<tr>
<td>Bed</td>
<td>Tooth brush</td>
<td>Chocolate</td>
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<tr>
<td>Stereo</td>
<td>Ball</td>
<td>Generator</td>
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<tr>
<td>Music CD</td>
<td>TV and satellite</td>
<td>Knife and fork</td>
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<tr>
<td>Sun glass</td>
<td>Microwave oven</td>
<td>Refrigerator</td>
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<tr>
<td>Bicycle</td>
<td>Chicks</td>
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<td>Book</td>
<td>Camera</td>
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Consumption

- Definition: The utilization of goods directly to satisfy wants
- Include ownership, use & product/services disposal
- Factors influence – price, income, taste & time
- Aim – Well-being
Consumption Process

**PHASE 1**

ACQUISITION (pembelian)
The world that lies behind a product

**PHASE 2**

USE
Actual use of material & energy

**PHASE 3**

DISPOSAL (pelupusan)
Consumption waste/by products
Economics Problem

Why?:

- Unlimited human need
- Limited resources
- Things need to be processed not in a real form
Basic Economics Questions

What

How

Whom
Importance of family/consumer economics

- Focus on the family/consumer issues
- Increase purchasing power
- Reduce the fraud in the market
- Increase consumer satisfaction
- To help market compete
- Increase information
Decision Making

• not random
• choose the alternative that give maximum utility.
  ‣ well-being maximization
  ‣ rational in terms of method & outcome
• determined by taste
The Steps In Decision Making

1. Reach a Decision Point
2. Research
   - Self: Interests, Skills, Values, Temperament, Lifestyle Factors
   - Career: Educational Programs & Occupations
3. Evaluate Alternatives & Make a Decision
4. Take Action
5. Review the Decision
Effects of decision making to economics

- propose to buy (what & when)
- outcome of Gross National Product (GNP) increase every year because of resource, technology and price increase.
Economic Well-being

The concept of the economic well-being or economic status or ‘well-offness’ refer to,

*The ability to command material goods & services, in relation to its need* (Magrabi et al., 1991)

Well-being is the result of human activities, which is consumption.
Conclusion

- Refer to how people and community decide to choose for problem solving to fulfill unlimited need with limited in resources.
- Family/consumer have their own role to increase economics well-being.
- This well-being help our well-being in future.
"You want to speak to the head of the household? There is no head of the household. My parents are into shared decision making."