

You, the Consumer

By Cindy Grigg

Every time you buy something, you are sending a message. The message is "This is a good product; keep making it." Whenever you buy food, snacks, music, clothing, or other items, you send a message to producers to use the resources out there for the things you like best.

You are already an important part of the economy. You may make money by doing chores. Some of you may already have part-time jobs. When you use your money to buy something to use yourself, you are a consumer. The economy depends on consumer purchases to keep going. If everyone all of a sudden decided not to buy things anymore, the economy would stop.

All of us use goods and services. Through time, economic systems have developed to meet individuals' needs for food, clothing, shelter, entertainment, medical care, and the many other things that people buy. Economic systems evolved to serve consumers.

Consumers can be people like you. Consumers can also be businesses and governments. Businesses that use resources such as wood, steel, or energy to make products are consumers of those resources. Government agencies also purchase goods and services.

Economic systems exist to answer three questions. First, what will be produced? Next, what land, labor, raw materials, and machines will be used in production? And third, who will receive the goods and services produced?

The United States has a market system. Most people work to earn money and use it to buy the things they need and want. Consumers are very important to the economy in deciding what will be produced. Unless consumers buy what products are offered for sale, producers will have no money to buy the raw materials and pay for the labor they need to produce more goods or services.

Smart consumers look for information about goods and services available and get the best bargains possible. You have already had years of experience spending money! You already know that no one has all the money to buy all the things he or she would like to have. This is called scarcity. Scarcity can be a lack of money. Scarcity also means that there is not enough of a product to allow everyone who wants it to buy it. Resources used to make products are scarce. The things you want are produced with resources that could also be used for other things instead. The market system balances your wants with the wants of others, as well as with all of the costs involved in producing and selling things.

Let's say you now have enough money to buy a pair of expensive sneakers you've been wanting. You are free to spend the money any way you choose. You realize that the money could be spent for other things you want. Suppose you could buy ten new music CD's for the same amount of money. Economists call this kind of a trade-off **opportunity cost**.

In this example, the opportunity cost of one pair of expensive sneakers is ten music CD's. The opportunity cost of ten music CD's is one pair of sneakers. Of course, there are other alternatives as well. The market system in a society like the United States offers many choices. The smart consumer considers all the alternatives, recognizes the opportunity cost of any one choice, and makes a decision. Your choice, along with other consumers' choices, sends a message to producers. If you and most other consumers choose not to spend that much money on sneakers, you are telling the producer to stop making the sneakers or to make them available at a lower price.

Consumers are powerful and important in an economic system. Your consumer choices are limited by the amount of money you have available for spending. Consumers try to get the most for their money. Consumers are telling producers what cost, quality, and features are most important to you. If you choose to buy one pair of sneakers rather than ten CD's, you are telling producers to make more sneakers and fewer CD's because buying



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the sneakers means you can't buy the CD's.

Government, businesses, and consumers are all big spenders in the U.S. economy. Consumer spending is the largest part of the economy. It is consumer spending that keeps factories producing goods and keeps workers employed. As individual consumers, we may not have much power. But together we are the force that keeps the economy going. Producers must consider consumer demands when deciding what to sell and how much to charge for their goods. By buying or not buying a particular good, you are sending a message to the producer of that good. Consumers are powerful!

You, the Consumer

Questions

_____ 1. When consumers buy a particular product, what message are they sending to producers?

- A. This is a good product; keep making it.
- B. Use the resources available to make this product.
- C. The price is reasonable for this product.
- D. all of the above

_____ 2. What is a consumer?

- A. Individuals who buy goods and services for their own use
- B. Businesses who buy goods and services to use, making products to sell
- C. Government agencies that buy goods and services to use
- D. all of the above

3. In an economic system, what are the three questions that must be answered?

4. What type of economy does the United States have?

_____ 5. What is opportunity cost?

- A. the value or cost of choosing one thing over another
- B. the trade-off you make when you choose to spend money for something
- C. the value you give up in a buying choice
- D. all of the above

_____ 6. Consumers' choices are limited by:

- A. scarcity of goods
- B. scarcity of money
- C. both A and B
- D. none of the above

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7. What keeps factories producing goods and workers employed?

_____ 8. Whose spending is the largest part of the U.S. economy?

- A. government
- B. consumer
- C. business
- D. all of the above

_____ 9. Suppose a factory makes "widgets" and no one buys widgets anymore. What will happen to the factory?

- A. It will make lots of money and hire more employees.
- B. It will lose money and lay-off or fire employees.
- C. It will keep making as many widgets as it can.
- D. all of the above

_____ 10. What do all smart consumers try to do?

- A. always buy the cheapest product
- B. spend as much money as they can because it helps the economy
- C. get the best bargains they can for their money
- D. save all their money and not spend any of it

Explain why all households, individuals, businesses, and government agencies are consumers. How do they affect our economy?
