



POWELL CENTER FOR
ECONOMIC LITERACY

Lesson Plan

WRITTEN BY Powell Staff

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Students are Consumers AND Producers

Time Required

15 minutes

Grade Level and Subject

Middle and High School; Economics Introductory Class

Keystone Principles

Principle #4 – Economic Systems Influence Choices

Economic Concepts

Consumer - *A person who uses goods and services to satisfy personal needs and not for resale or in the production of other goods and services.*

Opportunity cost - *The NEXT BEST alternative that must be sacrificed as a result of choosing one thing over another. All choices bear an opportunity cost.*

Producer - *An individual or business engaged in the process of creating goods and/or services to be offered for sale to consumers.*

Trade-off - *Giving up one choice to have another which seems more desirable.*

Overview

The circular flow teaches us that one person can take on multiple economic roles because we are producers of some things, yet consumers of other things. Students easily grasp that they are consumers, but are less likely to see how they are also producers. There is an inherent tension between producers and consumers with producers wanting to receive as much as possible for their good or service, but consumers wishing to pay as little as possible for the same good or service. By realizing the tension between these two roles, students will better understand the inherent choices and costs involved in the trade-offs a free market system necessitates.

This is a good discussion to have with students several times during the course of the

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year. It can be a helpful exercise for students who are reluctant to tackle assignments or participate fully in the classroom.

Objectives

- Students will identify their own role as consumer
- Students will identify their own role as producer
- Students will be able to articulate the trade-off necessitated by their dual role

Teaching Activity

1. Ask students to define the terms “consumer” and “producer” (*a consumer uses or buys a product or a service; a producer makes or creates a product or service*)
2. Ask several students whether they can self-identify as a producer or a consumer. (*Answers will vary; students typically see themselves as one or the other. The correct answer is “It depends”.*)
3. Ask students what they consume in their role as students (*they consume knowledge or education*). Who produces or delivers this knowledge or education? (*the teacher, the school, the textbook authors*). Why do the students want to consume this particular product? (*Again, answers will vary, but should ultimately deal with preparing themselves to be responsible adults – as citizens, as job-holders, as parents.*) As the students consume the educational product and attain more knowledge themselves, they in turn become producers. What, as students, do they produce? (*a body of knowledge in a particular subject area, as evidenced by their papers, reports, homework, test results, etc.*)
4. In their role as consumers, do they wish to pay a high price or a low price for their education? Encourage students to think of the price as more than mere money; they should consider the value of their time, energy, and their opportunity cost. (*Most likely, they will prefer to pay a low price, i.e., simplified instruction, lower standards, easier tests, etc.*)
5. Ask students how they think their product should be valued? (*Answers will vary, but, in general, most will want to receive a high value, i.e., better grades for less work.*)
6. Ask students to make two lists: jobs that require a high level of knowledge and jobs that require minimal knowledge. Which jobs pay better? Which jobs earn them more respect? Which jobs would they prefer to have?
7. Ask the students whether they can identify the conflict between their own two roles: as consumers of education they desire to pay as little as possible for the product, but as producers, they want to receive as much as possible. How might they resolve their conflict?
8. Most likely, any resolution will involve a **trade-off**. Ask students to define the term “trade-off” (*giving up a unit of one thing in order to gain a unit of something else*). Who pays the cost of the trade-off? (*They do.*) Who reaps the benefit? (*They do.*) Who determines whether the cost outweighs the benefit, or the benefit outweighs the cost? (*They do.*) Who ultimately makes the choice? (*They do.*)

Lesson Extension

Ask students to extrapolate what they have learned to other areas of economic activity. Lower grades can identify ways in which their parents are both consumers and producers. Older students can identify the dual consumer/producer roles of certain businesses, organizations, or the state and local government.