

ACTIVITY 5

HOW DOES SELF-INTEREST ENCOURAGE PRODUCERS AND INVESTORS TO MAKE ECONOMIC DECISIONS THAT ARE GOOD FOR CONSUMERS?

Name _____

1. Economists often say that “consumers vote with their dollars.” How does this statement apply to the simulation performed in class?

2. When sellers are offering products that many people are eager to buy, what prevents them from charging very high prices or from selling products of poor quality?

3. When a product becomes extremely popular, producers usually want to produce more than they did before. In order to do this, they have to have more money so that they can buy more raw materials, hire more workers, and perhaps even buy more capital goods. Under these circumstances, why might a producer who did not have adequate funds to expand find it relatively easy to get additional money?