



Entrepreneurship

Lecture 1: Producers Vs. Consumers

Kenya 2005

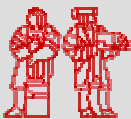
Lessons:

- Define producers and consumers
- Analyze the interaction between consumers and producers
- Define production excellence
- Study Africa as both a producer and consumer
- How Africa can become a more efficient producer
- Group Assignment
- Personal Assignment



Who is a producer?

- A person or organization that generates or brings forth material.
- Examples of producers:
 - Manufacturers, authors, record companies, farmers, designers, construction companies, artists, entertainers etc.



Who is a consumer?

- A person/organization who takes in or makes use of what is produced.
- Examples of consumption activities: being treated in a hospital, listening to music, wearing clothes, driving, sleeping, etc.
- PS: Almost everything you do involves a certain level of consumption- even sleeping requires a bed, bed sheets etc.



Interaction of Consumers and Producers

- Consumers give producers money in exchange for goods
- If you consume more than you produce, you are a net consumer.
- If you produce more than you consume, you are a net producer



Net Consumer

- If you consume more than you produce (in terms of money), it means you won't have enough money to consume everything you need. This leaves you with a few desperate options:
 - get in debt (promise to pay later)
 - beg the producer to donate to you
 - steal from the producer



Net Producer

- If you produce more than you consume (in terms of monetary value), then you have some money to spare.
- This means that you can use the money to:
 - expand your production ability
 - save for tomorrow / invest for the future
 - donate it to a net consumer



Net Consumers vs. Net Producers

- Net consumers have to beg, borrow or steal from net producers.
- This means that net producers can easily control net consumers
 - i.e. net consumers are servants to net producers.



What can a net consumer do?

- reduce your level of consumption
 - i.e. only consume as much as you produce
- increase your level of production
 - i.e. produce at least as much as you consume



Or if you can't do that ...

- Remain a perpetual beggar
- Keep it gangsta and continue stealin'
- Keep getting deeper into debt
- This means that you will:
 - Stay under the control of the net producer
 - Be a perpetual servant.
 - Always be **DEPENDENT** ☹️



Africa as a producer and consumer

- Is Africa a net consumer or a net producer?
- We'll look at the value of what Africa produces and the value of what it consumes.
- The data used will come from the World Bank website and is dated to 2001.



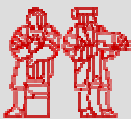
Africa as a producer

- Total value of goods and services exported from Africa in the year 2001
- \$114.3 billion
- Source: World Bank



Africa as a consumer

- Total value of goods and services imported by Africa in 2001
- \$124.8 billion
- Source: World Bank



Africa is a net consumer!

- In 2001 Africa was a net consumer by:
- $\$124.8\text{B} - \$114.3\text{B} = \$10.5 \text{ Billion}$
- Adding debt repayments (\$15Billion), means that Africa had to raise ~ \$25 Billion
- This means Africa had to borrow more, further increasing its debt repayments.



Africa as a net consumer

- Africa is dependent on producing nations
 - in times of crisis, Africa always looks to the West (net producers) to help it out
- Africa borrows heavily to support its net consumption.
- Africa contributes 5% to the world's goods and services
- Has more than 67% of the world's debt



Africa as a servant to Net Producers

- When Africa borrows money, there are a lot of restrictions and rules that the government has to obey from those it borrowed money from
 - Africa needs the money
 - Africa has to obey
 - Africa has a diminished role in the world.
- Africa is in the news mostly about war, poverty, disease, aid etc.



Effect of Africa's net consumer status

- A low self esteem among Africans because of asking for help all the time.
- Reduced respect for Africans in the world.
- In any society in the world, beggars are not respected much or treated as equals.



How to get Africa out of all this

- Reduce Africa's consumption – limited because of basic needs but there's a big potential
- Increase Africa's productivity – this has unlimited potential because Africa as a continent has vast unexploited resources!



Reducing Africa's consumption

- Africa should eliminate unnecessary consumption
 - importation of goods that harm or are to useless African people e.g. military equipment
 - importation of goods that are already made in Africa
 - e.g. clothes etc
 - importation of goods that can be made in Africa
 - e.g. bicycles, books etc.



Increasing Africa's productivity

- Africa needs to:
 - Maximize the use of its human resources.
 - Produce goods that can be sold in Africa.
 - Market its goods better in order to reach more consumers.
 - Increase efficiency and excellence in production to produce world class goods.
 - Identify unexploited opportunities to introduce new goods and services to the world



Maximizing human resources in Africa

- Education should be geared towards maximizing productivity and not merely for employment
- Trained in leadership excellence from an early age
- Africans should be taught to see the big picture of their world and not just focus on personal ends
- Africans should learn how to quickly adopt to new technology and maximize its use
- Africans should learn how to develop their own technology and maximize its use



Producing Marketable Goods in Africa

- Many goods that are imported from outside Africa can be made in Africa
 - Low technology goods such as bicycles, clothes, tools, household products and furniture etc. can be feasibly manufactured in Africa
- Africans need to identify all such goods and begin producing them in Africa.



Better Marketing of African Goods

- This would increase the number of people who buy African goods and increase revenues
 - Examples: foods, tourism, medicine, cheap labor, culture etc.
- Africans need to study different parts of the world in order to identify how African goods can satisfy the needs of people in different regions



Excellence and Efficiency in Production

- African producers should learn how to achieve excellence in the production process
- This means that they should continuously improve their production processes in order to best meet their consumers' needs and to successfully compete in the world
- Simply put African producers need to be world class.



Identify Opportunities

- Africa has a rich tradition and heritage with a culture as old as humanity.
- African land is very rich in flora and fauna and Africans have the best knowledge of it
- Much of this knowledge is unexploited
 - e.g. there is a lot of medicinal plants that Africans have used for many years that could be made into drugs which can be sold to the rest of the world
- This knowledge needs to be exploited to create new goods in the world market from Africa and increase African productivity



Assignment # 1

- Due tomorrow!
- Evaluate yourself to find out whether you are a net producer or a net consumer using the same basis we used for Africa.
- Write a one page paper on how you can use your talents, special skills and abilities to become a net producer.



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