

## The Corn Flakes Example

How does this market process work? How do ordinary consumer decisions about which corn flakes to buy get reflected in prices and resource allocations?

The process is not mysterious. As consumers, we just don't think about—or sometimes even realize—our collective power.

Say you go to the grocery store and cornflakes is on your list. It is what you like to eat for breakfast.

To simplify, there are two kinds of cornflakes on the shelf: a name brand such as Kellogg's® and a store brand, we'll call it Generic Corn Flakes. A 16-ounce package of Generic Corn Flakes costs \$.50 less than the Kellogg's version, so although you have eaten Kellogg's all your life, you decide to save the money by trying a box of Generic.

You eat the Generic Corn Flakes and find they are just as good as Kellogg's. So you tell your friends—mostly online of course. And gradually, Kellogg's sells less and less corn flakes, as people discover that the brand is just hype.

Now Kellogg's has decisions to make. Should it reduce prices? Can it reduce prices and remain profitable, given its cost structure? Should it change its marketing approach? Kellogg's has to do something—and whatever that some thing is, it will have an impact on the Kellogg Company and on its supply chain. And whatever those impacts are, they will have been caused by what you and your friends and their friends etc. have done. That is capitalism in action.

The same sort of thing would have happened if you had decided that Generic Corn Flakes were not nearly as good as Kellogg's. You would tell about your experience, and, gradually, Generic Corn Flakes would sell less and less. Then the manufacturers of Generic and the stores that sell them would have decisions to make. Do they try to improve taste? Do they cut prices even further? Or do they abandon the cornflakes business altogether? And those decisions will reverberate down the Generic manufacturer's supply chain. And again, all this will take place because of what you and your friends did. And it will be capitalism in action.

The same thing does not happen in a system where decisions are made by elites. Elites are likely to say that choice is wasteful—and only Generic Corn Flakes are needed. So no Kellogg's are on the shelves.

But Kellogg's still are on the shelves in some other country. And Kellogg's Corn Flakes lovers will find a way get them “on the black market”. They will cost more, but there likely will be a black market in many things.

I hope that cornflakes example helps consumers to understand how much power they really have in a capitalist economy.