A Matter of Economic Balance: Home Consumption Choice

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Abstract

The aim of the study is that it is scientifically to explain necessity of preference of domestic product to residents for consumption in terms of economic balance. Domestic product is output in consequence of the use of domestic factors of production in the production process. However, now, it is not easy determining whether a good is domestic product because economic relations are relatively more intricate. A commodity as a whole can be produced in each country. Besides different pieces of a commodity can be produced in each country too. In parallel with these developments, domestic products are categorized as follows; full domestic products (100 percent domestic capital and goods are produced in the country), first-level half domestic products (100 - 51 percent domestic capital and goods are produced in the country), second-level half domestic products (100 - 51 percent domestic capital and goods are produced abroad), third-level domestic products (100 percent foreign capital and goods are produced in the country) and full foreign goods (100 percent foreign capital and goods are produced abroad). On the other hand, economics is basically a matter of balance. This phenomenon is clearly understood from accepted its definition in the international literature. Accordingly, economics is the science that deals with allocating scarce resources among unlimited wants. In other words, it is tried to answer the question of how to satisfy unlimited wants that is "demand" with limited resources that is "supply". In this regard, every economics school has tried to formulate this balance in the micro and macro level since the beginning of modern economics. Many theories like "comparative advantages" aimed at balancing global merchandise trade have been proposed in the literature of the international economics. However, at the present, trade between developed and developing countries results generally in developed countries' favor in despite of all these theories. Policy makers in the developing countries have tried to change this imbalance with public expenditures and tax expenditures as well as many reforms. However, it is not enough because this effort is just for production dimension of the problem, and the consumption dimension should not be overlook. If residents make purchase decision in favor of domestic products so far as possible, competitiveness of domestic company in the international markets increases as well as imports reduces. In this direction a consumption habits are an important responsibility of individuals. In other words, taking into consideration those economic imbalances cause deep-scaled welfare losses in long term; individuals who do not want to live bigger welfare losses in the future should consider lower welfare losses. Consumers should make purchase decision in favor of domestic products without exposing to large cost in terms of price-quality and within the bounds of possibility in their countries. In this way, the created added value remains in the country and these resources can be used to create new added value. More clearly, consumers supplement revenues of domestic producers with demanding domestic products, and domestic producers take opportunities of newly investing with created capital accumulation because of revenue growth. In addition, employment increases with new investments. By taking into consideration another factor, consumers should consider their contributions to production process in the country while deciding consumption. Thus, balance is regarded. Consequently, residents in the developing countries, which could not complete the market transition process, should make purchase decision in favor of domestic products without exposing to large cost in terms of price-quality. In this way necessity of created social moral codes have great importance in terms of economic balance (especially balance of trade).