

Can't We Just Print More Money?

Worksheet for Lesson One: Preparing a presentation



Refer to Chapter One:
Where does my breakfast come from?

Activity 1

Breakfast Menu


Toast 15p per slice
Fried egg 30p
Sausage (pork, chicken or veggie) 35p
Hash browns 25p
Pot of beans 30p
Yogurt 40p
Fruit pots 40p
Porridge 40p
Pastries and croissants 40p
Bacon roll 65p
Sausage and egg roll 75p

Tea 25p
Coffee 35p
Orange juice 30p

Activity 2

Extract:

Every single day you make dozens, if not hundreds, of decisions. Some may seem small: do I buy a bagel for lunch or make a salad at home? Do I take the bus or drive? Others might be larger: do I apply for a new job or not? Do I save for a deposit on a house or buy a few extra avocado breakfasts? Why do you need to make so many decisions? Because we live in a finite world in which we cannot have and do everything. We are constantly coming up against constraints that hold back our desires. These may be constraints on how much money we have to spend – budget constraints. They may be constraints on the physical and natural materials that we can draw on – resource constraints. Or it may just be that there are only so many hours in the day – time constraints. Often these decisions interact in complicated ways. Consider your decisions as a worker: do you prioritise work or play? Working will earn you more money, easing the budget constraint and increasing the options you have to buy things, but it also eats away at your time constraint. The more hours you spend working, the fewer there are to enjoy the fruits of that labour.



How does this impact on you as a student? Are you more limited in the decisions you have to make? Or could this apply to the way you study and use your free time?

Or consider your decisions as a consumer. Do you spend all of your money, or do you put some away for a rainy day? If the latter, how much do you save? And for how long? If you spend it, do you buy the blue dress or the red dress? Peanut butter or chocolate spread? Coke or Pepsi? Fry-up or avocado on toast? Depending on the choices you make, you may need to work more, or even change jobs, in order to be able to fund them.



What was the last item you bought for yourself that you really needed to think about carefully? What helped you to make your choice?

To see how these decisions play out in practice, come with us back to early 2009, to the moment when a century-long era ended. On 21 February 2009, the very last Woolworths' Pic'n'Mix was sold – for an eye-watering £14,500.

[...]

Over the previous century, the Woolworths' Pic'n'Mix had become a cultural icon in the United Kingdom and around the world. A wall of sweets of all sizes and colours – fizzy cola bottles, jelly beans, chocolate buttons. It was the closest most of us ever got to Willy Wonka's Chocolate Factory outside of the pages of a book.

Amidst the sugar rush of all those sweets, you may not have realised you were actually illustrating the perfect microcosm of consumer behaviour. You had a budget

constraint, which was however much money you had managed to earn/charm/extort out of your family and friends. You had a whole series of options to spend it on – the sweets. And you had your own personal preferences. Some people may have decided that their preference for cola bottles was so strong that they would use their entire allowance on a bag of those. For some, they might have been tempted by chocolate-covered raisins. But for most it was likely to be a mix of a lot of things, with more weight given to their favourite sweets. Given you only had a certain amount to spend, you would have been likely to come up against a trade-off. The Pic'n'Mix's price was calculated by weight. If a sweet was heavy – say a gobstopper – did you prefer one of those, or three of the lighter sweets? When your bag was too heavy, you would have to choose to put something back. It probably wouldn't be the sweet you only had one of – better to put back one of the sweets you had twenty of already. Unconsciously, everybody faced with the Pic'n'Mix wall was confronted with the same challenge: weighing up trade-offs in light of their preferences.

[...]

You might recognise Pic'n'Mix now from when you visit the cinema. How does this example act as a metaphor for our other spending decisions?

How do you respond to the fact someone would pay £14,500 for the experience of buying the last ever Woolworths' Pic'n'Mix?

Can you think of any examples more recently where someone would pay a high price for a special experience?

Is this something everyone can do?

Is there something you would be willing to pay an inflated price for? A special pair of trainers? A ticket to see your favourite band?

Economists tend to assume that the basis of consumers' decision-making is that each of us is trying to get the most benefit out of the resources we have. This idea is encapsulated in a slightly abstract concept: 'utility'. Sometimes defined as the pleasure, satisfaction or benefit you get from doing or consuming things, utility can be anything you value: from a new outfit that makes you look and feel good to the sensation of not being hungry once you've eaten a burger. According to economics, utility is something you want to maximise. This is precisely what you were trying to do as you weighed up your Pic'n'Mix choices: you get different levels of enjoyment from the various combinations of sweets, and so you value them differently. This idea – 'utility maximisation' – can feel slightly detached. The utility you get from work is not just about how much money you make – although that might be part of the picture. It is about the enjoyment, the stimulation, the sense of feeling worthwhile.

Do you agree with the idea that the price of something is not the only thing which affects our decision making? What other factors might affect your decisions in terms of how you spend your time and your money? Be prepared to share your thoughts on this in a whole class plenary.