



***“The life of man is so short that ordinary people simply cannot afford to be born.”***

Halldór Laxness (1902 – 1998), Icelandic Nobel-winning writer

## 1. Cost-Of-Living Crisis Discussion

1. What is the cost-of-living crisis?
2. If the cost-of-living crisis is because prices are too high and wages are too low, what caused these problems?
3. How can the problem of high prices be addressed? How can the problem of low wages be addressed?
4. Have you noticed prices increasing for products or services? If so, which ones?
5. Why have wages not kept up with the rate of inflation? Why are prices increasing if people have less money to spend?
6. Why are central banks increasing interest rates to tackle the problem of high inflation? How does this help? What effect do higher interest rates have on everyday life and on the economy?
7. Are all countries experiencing a cost-of-living crisis? Which ones are, and which ones aren't?
8. How is it possible that people in developed countries are relying on food banks to feed themselves?

## 2. Cost-Of-Living Crisis Vocabulary

- **stagflation** (noun) – *when inflation and unemployment are high, and economic growth is low.*
- **to cut** (verb), **(government/tax) cuts** (noun) – *in economics, to reduce government spending or taxes; a reduction in government spending or a reduction in the tax rate.*
- **stamp duty** (noun) – *a tax levied on the purchase or sale of a property.*
- **windfall tax** (noun) – *a tax on excessive profits or unexpected windfalls of a particular company or sector of the economy, usually due to global disturbances like war or natural disasters.*
- **trickle-down economics** (noun) – *economic policies that favour the richest individuals or corporations hoping that this stimulates economic growth thereby benefiting everyone else in society.*
- **to borrow** (verb), **government borrowing** (noun) – *in economics, when a government receives money to spend on public services that it has to pay back with interest at a later date.*

**Using the vocabulary words above, complete the following sentences (remember to use the correct form of the word, e.g. verb conjugation or plural noun):**

1. A famous example of **trickle-down economics** happened when Ronald Reagan reduced the highest rate of income tax from 50% to 28%.
2. After the 2008 financial crash, governments around the world **cut** government spending in response to the lower tax revenues they were collecting.
3. High **stamp duties** make it difficult for businesses to open new locations.
4. If the government **borrow**s to hire more people in the public sector, more people will have money to spend which in turn will stimulate economic growth.
5. Keynesian economists never believed **stagflation** could happen as history suggested that high inflation and high unemployment could not happen at the same time.
6. Labour proposed a **windfall tax** on energy companies that saw their profits rapidly increase after Russian gas supplies to Europe were severely reduced.

### **Cost-of-living crisis vocabulary comprehension questions**

1. Why might government efforts to reduce inflation lead to higher unemployment during times of stagflation? Which is more important: reducing inflation or unemployment?
2. Is it a good idea for the government to cut public services like the police, education and health to save money? Why or why not?
3. Would cutting stamp duties during a cost-of-living crisis help stimulate the economy? Who would this benefit the most?
4. Some countries have levied a windfall tax on energy companies to help people to pay their energy bills; other countries have borrowed money to help people pay their bills and simultaneously protect the profits of energy companies. Which strategy do you think is best?
5. British prime minister Liz Truss announced tax cuts that favoured the richest people in the country in an effort to pursue trickle-down economics to boost the economy. American president Joe Biden said that he was sick and tired of trickle-down economics as it has never worked in history. Who do you agree with? Has trickle-down economics ever worked in history?
6. Is it right for governments to borrow today to relieve the cost-of-living crisis and make future generations pick up the bill? Why or why not?



## 4. Cost-Of-Living Crisis Conversation Questions

1. What caused the 2008 financial crash? Has the world learned the lessons of this economic collapse? Did the world ever recover from the 2008 financial crash?
2. What effect did the covid pandemic have on the global economy? Could anything have been done differently during the pandemic to protect the economy whilst still keeping people safe from the virus?
3. Why has the price of energy increased? Have your energy bills increased? How will increased energy bills affect regular people? What about businesses and the wider economy?
4. In hindsight, should the world have invested in renewable energy when it had the chance? Would we be experiencing a cost-of-living crisis now if we had invested in renewables years ago? Is now the right time to start seriously investing in renewable energy?
5. What are the best ways governments can help stimulate economic growth during the cost-of-living crisis? Is it better to increase taxes or reduce taxes to solve the cost-of-living crisis? Why?
6. What would be better to help relieve the cost-of-living crisis: increasing taxes for the lower and middle classes (the majority of the population), or increasing taxes for the rich (the minority of the population)?
7. What kind of political changes might happen due to the cost-of-living crisis? Have you noticed any political changes already?
8. Do you think the cost-of-living crisis will change the economic system of the world? If so, what kind of economic system will emerge from this crisis?

## 5. Cost-Of-Living Crisis Writing Task

Write about your opinion of the cost-of-living crisis. Try to use some of the vocabulary you learned earlier in this lesson. In your answer, you could include some of the following topics:

- What caused the crisis.
- What governments are doing to address the crisis.
- What you think should be done to address the crisis.

### Alternative exam practice question:

As the world emerged from the covid pandemic into a cost-of-living crisis, the British government announced a trickle-down economics approach to address the problem. Do you agree or disagree with this kind of strategy to solve to the crisis?