



Do Now

What is the economy and how does it affect us?



Sarah has a mortgage of £200,000 on her house. Her 2% mortgage rate (this determines how much money Sarah pays per month for her house) has just run out. The lowest rate Sarah can secure is now 5%. Sarah was paying £848 a month previously. She now must pay £1169 per month to keep her house.

Discuss: How might this impact Sarah's life? Explain in full.



What other stresses are people like Sarah facing at the moment? Why?

Like all UK citizens, Sarah is facing a variety of rising costs. . . .
CLUES: Government, Ukraine, energy, inflation, wages, Covid.



Learning outcomes:

Describe what the economy is and how it affects everyday people in our lives.

Explain how governments try to manage a country's economy.

We've looked at interest rates in our lesson on saving and budgeting – but let's have a quick reminder about how these work.

[Why do interest rates matter to me? - YouTube](#)

The Economy – the state of a country in terms of the selling and buying of goods and services and the supply of money. The economy can be in a positive or negative state, which directly affects the wealth in the pockets of a country's citizens.

TLDR: Financial health of a country. If it doesn't make much and doesn't sell much, everyone has less stuff and less money (a poor economy).

**Let's feedback on Sarah's situation.
You can use the ideas below to start you off.**

Sarah might see a slight increase in her savings account's interest, but it's unlikely these will compensate for how much more mortgage she pays because....

If Sarah can't afford her monthly payments then...

How might the rise in interest rates on her mortgage affect Sarah's life?

If Sarah has other debts such as credit cards this also means...

Sarah has less money to spend on food at a time when...



If Sarah has to go back to renting, this likely won't be cheaper because...

Sarah will have less money to spend on gas and electric, at a time when....

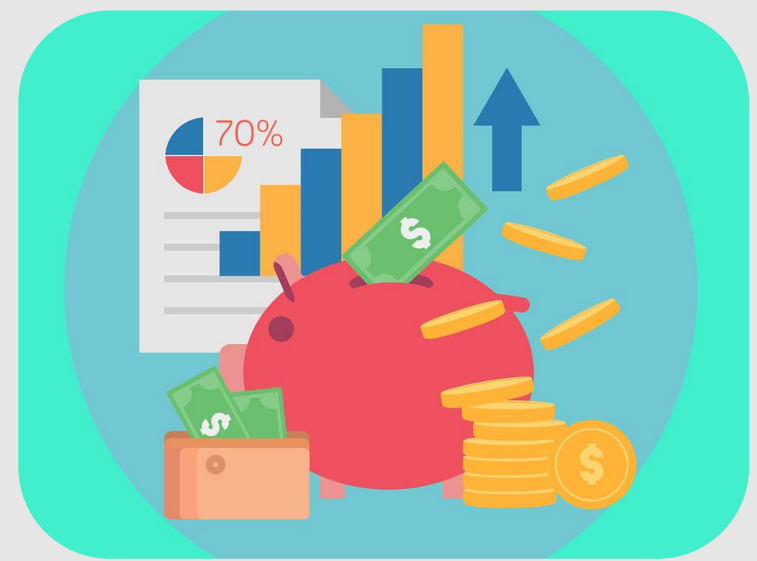
So what's next? Well, some financial forecasters say that if we do slump into a recession we will have to have a period of austerity.

But what is this?

Watch the clip carefully and answer the questions on your sheet.

We'll go through them together afterwards. [Austerity Explained – YouTube](#)

1. What is austerity?
2. What does austerity get rid of?
3. What measures do we see in austerity?
4. Why is debt such a problem?
5. How might austerity help in the long-term?
6. How does it hurt in the short-term?
7. What did the economist John Keynes say?





What is austerity?

An economic policy adopted by countries after a recession.

What does austerity get rid of?

A country's debt.

What measures do we see in austerity?

Tax rises, a cut in public spending or both.

Why is debt such a problem?

Because interest has to be paid on it, so if rates rise countries get into more debt.

How might austerity help in the long-term?

It could create a more fiscally (financially) responsible society.

How does it hurt in the short-term?

Unemployment could rise, meaning more people rely on welfare.

There could be an increase in taxes.

What did the economist John Keynes say?

He thought we should instead spend our way out of recession, by stimulating it with more money, to stimulate growth.





What is the economy and how does it affect us?

Useful helplines, advice sites and charities

[Childline](#). Support for people under 19 in the UK. Call: 0800 11 11

[Young Minds](#). Child and adolescent mental health charity. Call: 0808 802

<https://www.moneyprodigy.com/teenage-money-management/>

(money management guide for teens)

[Debt and money - Citizens Advice](#) Your rights, helpful advice and much more

[Money Saving Expert: Energy Help, Credit Cards, Flight Delays, Shopping and more](#)

Martin Lewis' site. Great for learning more about saving money, the best deals and getting to grips with finance.



Need Support? You're Not Alone



If anything in today's lesson has affected you, or you want to talk to someone, there is help available.

Mental Health & Low Mood

YoungMinds – <https://www.youngminds.org.uk>

Kooth – <https://www.kooth.com>

Mind – <https://www.mind.org.uk>

Talk to Someone

Your Tutor or Head of Year – We're here to help.

Wellbeing Team and School Nurse

Report a Concern on Satchel

Safeguarding Team with the Purple lanyards

Healthy Lifestyle

NHS Every Mind Matters – <https://www.nhs.uk/every-mind-matters>

Change4Life – <https://www.nhs.uk/change4life>

Apps That Can Help

Calm – For mindfulness and sleep.

Headspace – Meditation and stress relief.

Clear Fear – Manage anxiety (designed for young people).

MeeTwo – Anonymously talk to other teens, moderated by experts.

Eating Concerns

Beat Eating Disorders –

<https://www.beateatingdisorders.org.uk>

NHS Live Well – Eating Disorders –

<https://www.nhs.uk/mental-health/conditions/eating-disorders/>