FOUNDATION *for* ECONOMIC EDUCATION
EST. 1946

Monday Morning Economist

The Shock of 9 Quid Ice Cream

Part 1. Multiple Choice Questions (10 minutes)
Read "The Shock of 9 Quid Ice Cream" from Monday Morning Economist and answer the following multiple choice questions.

1. What concept in behavioral economics explains why Marnie and Mylah were shocked by the price of the ice creams?
   a. Supply and demand
   b. Anchoring
   c. Opportunity cost
   d. Price elasticity

2. According to the article, what was Marnie and Mylah's anchor for the price of ice cream?
   a. £9 per ice cream
   b. £1 or £2 per ice cream
   c. The cost of chewing gum
   d. The price of other treats at the park

3. How do restaurants use anchoring to influence customers' perceptions of price?
   a. By offering free items with a meal
   b. By using loyalty programs
   c. By providing free samples
   d. By displaying an expensive dish to make other items seem cheaper

4. Which of the following is an example of anchoring in retail, as discussed in the article?
   a. Offering a buy-one-get-one-free deal
   b. Running a limited-time sale
   c. Displaying the original price alongside the discounted price
   d. Providing free shipping on all orders

5. In job negotiations, how does the initial salary offer act as an anchor?
   a. It sets a baseline for further negotiation
   b. It determines the length of the employment contract
   c. It specifies the job responsibilities
   d. It influences the choice of benefits offered

Part 2. Actual Price or Rip-Off? (15-20 minutes)

INSTRUCTIONS:

1. **View the Slide Presentation:** Look at the first slide, which shows a product and its price. This price is the anchor.
2. **Identify the Anchor Product and Price:** Note the product and the anchor price shown on the slide.
3. **Determine if the Price is Fair:** When your teacher advances to the next slide, a new price for the product will be shown.
   a. Decide whether this new price is fair (actual price) or a rip-off.
   b. Place an X in the box representing your choice (actual price or rip-off).
4. **Check Your Answer:** Your teacher will reveal the correct answer on the following slide.
   a. Circle the correct answer in your table.
   b. Track Your Score:
5. **Continue this process for each product in the presentation.** At the end, see how many correct answers you have circled.

Note: Pay close attention to how the initial anchor price influences your perception of whether the new price is fair or not.

PRODUCT	ACTUAL PRICE	RIP-OFF
12 ounces of ice cream at Baskin Robbins		
Half pound of ground beef at Kroger		
Regular Size Popcorn at AMC		
1.044 square foot home in LA		
10.7oz Trix Cereal at Kroger		
1979 Disney World Ticket		
2024 24” Vizio Smart TV		
Tigers v. Blue Jays Tickets		
2024 Bronco Big Bend		
Apple AirPods Pro		

Extended Learning: Read the article and answer these three reflection questions.

1. How do flexible prices benefit the market during natural disasters, according to the article?

2. What role do prices play in decision-making during emergencies, based on the author's perspective?

3. Why does the author argue that prosecuting price gouging can make things worse, and how does this relate to the concept of spontaneous order?

TEACHER ANSWER KEY

Teachers may choose to use all or part of this lesson supplement to the Monday Morning Economist. Each part is meant to exist on its own. The approximate time to complete each section is provided.

KEY CONCEPTS: Behavioral Economics (anchoring), Prices

National Voluntary Content Standards in Economics & Benchmarks.

- Standard 2 - Decision Making - Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Many choices involve doing a little more or a little less of something: few choices are "all or nothing" decisions.
- Standard 7 - Markets & Prices - A market exists when buyers and sellers interact. This interaction determines market prices and thereby allocates scarce goods and services.
- Standard 8 - Role of Prices - Prices send signals and provide incentives to buyers and sellers. When supply or demand changes, market prices adjust, affecting incentives.

Part 1: Multiple Choice Questions *(10 MINUTES)*

1. Assign students to read "The Monday Morning Economist" individually or read it together as a class.
2. Have students answer the 5 multiple choice questions related to the reading.

Part 2: Actual Price of Rip-Off? *(15-20 MINUTES)*

1. Distribute Part 2: Actual Price or Rip-Off? handout
2. Display the "MME: The Shock of 9 Quid Ice Cream 5-20-2024" slides.
3. Display the anchor slide for the first product on slide 2. There is nothing for the students to do other than identify the product and price on this slide.
4. Advance to the next slide, "Actual Price or Rip-Off?" Students should use the information learned from the anchor slide to help them determine if they believe the price presented on this slide is the actual price or if the price displayed on this slide is higher than the actual price (rip-off). Students should place an X in the column associated with their decision for this product.
5. Ask a couple students to tell you what they chose and why.
6. Advance to the next slide to show the correct answer. Have students circle the box of the correct answer.
7. Discuss the result with students. Ask what role the anchor played in their decision making.
8. Repeat the process in steps 3 through 7 for all 10 products.

Part 3: Extended Learning- article read from FEE.ORG *(10 MINUTES)*

1. Assign students to read "Price Gouging Is Fine but Humans Are Better" individually or together as a class.
2. Conduct a class discussion of the topic of price gouging using the provided questions and suggested answers.

Part 1. Multiple Choice Questions (10 minutes)

Read "The Shock of 9 Quid Ice Cream" from Monday Morning Economist and answer the following multiple choice questions.

1. What concept in behavioral economics explains why Marnie and Mylah were shocked by the price of the ice creams?
    a. Supply and demand
    b. Anchoring
    c. Opportunity cost
    d. Price elasticity

2. According to the article, what was Marnie and Mylah's anchor for the price of ice cream?
    a. £9 per ice cream
    b. £1 or £2 per ice cream

c. The cost of chewing gum
d. The price of other treats at the park

3. How do restaurants use anchoring to influence customers' perceptions of price?
    a. By offering free items with a meal
    b. By using loyalty programs
    c. By providing free samples
    d. **By displaying an expensive dish to make other items seem cheaper**

4. Which of the following is an example of anchoring in retail, as discussed in the article?
    a. Offering a buy-one-get-one-free deal
    b. Running a limited-time sale
    c. Displaying the original price alongside the discounted price
    d. Providing free shipping on all orders

5. In job negotiations, how does the initial salary offer act as an anchor?
    a. It sets a baseline for further negotiation
    b. It determines the length of the employment contract
    c. It specifies the job responsibilities
    d. It influences the choice of benefits offered

Part 2. Actual Price or Rip-Off? (15-20 minutes)
Watch the slide show and identify the anchor product and its price. Then your teacher will advance the slideshow and students should determine if the price presented is the actual price or rip-off. Place an X in the box representing your choice. Then your teacher will show the correct answer on the next slide. Circle the correct answer on this table. See how many you can get correct!

PRODUCT	ACTUAL PRICE	RIP-OFF
12 ounces of ice cream at Baskin Robbins	X	
Half pound of ground beef at Kroger		X
Regular Size Popcorn at AMC	X	
1.044 square foot home in LA	X	
10.7oz Trix Cereal at Kroger		X
1979 Disney World Ticket		X
2024 24” Vizio Smart TV		X
Tigers v. Blue Jays Tickets	X	
2024 Bronco Big Bend		X
Apple AirPods Pro	X	

Extended Learning: Read the article and answer these three reflection questions.

1. How do flexible prices benefit the market during natural disasters, according to the article?
   Suggested Answer: Flexible prices benefit the market during natural disasters by efficiently allocating scarce resources and incentivizing suppliers to bring in additional goods. For example, when prices rise significantly, as they might in a disaster-hit area, it signals to consumers to conserve and use resources judiciously. This prevents overuse and depletion of available supplies. Additionally, higher prices attract suppliers from other areas who might not have otherwise brought goods to the affected region. The article points out that without flexible pricing, shortages can occur because price controls, like those enforcing anti-price gouging laws, prevent the market from adjusting naturally to increased demand and limited supply.

2. What role do prices play in decision-making during emergencies, based on the author's perspective?
   Suggested Answer: Prices play a crucial role in decision-making during emergencies by conveying important information about the availability and demand for goods and services. For instance, during Hurricane Harvey, as discussed in the article, higher prices for essential items like bottled water or gasoline indicate their scarcity and prompt consumers to prioritize their usage. This not only helps in rationing limited resources but also encourages suppliers to bring in additional supplies to meet the heightened demand. The author emphasizes that prices act as signals that help balance supply and demand, ensuring that resources are directed where they are needed most urgently.

3. Why does the author argue that prosecuting price gouging can make things worse, and how does this relate to the concept of spontaneous order?
   Suggested Answer: The author argues that prosecuting price gouging can worsen the situation because it interferes with the natural market mechanisms that help allocate resources efficiently during a crisis. Price gouging laws, which act as price ceilings, can lead to severe shortages since they prevent prices from rising to reflect true scarcity. The concept of spontaneous order, highlighted in the article, refers to the self-regulating nature of markets where individuals, acting in their self-interest, unknowingly contribute to the overall welfare. For example, during disasters, many businesses and individuals voluntarily help others without government intervention, showing that human cooperation and market mechanisms can effectively address needs. Price controls disrupt this spontaneous order by imposing artificial limits, which can lead to inefficiencies and greater hardship for those affected by the disaster.