

Manna from heaven?

Level: Upper intermediate +

Time: 90 minutes

Summary: This lesson is about quantitative easing (QE) and what effects it could or might have on individuals and industry. In this lesson, students:

1. define QE;
2. study an article that outlines the pros and cons of the practice;
3. discuss what they would do with an unexpected cash windfall and compare their views on QE.

Materials: One copy of the worksheet per student

Group size: Any

Note: This lesson plan is for both pre-experience and in-work business students based on an original article first published in *Business Spotlight* issue 8/2019.

Quantitative easing

In pairs, students choose the correct options to finish the two sentences. Then they should scan the article to check their answers so that they really understand the article and the discussion questions later on.

Key: 1. b; 2. c

Key words

Students match the key words with the definitions then read carefully through the article and notice how the words are used in context. The words in the task are in the order that they appear in the article. Students should also decide which of the words is informal. Ask them which word(s) they would use instead if they were writing a more formal text.

Key:

a.

- | | |
|------------------------|-----------------------|
| 1. <i>trouser</i> | 6. <i>literally</i> |
| 2. <i>windfall</i> | 7. <i>penultimate</i> |
| 3. <i>spree</i> | 8. <i>bonds</i> |
| 4. <i>stubbornly</i> | 9. <i>asset</i> |
| 5. <i>sluggishness</i> | 10. <i>boosting</i> |

b.

trouser (verb) (informal) appropriate, snatch (formal)

Understanding the article

Students read the statements and decide, with a partner, whether they are true or false according to the article. Together, they decide how to rewrite the statements that are false to make them true, using information from the article.

Key:

1. F – *The author asks the reader to imagine that, on their way to work, a helicopter starts to drop money.*
2. F – *There has been a lot of discussion recently about whether helicopter money could be the answer to the Eurozone's low inflation rate.*
3. F – *The idea of helicopter money is based on a thought experiment carried out in the 1960s by a US economist, the late Milton Friedman.*
4. T
5. T
6. F – *The president of the ECB's request that European governments cut taxes and increase spending is likely to be ignored.*

Expressions

Students first put the expressions from the article into the correct order, then match them to their meanings.

Key:

1. *save money for a rainy day – b*
2. *desperately short of cash – c*
3. *fall on deaf ears – a*

Discussion

Students discuss some or all of the questions. If you are short of time, ask them to choose one question and concentrate on that.

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1 Quantitative easing

Choose the best answer to the questions and then check your answers in the article.

1. Quantitative easing (QE) is ...
 - a. ... a theory that companies can increase their supply of money by making investments in financial institutions.
 - b. ... a process of increasing the supply of money in a country's economy by purchasing bonds from financial institutions.
 - c. ... a process of decreasing the supply of money by selling bonds to financial institutions.

2. The aim of QE is to ...
 - a. ... push down inflation and encourage people to buy less and to invest money.
 - b. ... raise interest rates and encourage people to buy more and not invest money.
 - c. ... push down interest rates and encourage people to buy more and invest money.

2 Key words

a. Match the key words to the definitions below. Read the article and note how the words are used in context.

asset	bonds	boost	literally	penultimate
sluggishness	spree	stubbornly	trouser	windfall

1. get or to take money for yourself _____
2. an amount of money that you get when you are not expecting it, especially a large amount

3. a short period that you spend doing a particular activity, especially something enjoyable such as spending money or drinking alcohol _____
4. in a way that seems unwilling or unlikely to change _____
5. the fact of something not performing or reacting as well as usual _____
6. used to show that what you are saying is really true and is not just an impressive way of describing something _____
7. just before the last in a series _____

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8. documents given to someone who invests money in a government or company, promising to pay back the money with interest _____
 9. something such as money or property that a person or company owns

 10. help something to increase, improve or become more successful _____
- b. One of the key words is informal. Which is it? What could you replace it with in a more formal piece of business writing?**

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By Ian McMaster



What does helicopter money have to do with low inflation and economic downturns?
IAN MCMASTER explains.

At the September meeting of the ECB, Mario Draghi's penultimate meeting as its president, the ECB announced a new stimulus package that includes more "quantitative easing" (QE) – a policy of increasing the supply of money by purchasing bonds from financial institutions. The aim is to push down interest rates and stimulate consumption and investment.

Critics of previous rounds of QE have argued that, although they may have stabilized the financial system, they pushed up asset prices and redistributed wealth to the rich. And with interest rates already at or below zero, critics of QE argue that it would be more effective to give money to consumers directly – via a "people's QE" or "QE for the people".

Again, this would not involve the ECB actually dropping money from helicopters but, instead, transferring it to people's bank accounts. More traditional policies could also be used, such as governments cutting taxes and/or boosting their spending. In all cases, the policies would be financed by increasing the money supply.

Interestingly, while announcing another round of traditional QE, Mario Draghi also called on governments such as Germany's to boost their economies by cutting taxes and/or increasing spending. It's an appeal that is likely to fall on deaf ears.

IAN MCMASTER is editor-in-chief of *Business Spotlight*.

- 1 Imagine that, on your way to work, you look up and see a helicopter circling above. You notice that it is dropping pieces of paper. Picking up one of these from the ground, you realize that it is a €100 banknote. You start collecting as many as you can, but everyone else is doing the same. You manage to trouser ten banknotes – €1,000 of unexpected extra wealth.
- 2 What do you do with this windfall? Go out on a spending spree? Save the money for a rainy day? A bit of both? The answer will depend on your situation. If you are desperately short of cash, you'll probably spend most of your windfall quickly.
- 3 There's been a lot of discussion recently about whether "helicopter money" could be the answer to the eurozone's stubbornly low inflation – below the European Central Bank's (ECB) target of around two per cent – and its economic sluggishness. We're not, however, talking about the ECB literally dropping money from helicopters. Rather, the concept of helicopter money is based on a thought experiment, carried out by the late US economist Milton Friedman in the 1960s. Friedman asked what would happen if "one day a helicopter flies over this community and drops an additional \$1,000 in bills from the sky".

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3 Understanding the article

Are these statements true (T) or false (F) according to the article? Correct any that are false using as much information as possible.

1. Once, on his way to work, the author found money on the street that had fallen from a helicopter.
2. There has been a lot of discussion recently at the ECB about whether helicopter money could be the answer to Europe's inflation problems.
3. The idea of helicopter money is based on an idea posed by the US government's current chief economist, Milton Friedman.
4. Previous attempts to help the economy through QE have been only moderately successful.
5. Critics of QE argue that money should be given directly to the people and not to financial institutions.
6. The president of the ECB has arranged for strong European economies to cut taxes and increase spending.

4 Expressions

Rearrange the words in 1–3 to make expressions from the article. Then match the expressions to their meanings a–c. Discuss how the expressions are used in the article.

1. day money a save rainy for _____
 2. cash of desperately short _____
 3. deaf fall on ears _____
- a. be completely ignored
 - b. put money aside for a time in the future when you may need it
 - c. in great and immediate need of money

5 Discussion

- What would you do with a sudden €1,000 windfall?
- How different would your answer be if the windfall were ten times that amount?
- What do you think your company should do if they were to receive a sudden large windfall?
- Which do you think would be most beneficial to the economy: giving money to individual people directly or putting money into the greater economy with the aim of lowering interest rates? Give reasons for your answer as well as examples, where possible.