

Economic Policy Analysis: The Liz Truss Case Study

Introduction and Learning Objectives (5 minutes)

This worksheet will guide you through understanding the economic impact of policy decisions using the 2022 UK economic crisis as a case study. By the end of this activity, you will:

- Understand basic economic policy concepts and their real-world implications
- Develop critical thinking skills in analyzing economic decisions
- Learn how government policies affect markets and everyday life
- Practice collaborative problem-solving in economic contexts

Warm-Up Knowledge Check (10 minutes)

Circle the correct answer and explain your choice in the space provided:

1. What is a "mini-budget"?

- a. A small government picnic
- b. A condensed financial statement outlining government spending
- c. A personal bank account
- d. A type of economic textbook

Explain your answer here:

2. Market confidence represents:

- a. How many people visit markets
- b. Investors' trust in a country's economic stability
- c. The number of shops in a country
- d. Government spending on markets

Explain your answer here:

Scenario Analysis:

Read the following excerpt carefully:

"In September 2022, Prime Minister Liz Truss and her Chancellor Kwasi Kwarteng announced a 'mini-budget' that included £45 billion in tax cuts without specifying funding sources. This announcement triggered a dramatic fall in the value of the pound sterling and caused turmoil in the financial markets."

Answer the following questions:

1. List three immediate consequences of these economic proposals:

2. Explain how this decision affected international investor confidence:

3. Describe the relationship between government policy announcements and currency value:

Economic Policy Simulation (25 minutes)

Group Role-Play Exercise:

Form groups of 5 students. Each member will take one of the following roles:

- Government Finance Minister
- Bank of England Representative
- International Investor
- Economic Journalist
- Public Policy Analyst

Task:

Your group must design an alternative economic policy that addresses the UK's economic challenges while maintaining market confidence. Consider:

- Tax policy changes
- Government spending plans
- Funding sources
- Communication strategy

Policy Proposal Template:

Policy Element	Details	Expected Impact
Tax Changes		
Spending Plans		
Funding Sources		

Market Impact Analysis (30 minutes)

Data Interpretation Exercise

GBP/USD Exchange Rate September-October 2022

[Exchange Rate Graph Placement]

Analyze the graph above and answer the following questions:

1. Identify the specific date when the pound reached its lowest value:

2. Calculate the percentage decline from September 22 to September 26:

3. Explain the correlation between policy announcements and currency fluctuations:

Economic Indicators Deep Dive

Economic Indicator	Before Mini-Budget	After Mini-Budget	Impact Analysis
Government Bond Yields			
Mortgage Rates			
FTSE 100 Index			

Policy Response Timeline (20 minutes)

Create a detailed timeline of events and policy responses. Fill in the missing information:

September 23, 2022

Mini-Budget Announcement

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September 28, 2022

Bank of England Intervention

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October 14, 2022

Policy Reversal

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International Perspective Analysis

Global Market Reactions

European Union Response

--

US Market Reaction

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Asian Markets Impact

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Key Takeaways Analysis

Individual Reflection:

1. What role does market confidence play in economic policy implementation?

2. How can governments better balance political promises with economic reality?

3. What are the key lessons for future economic policy-making?

Policy Recommendation Synthesis

Based on your analysis, develop three specific recommendations for future economic policy-making:

Recommendation 1:

Recommendation 2:

Recommendation 3:

Knowledge Check (15 minutes)

Select the best answer for each question:

1. The main reason for the market's negative reaction to the mini-budget was:

- ☐ a) The size of the tax cuts
- ☐ b) Lack of funding details and fiscal responsibility
- ☐ c) International market conditions
- ☐ d) Political opposition

2. The Bank of England's intervention was primarily aimed at:

- ☐ a) Supporting the government's policy
- ☐ b) Stabilizing the pension fund market
- ☐ c) Increasing interest rates
- ☐ d) Reducing inflation

Extended Response (10 minutes)

Explain how the mini-budget crisis demonstrates the interconnectedness of government policy, market confidence, and economic stability.

Reflection and Assessment (15 minutes)

Individual Reflection:

1. What was the most important lesson you learned from the Liz Truss case study?

2. How might these economic principles apply to your own financial decision-making?

3. What questions do you still have about economic policy-making?

Extension Activity

Research Task:

Choose one of the following topics for further investigation:

- Compare the 2022 UK crisis with another historical economic crisis
- Analyze the role of media in economic policy reception
- Investigate the long-term effects of rapid policy changes on market confidence