Pizza Time: Lessons for Children

Who loves pizza? Of course, you do. Would you buy 2 slices of pizza for 5 dollars. Of course, you would.

Let’s say you’re a big eater and to really feel full you need to eat the AMOUNT (this is important) of 2 slices of pizza (yellow scribble below). Two slices of pizza costs you 5 dollars. That is 2/6 slices shown here or 1/3rd of the entire pizza!

Now let’s say tomorrow I come along again but I cut the pizza (red lines) not so there are 6 slices… but so there’s 12 slices (assume equal size).

In the yellow is the space of pizza you’d like to eat but in green is the space that 5 dollars will get you (2 slices).

In the first photo, I made 6 slices and in the 2nd photo I made 12 slices. But did the size of the pizza change? Did the pizza get bigger or smaller? Neither. Nothing had changed.  
  
It didn’t matter how many times I cut it the size of the pizza it wasn’t going to change. But something did change… We said at the beginning that 2 slices were 5 dollars. What changed were the SIZE of the slices that you could get with 5 dollars. But remember the pizza didn’t change its value or size, the MONEY did.

What happened here is almost invisible and it was an event of inflation. The purchasing power, or what your dollars can go and buy you became worth-less relative to the things it can be traded for; in this case, pizza.

It now takes MORE dollars to get the same amount of pizza. So therefore, each individual dollar buys you less portion of pizza. Now you are forced to go out to find more dollars to eat the amount you want (yellow part as seen in the first image).

This is an important lesson because it enables you to understand that *real* value is not held in currencies but in things like machines, ideas, land and of course… Pizza!

