

Mermaid Princess Ariel Has a Future in Economics

By Katie Sayre

Like many Disney Classics before it, *The Little Mermaid* demonstrates an understanding of economic principles that the creators subtly folded into the story to teach their customer base (Disney fans) a lesson or two about the economy. Aside from keeping children entertained, this story illustrates five economic principles that parents will be happy to know their children are subconsciously learning. *The Little Mermaid* weaves into the plot the concepts of opportunity cost, supply and demand, monopoly pricing, division of labor, and the idea that in business, one cannot always trust what one is told. Although the tale is presented as a mere children's story, *The Little Mermaid* shows how people work together and through one another to get what they want.

The Little Mermaid is the simple story of an adventurous young mermaid princess who falls madly in love with Prince Eric, a human. Since Prince Eric does not know the Mermaid Princess Ariel exists, Ariel must find a way to become human and make all of her dreams come true. Ariel decides to make a deal with the local sea witch, Ursula, who has the power to turn Ariel into a human, on the condition that Ariel gives Ursula her voice while she is human. The newly mute and legged Ariel has only three days to convince Prince Eric that he is in love with her, before she must become a mermaid once more. The deceptive Ursula does everything in her power to keep Eric from falling in love with Ariel because Ursula knows that she can use Ariel as leverage against Ariel's father, King Triton, so Ursula can rise to power and become Master of the Waters, and, ultimately, Master of the Universe. Of course, she almost succeeds, but true love triumphs in the end and Ariel and Eric live happily ever after in their castle by the sea.

The first overriding economic principle this story illustrates is the concept of opportunity cost. Opportunity cost refers to cost measured in terms of the next best alternative that is foregone when a choice is being made. Although Ariel is a mermaid, she is still just a normal sixteen-year-old girl and wants to have her seaweed and eat it, too. Ariel is forced to make a decision. She can either accept Ursula's terms to become a human with the hopes that all will work out and she will find happiness with her perfect man, or she can remain in the ocean with her loving family, as a mermaid, and not risk putting her kingdom in danger of Ursula's wrath. Naturally, Ariel chooses the former. She weighs her options thoroughly (true love versus father trying to ruin her life) and maturely chooses the one she finds best suits her needs. In this situation, the cost of both options is not in terms of money. Instead, the costs are love, family, time, evil witch, disappointment; all costs that everyone must face daily. From a young age, a person must choose among multiple options, and the value of those options changes day to day, year to year, generation to generation. Should Sally trade her chocolate pudding for Jenny's plastic doll? Sally could go hungry and have an amazing afternoon with the doll, or she could keep her pudding and play by herself. Sally chooses the former, giving up nourishment for company. Should the United States government institute a draft for the war? The government could institute the draft and get soldiers, but upset the American public, or they could rely on the force of the current military and remain in the public's favor. The United States government chooses the latter. The concept of opportunity cost remains the same; choose whatever gives the most and takes the least.

Ariel's decision to become human not only demonstrates opportunity cost, it also demonstrates the law of supply and demand. Supply is the willingness and ability of firms to provide products at given price levels, while demand is the level of ability and willingness to pay

a particular price for a product. Supply and demand have an inverse relationship. A higher supply lowers demand, which lowers the price. A lower supply and a higher demand lead to a higher price. Ariel is in need of a unique product, a magic potion that will turn her into a human for a period of time so Eric can fall in love with her. These potions prove hard to come by, but Ariel's demand is high, so she pursues. Ursula happens to be the only sea witch in the area at the time able to give Ariel what she wants. In this situation, the supply of magic transformation potions is low, and demand is high. This raises the price dramatically, and Ariel must give up her time and her enchanting vocals to get what she wants. The law of supply and demand is one of the most important economic principles to grasp, and, like opportunity cost, everyone must use daily. Ultimately, a customer wants to gain the most they can out of the least they can give. During the recent Hurricane Ike, the supply of bottled water was decreasing rapidly as demand was increasing. If the prices had not been frozen to keep businesses from tacking unreasonably high prices on necessities, the price of a pack of water would have skyrocketed because the suppliers knew how much their customers would be willing to pay to get that water. Perhaps Princess Ariel would have had better luck lowering the price of her magic potion if Ursula did not know how high Ariel's demand for said potion was. Ariel might have also had an easier time lowering the price of her magic potion if Ursula were not the only supplier of this particular potion.

Ursula's obvious monopoly on magic potions puts the princess in a pickle. A monopoly is a situation in which a single seller controls the supply of the good or service and thus determines the price. Ursula's control over this segment of the market is astonishing, and she is able to ask any price because she knows her customers cannot get her product anywhere else. Ursula knows how much Ariel wants the magic potion, and that she is willing to give up

everything for it, and then manipulates Ariel. Monopoly pricing is dangerous for the market, especially if the product sold is a necessity. Monopolies are able to lower the quality of their product and still ask a high price for it. Monopolies take away the advantages of competition and have the power to leave their customers frustrated and cheated, as in Ariel's situation. Luckily, Ariel was able to push through this minor setback and still get her man.

Although Ursula demonstrates the disadvantages of a monopoly for the market, she does manage to illustrate the advantages of division of labor. Division of labor is the breaking down of a job into small tasks performed by different workers. Like all villains, Ursula has two minions, Flatsom and Jetsom, the electric eels. Ursula knows that with minions, she can stay in her evil lair and make potions while the eels go out and spy, allowing both Ursula and the eels to become more skilled at their respective tasks. Ursula understands that with the electric eels, each with a magic eye that can show her what they see, she can accomplish twice as much manipulation as she would by herself. Ursula knows that increasing the division of labor increases productivity. An increase in productivity is an increase in efficiency, which ultimately allows Ursula to effectively spy on the community and manipulate them. While this is unfortunate for the local merfolk, Ursula gains an advantage and demonstrates the power of division of labor.

The fifth and final economic principle this story illustrates is the basis of most of Ariel's problems; the idea that one cannot always trust what one is told. People will do anything to get what they want, even if it means being deceptive and manipulative to gain an advantage. Ursula could have changed Ariel into a human permanently and for no cost out of the goodness in her heart. Alas, Ursula would rather take over the world, which is just as well, since it provides an excellent story. This principle is not only economic; it applies to every aspect of life.

People do not always tell the truth. This concept forms the backbone of a plethora of human decisions, including grading systems, employment, admission to schools, prices, and opportunity cost, to skim the surface. Stories like *The Little Mermaid* teach viewers to appreciate the power an individual has to decide whether to trust someone.

Throughout *The Little Mermaid*, Princess Ariel undergoes major character development as a result of the effect of economic principles in her life. Ariel and Ursula show the viewers the importance of understanding opportunity cost, the laws of supply and demand (and consequently, monopoly pricing), division of labor, and the ever-present idea that people (and sea witches) do not always have to tell the truth. No wonder this story turned into a Disney Classic.