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2018 HIGHER SCHOOL CERTIFICATE
COURSE MATERIALS

Year 11

Economics

Introduction to Economics

Term 1 – Week 3

Name

Class day and time

Teacher name

Term 1 – Week 3 – Theory

Students learn to:

Examine economic issues

- economic factors underlying decision-making by:
 - *individuals* – spending, saving, work, education, retirement, voting and participation in the political process
 - *business* – pricing, production, resource use, industrial relations
 - *governments* – influencing the decisions of individuals and business
- examine similarities and differences between the Australian economy and one economy in Asia in relation to economic growth & quality of life, unemployment, distribution of income, environment & role of government.
- understand the different types of Economic Systems and their key functions.

ECONOMIC FACTORS UNDERLYING DECISION MAKING

The choices made by **INDIVIDUALS** involve a variety of factors, including:

- Age
- Income
- Expectations
- Future plans about work, family, education.
- Personality
- Present family circumstances
- Risk aversion

The choices **BUSINESSES** make are influenced by a number of factors.

- The prices set by business are chosen based on a desire to maximise profit.
- Businesses make a number of choices about the way they market their products, choosing to focus on a specific market or a mass market.
- Businesses are also always seeking to minimise costs and get the best use of resources.



- Some businesses may also be influenced by ethics when making choices about what to produce.
- Business must also deal with employee relations and labour issues, including:
 - Awards
 - Enterprise Agreements
 - Work Cover arrangements
 - OHS
 - Individual contracts

GOVERNMENTS can have a strong influence on the behaviour of both individuals and businesses through their choice of policies and regulations. This can be done through:

- Taxation policies
- Banning certain activities (eg- collusion)
- Providing subsidies to certain businesses
- Tax rebates
- Legislation

REVIEW EXERCISE 1: FACTORS AFFECTING ECONOMIC CHOICES

1. Explain the sorts of factors that may influence an individuals economic decision making.

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2. What are the fundamental factors affecting businesses when they engage in the economy?

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3. Define the following terms and explain how they might effect a businesses’ decisions on a day-today basis:

i) *Employment Awards*

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ii) *Enterprise Agreements*

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iii) *Work Cover*

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iv) OHS

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v) Individual Contracts

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4. How might a Government influence individual and business behaviour?

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5. Provide ONE example of each of these government actions designed to influence the behaviour of individuals or businesses:

i) Taxation Policies

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ii) Banning collusion

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iii) Providing subsidies to certain businesses

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iv) Tax rebates

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v) Legislation

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CASE STUDY: THE AUSTRALIAN ECONOMIC SYSTEM

Capitalism in Australia

You have already seen that a capitalist economy is one in which the participants are able to choose the way in which they allocate their resources. It will not surprise you to know that this is the system that we use in Australia: the people and businesses who act in the Australian economy are able to decide the way in which they will use the resources that they control. There are a number of pre-conditions that make this possible.

1. **Private Property:** In order to be able to make decisions about the resources that you own, it is important that you are given the right to private ownership. In Australia we tend to accept that this is obvious, but it is not the way the economy is managed in all countries. For example, for many years the Chinese government believed that it was more efficient for these decisions to be made by the government (although this has changed in more recent years), and in Zimbabwe the government has moved to claim more and more of the available resources.
2. **Legal Framework:** If a person is going to own property, then there must be a robust legal framework in place to protect it. Imagine that it was possible for someone to take something from you, and there was no legal consequence for that person. This system would quickly break down. As a result, in a capitalist society our private property rights must be protected, because this will give us the confidence to *use* our resources, rather than just defend them.
3. **Democracy:** There is a great deal of debate in the economic literature about the importance of democracy in a capitalist society. History has shown that these two system features generally work together; a country which acts as a democracy is almost always a capitalist society. However, this is not always true; Venezuela is a democratic country, and yet their economic system is not capitalist. Despite this, in general the theory will stand. If a person in a capitalist society does not like the laws that are protecting their private property rights, then they need to have the option to change them. This can only be achieved if they are given a political “voice”; in other words, they need to have the right to vote.



You can immediately see that these features are all present in the Australian economy. For example, after you leave school you will be able to choose where you want to work. In economic terms, we would say that you are able to decide how you will allocate your labour resource. If you buy a block of land you will need to conform to certain zoning restrictions (a legal framework), but in general you will be able to use that land in any way that you choose. And if you don't like the zoning restrictions, then at the next election you will be able to vote for a change.

REVIEW EXERCISE 2: AUSTRALIA'S SYSTEM

Think about the way the Australian economy operates. Fill out the table below with any examples you can think of. Discuss with your tutor after you have finished.

Government Intervention	Example	Effect on behaviour
<i>Provide pensions and dole payments</i>		
<i>Provision of Public Goods</i>		
<i>Set taxation rates</i>		
<i>Provide health services</i>		
<i>Regulate wages</i>		



- 2. Outline the relationship between Government and Businesses in the following:
 - i) Planned Economies

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- ii) Market Economies

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- iii) Welfare Economies

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3. Complete the following table.

Economy Type	Key factors	Examples (list 3)
Planned Economy		China, North Korea
Welfare State		Norway
Mixed Market		Australia, Japan
Transition Economy		Russia





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End of homework

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