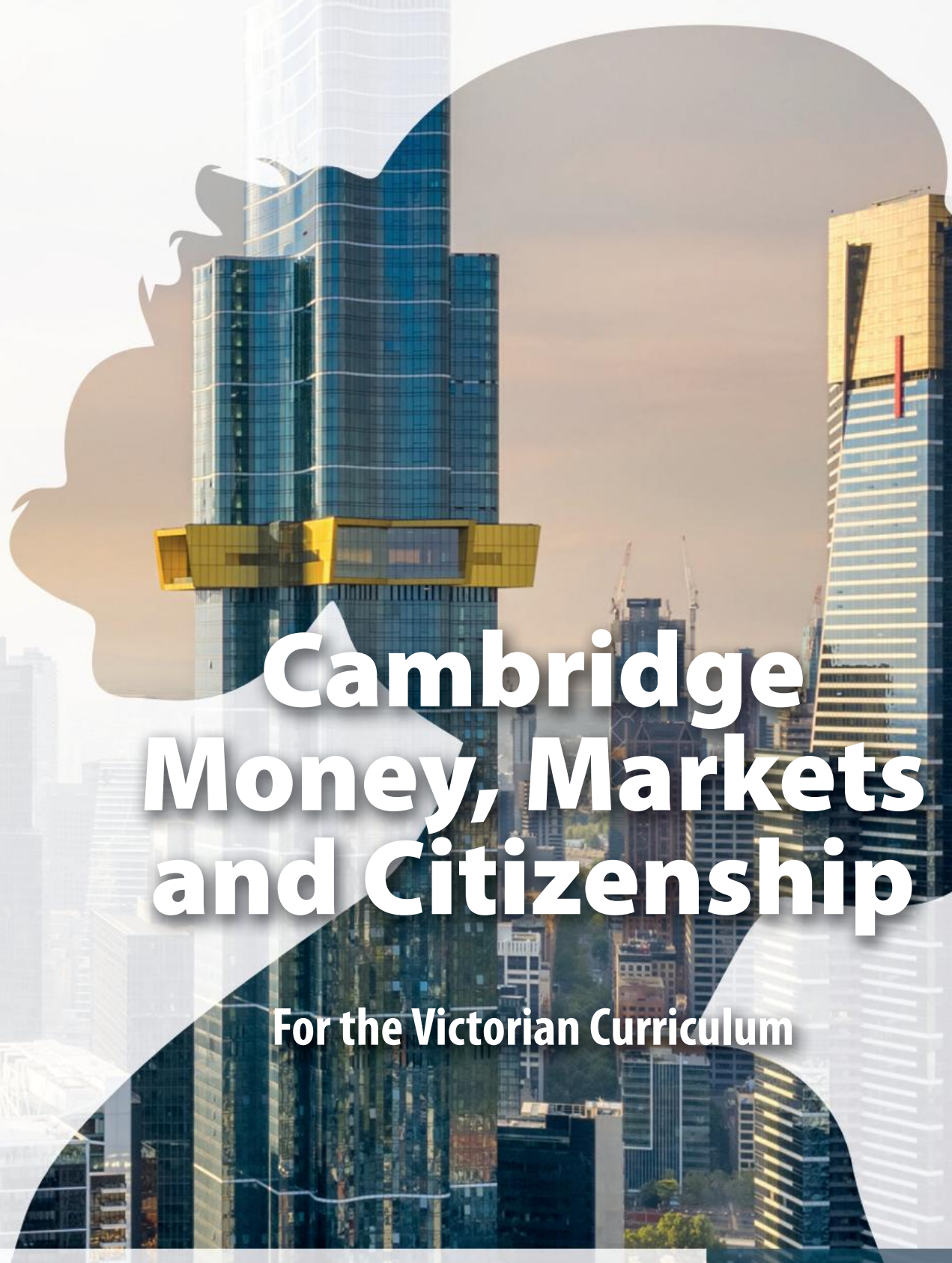




Cambridge Money, Markets and Citizenship

For the Victorian Curriculum

**Timmee Grinham, Lori Hocking
Sasha Mildenhall, Jim Ouliaris
Jennifer Poore, Alan Wharton**

9&10

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Grinham et al.

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One Liberty Plaza, 20th Floor, New York, NY 10006, USA
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About the authors

Timmee Grinham

Timmee is a passionate and dedicated teacher of Economics and Commerce. She has been teaching both for more than 15 years in various government and independent schools. An experienced textbook author, Timmee regularly writes curriculum materials and provides professional learning through the VCTA. Timmee is a member of the Reserve Bank of Australia (RBA) Educators Advisory Panel. She is Chair of the VCTA Economics Advisory Group.

Lori Hocking

Lori has had a long career as an educational leader and teacher in a variety of roles and across both secondary education and Vocational Education and Training (VET) in both the public and private sectors. She has also been involved extensively in the Humanities curriculum through her involvement as executive officer of the Australian Federation of Societies for Studies of Society and Environment (AFSSSE). Currently, as a consultant, she provides advice and support on curriculum and professional learning.

Sasha Mildenhall

Sasha has been teaching Accounting and Financial Literacy for over 25 years, and is a passionate advocate for financial education. She has been involved in writing curricula at the school, state and national levels. As a life member, board member and former President of the VCTA, she has delivered extensive professional learning, including financial literacy, ICT, differentiation, gifted education and deep learning. She has presented at a range of state, national and international conferences, with a focus on pedagogy. A proud recipient of a 2019 Commonwealth Bank Teaching Award, she continues to focus on supporting teachers to provide high-quality education for all students.

Jim Ouliaris

Jim is a creative, passionate and experienced teacher of Legal education across middle and senior secondary education. He is also an author and a much sought-after presenter of professional learning in this field. He has been involved in the development of curriculum in Victoria and has provided expert advice to the Victorian Students' Parliamentary Program, a Department of Education and Training initiative. Jim is a current board member of the VCTA.

Jennifer Poore

Jennifer Poore taught Legal Studies and other commercial subjects for over 40 years in both the public and private sectors. She has worked as a consultant with the VCTA, presented at VCE Legal Studies professional learning activities and contributed articles to the *Compak* journal. She has written scripts and teachers' notes for educational films and texts. Since the mid-1990s, Jennifer has taken groups to stay with the Arabunna People, custodians of the Kati Thanda (Lake Eyre) region, to develop cultural awareness and appreciation among non-Indigenous Australians and overseas tourists. She has also presented at conferences and organised functions to promote understanding of Indigenous issues and culture.

Alan Wharton

Alan has been teaching Business, Economics, Legal Studies and middle school commerce subjects for over 20 years. He has been involved in the development of Business and Economics-related school curriculum in Victoria and has written educational resources in this area for the Victorian Government, private industry, government foundations, publishers, teachers, students and the VCTA. He has presented Business education lectures to teachers and students at state, national and international conferences.

Introduction

To the student

Economics and Business and Civics and Citizenship are areas within the curriculum which will expose you to relevant learning material to enable you to become an active and informed citizen in an increasingly complex environment.

As a secondary school student, you may be thinking about life beyond school – will you be prepared?

Cambridge Money, Markets and Citizenship, Second Edition, provides you with knowledge and skills to help equip you for life now and in the future. You will learn about many aspects of everyday life, such as:

- what an economy is, economic decision-making and how it is done at the individual/organisational level and government level
- business and entrepreneurship
- work and how it may look different in the future
- the power of money and choice
- governments and what they do
- how Australia's court system works in support of a democratic and just society
- the influences which shape the operation of Australia's political system, both locally and globally
- being an active citizen.

We hope you enjoy your journey through this textbook.

To the teacher

Cambridge Money, Markets and Citizenship, Second Edition, is a rich classroom resource written to assist teachers using the Victorian Curriculum Version 2. It has been written by dynamic classroom teachers in conjunction with the Victorian Commercial Teachers Association (VCTA). The content and activities directly link to Levels 9 and 10 content descriptors and achievement standards in the Economics and Business and Civics and Citizenship strands of the Victorian Curriculum Version 2. In addition, some background curriculum provided by Levels 7 and 8 was necessary by way of 'context' or 'introduction'; this has been provided for recapping or preparatory purposes. Where this occurs is noted in the relevant chapters by a distinct margin note.

Content descriptors in the Victorian Curriculum Version 2 describe what teachers are expected to teach and students are expected to learn; achievement standards describe what students should know and be able to do and are the basis for assessing and reporting student achievement; elaborations are non-mandated examples and provide guidance on how the curriculum can be applied. *Cambridge Money, Markets and Citizenship*, Second Edition, follows these three key components to guide teachers toward the construction and implementation of a rich curriculum. Learning activities provide stimulating, engaging and challenging tasks through which students can demonstrate their understanding of the knowledge and skills described in the Victorian Curriculum Version 2.

Within each section of *Cambridge Money, Markets and Citizenship*, **Second Edition**, clear and student-friendly theory components are supported by a range of contemporary case studies, examples, data, photos, cartoons, diagrams, illustrations and extracts to provide access to important Economics and Business and Civics and Citizenship knowledge and understanding. Rich learning activities provide opportunities for teachers to observe and assess student skills and knowledge from the strands.

Importantly, learning activities also integrate standards from the capabilities of the Victorian Curriculum – Critical and Creative thinking, Ethical Capacity, Intercultural Capability and Personal and Social Capability. Furthermore, the three cross-curriculum priorities have been applied where relevant.

Cambridge Money, Markets and Citizenship, Second Edition, provides a comprehensive Victorian Curriculum-aligned resource for teachers of Economics and Business and Civics and Citizenship. It is a resource to assist teachers in planning and teaching curriculum strongly aligned with the Victorian Curriculum Level 9 and 10 achievement standards.

Tony Kuc, Project Manager – *Cambridge Money, Markets and Citizenship*, Second Edition

How to use this resource

Print book features

- **Part openers** show syllabus outcomes and key questions.
- **Example** and **Scenario** boxes give real world examples, or hypothetical scenarios, that highlight interesting information to enrich your learning.
- **Case studies** extend on information to add another layer to your knowledge and understanding.
- A variety of **Activities** allow you to **research** areas further, **collaborate** with your classmates, **create** a variety of different responses and **reflect** on your own behaviours.
- **Additional activities and case studies** (available in the Interactive Textbook or as downloadable Word files) are indicated through the use of icons in the margin.
- **Review questions** at the end of each chapter section help you check your recall and understanding of the content in the chapter section. These can be answered on paper, or online in the Interactive Textbook.
- **Consolidate your learning** activities at the end of each chapter include a range of in-depth activities that draw on material covered throughout the chapter.
- **QR codes** give you immediate access via your phone to relevant videos. (Videos are also available in the Interactive Textbook.)
- **Glossary terms** are bolded in the text, defined in the margins and collated at the end of the textbook for easy reference.
- **Revision and consolidation** material from levels 7 and 8 is indicated with an icon in the heading.

Digital resources

This book uses the interactive Edjin platform, which includes an Interactive Textbook for students. Teachers may also have access to an Online Teaching Suite.

In the **Interactive Textbook**, students will find the following key resources:

- **Automarked quizzes** at the end of each chapter section provide a quick way to check your recall of the material.
- **Online entry** for Review activities records your answers in the system, and includes self-assessment tools, tracking and reporting.
- A **Scorcher** game at the end of each chapter lets you test your recall of the whole chapter, while competing against other students.
- **Videos** (also available via QR codes) are embedded in the pages for immediate access in context.
- **Additional activities and case studies** extend on the material in the print book.
- **Downloadable Word** versions of all activities enable you to complete the work on paper, or digitally.
- An **offline version** of the student textbook lets you download the book and refer to it even when you do not have internet access.

Part A

Economic literacy

Knowledge and understanding

From Levels 7 and 8, students revise:

- The basic economic problem of scarcity and how it necessitates economic decision-making based on costs and benefits, incentives and opportunity cost [Chapter 1]
- How the operation of a free market driven by supply and demand, and consumer sovereignty, acts to influence the use and allocation of scarce resources through the price mechanism [Chapter 1]

For Levels 9 and 10, students learn about:

- Economic policy including fiscal and monetary, and the circular flow model of the economy [Chapter 2]
- The ways government and the Reserve Bank of Australia intervene in the economy to improve economic performance and living standards [Chapter 2]
- Economic indicators as a measurement of economic performance and their influence on economic decision-making [Chapter 2]
- The changing patterns of Australia's international trade and costs and benefits of globalisation [Chapter 3]

Key questions

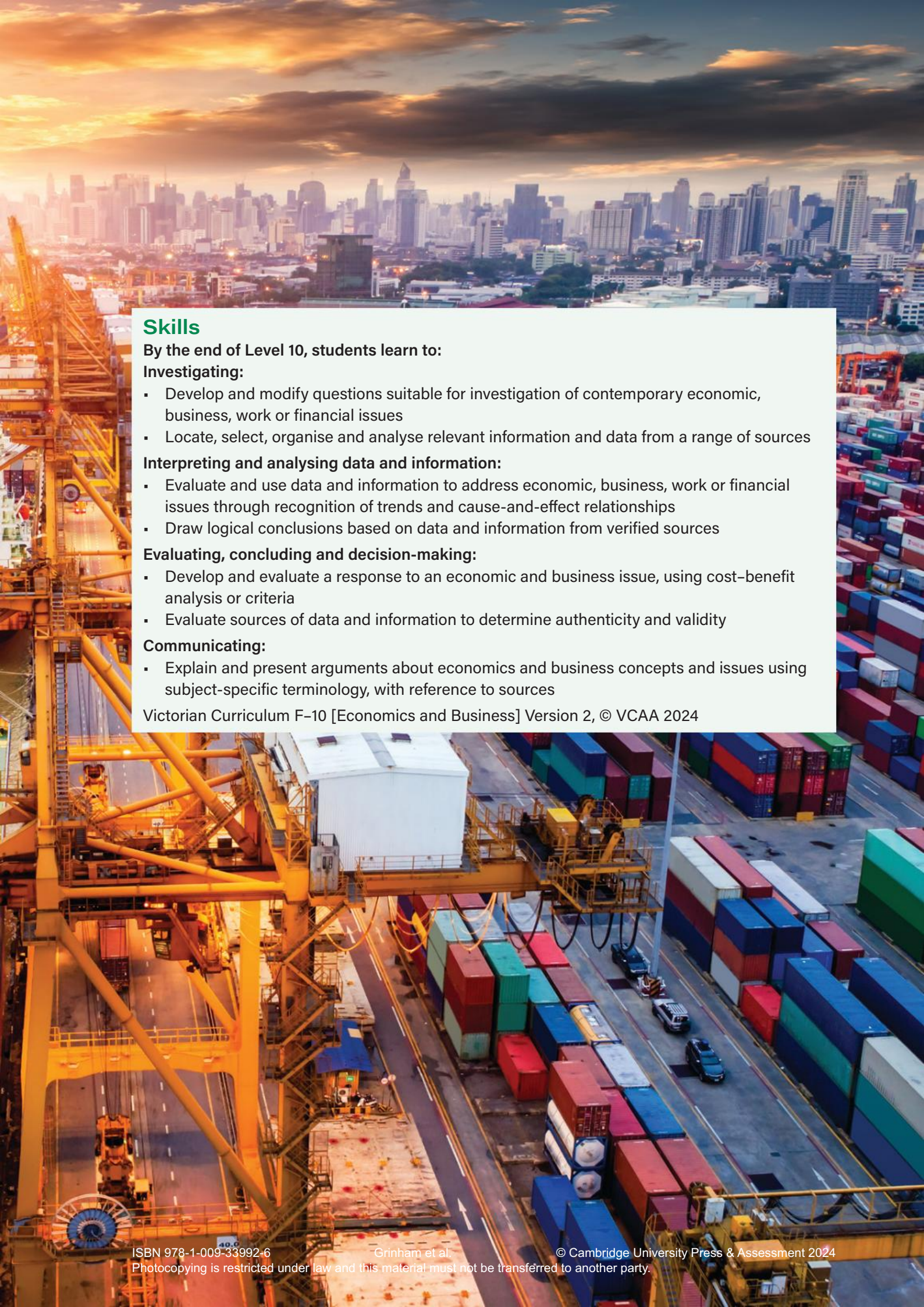
Key questions provide a framework for developing students' knowledge, understanding and skills. The following are examples only and may be used or adapted to suit local contexts:

- How and why do the government and the Reserve Bank of Australia intervene in the Australian economy and what factors influence government economic decision-making?
- What are the costs and benefits of international trade and globalisation and how have Australia's patterns of international trade evolved over the past 150 years?

Achievement standards

By the end of Level 10, students can:

- Analyse the circular flow model of the economy and assess the appropriateness of specific government and Reserve Bank economic interventions through fiscal and monetary policy
- Explain the interdependence of the different sectors of the economy, and identify and analyse the economic indicators used to measure economic performance
- Assess the implications of Australia's participation in the global economy via international trade

An aerial photograph of a large port facility at sunset. In the foreground, yellow gantry cranes are positioned over a dock. To the right, numerous colorful shipping containers (red, blue, green, white) are stacked in neat rows. A road with a few cars runs alongside the containers. In the background, a dense city skyline with various skyscrapers is visible under a sky with soft orange and yellow clouds.

Skills

By the end of Level 10, students learn to:

Investigating:

- Develop and modify questions suitable for investigation of contemporary economic, business, work or financial issues
- Locate, select, organise and analyse relevant information and data from a range of sources

Interpreting and analysing data and information:

- Evaluate and use data and information to address economic, business, work or financial issues through recognition of trends and cause-and-effect relationships
- Draw logical conclusions based on data and information from verified sources

Evaluating, concluding and decision-making:

- Develop and evaluate a response to an economic and business issue, using cost-benefit analysis or criteria
- Evaluate sources of data and information to determine authenticity and validity

Communicating:

- Explain and present arguments about economics and business concepts and issues using subject-specific terminology, with reference to sources

Victorian Curriculum F-10 [Economics and Business] Version 2, © VCAA 2024

Chapter 1

What is economics and what is an economy?

This chapter reveals that every individual and every society experience the basic **economic problem** – that the limited resources we have available will never be able to satisfy all our possible needs and wants. This means we need to make choices about how we use our scarce resources. In Australia, these choices are made mostly by the operation of markets.

In this chapter, we consider the basic concepts related to what markets do, how they work and the effects they can have on the wider world. We also consider how and why governments choose to intervene in the operation of some markets.



This chapter contains content applicable to levels 7&8 and can be used if not studied in levels 7&8 or as relevant background content for levels 9&10.

FIGURE 1.1 Our changing economy





1.1 Economics

Economists (people who study economics) like to say ‘economics is everywhere’. Economics determines the products you will be able to buy, how much they cost and how available they will be to you. Many young people plan their careers based on economic considerations: How much will I earn? Will this job allow me to access the material standard of living I desire? What are the prospects for a job?

In simple terms, economics is the study of the decisions, outcomes and activities that occur as a result of a scarcity of resources. It is the study of how society uses its limited resources to satisfy unlimited needs and wants through the **production** and consumption of goods and services. Any time you make a choice between different options, you are making an economic decision. Many people mistakenly think that economics is all about money, but in fact economics is all about choices – choices about how resources are used, shared and consumed – and the consequences of those choices.



VIDEO 1.1

What is an economy?
(02:58)

Activity 1.1

RESPOND



What is economics?

Scan the QR code to watch Video 1.1, and then answer the following questions.

1. Re-draw the map of Australia from the video and identify the five basic ‘parts’ or ‘sectors’ of Australia’s economy (referred to as the pieces of the ‘jigsaw puzzle’ in the video).
2. Identify which sector you belong to and describe one ‘economic action’ you have undertaken in the last week. Use the examples provided in the video as a guide to what you could include.
3. Outline how the business and household sectors interact economically with each other.
4. Identify the two key roles of the government in the economy according to the video.
5. Identify two things Australians buy from overseas and two things Australia sells to other countries within our ‘International’ sector.
6. Define ‘interest rates’ and explain why high interest rates are good for savers and low interest rates are good for borrowers.

An economy is an area in which economic ‘agents’ (people who are part of the **economy**) produce (make), purchase and consume goods and services. For example, Australia has an economy, but Melbourne also has an economy. Australia also operates within a global economy, which includes the economies of all the countries in the world.

Goods and services

Goods are physical objects – natural or manufactured – that command a price in the market, such as food, clothing, machines or land. Services are not so clearly defined. In general, they are activities that are intangible – they cannot be touched in the same way goods can be (for example, a journey on a bus) – and non-transferable – which means they cannot be passed on to someone else (for example, a nail manicure or haircut). But some services have tangible elements – for example, your printed ticket is a physical aspect of the service provided by a bus. And some services have transferable elements – for example, the knowledge that is provided to you as a service by a dance instructor can be passed on by you to someone else.

Economic problem

how to satisfy unlimited wants with only limited resources

Production the total value of all the goods and services that are produced in an economy over a period of time

Economy an area in which economic ‘agents’ (people who are part of the economy) produce (make), purchase and consume goods and services

The economic problem

Economics begins with an important assumption – that human wants are *unlimited*. Economics assumes people have a never-ending desire for more or better material possessions.

Economics differentiates between ‘needs’ and ‘wants’. *Needs* are those things necessary for survival – the main material needs are food, water, clothing and shelter. *Wants* are things that are not necessary for survival but that we desire to make our lives better. These items provide us with satisfaction. At the most basic level, people *need* regular food and shelter. At another level, people *want* a more luxurious car, a bigger home, a pool or the newest smartphone.

Is it really true that people’s needs and wants just keep growing? Economists have observed that, once our basic needs have been met, we want something better, and once we have satisfied that ‘want’, we want something else again. In fact, some things that we do not *need* for ‘survival’ have become ‘needs’ over time.

In reality, none of us has infinite amounts of anything. Suppose your school had a spare area in the playground and that the school had set aside some money that could be used to create a new outdoor activity area. There would probably be a difference of views between groups in the school. Some students might want play equipment, others a vegetable garden and a third group might want a new space for playing basketball. But there is only one piece of land available. This illustrates the second important assumption in economics: that *resources are limited*.

When the two assumptions of limited resources versus unlimited wants are put together, a conflict results. The problem of limited resources being available to satisfy unlimited wants is called *relative scarcity*.

Relative scarcity is the economic problem. But why is this the economic problem? To return to the example of your school’s decision about the schoolyard, each group in the school has competing priorities and a choice must be made between all the possible uses of the space. Not all wants can be satisfied. The decision is an economic issue because it is about making a choice between all the possible uses of the resources available to satisfy the needs and wants of the school community.

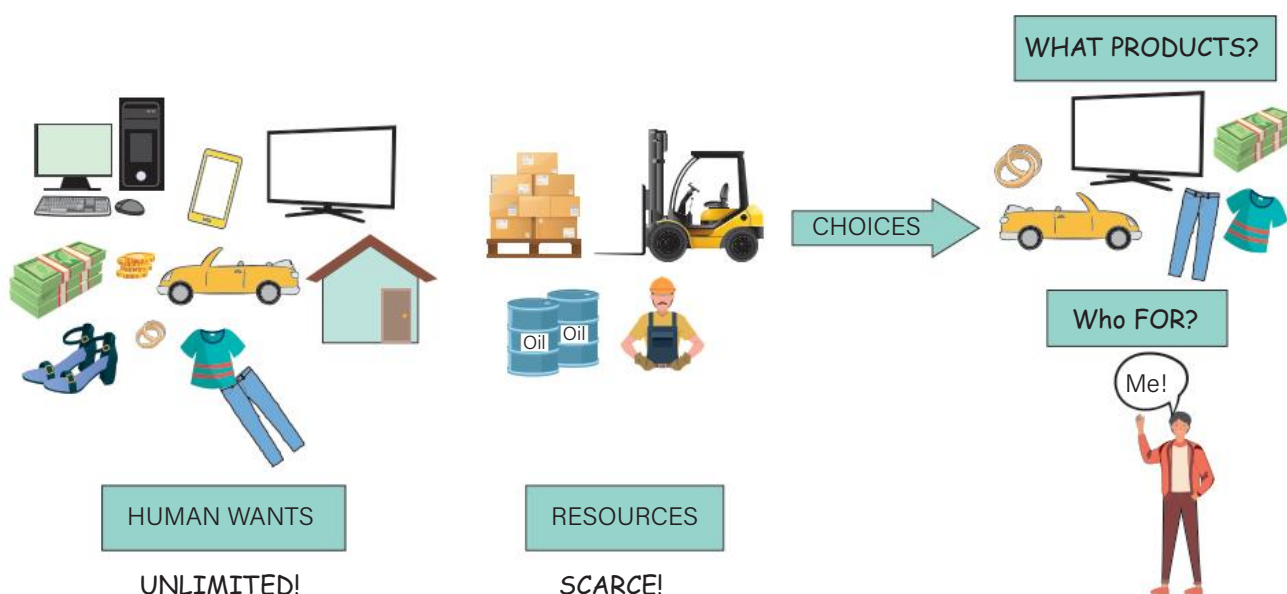


FIGURE 1.2 The basic economic problem of relative scarcity

At its most fundamental, economics is about analysing and managing the problem of relative scarcity and its consequences, and studying the choices people make to deal with relative scarcity.

Ecological footprint

One way of comparing the resources available and the demand on those resources is the 'ecological footprint'. According to conservation group the World Wildlife Fund (WWF), an ecological footprint is 'the amount of environment necessary to produce the goods and services necessary to support a particular lifestyle'. It tells us how much land and water are required to produce the goods and services we consume, and to reabsorb the waste we create. One way to reflect on our own individual consumption and its impact on our environment is to measure our own ecological footprint, as explained in Extra activity 1.1.



EXTRA CASE STUDY 1.1

Affluenza



EXTRA ACTIVITY 1.1

Research and reflect – ecological footprint

Activity 1.2

REFLECT



Needs and wants

1. Name three items that you think are needs, but your parents would have thought were wants when they were young. Explain how the fact that our wants have changed over time might support the claim that human wants are ultimately infinite (unlimited).
2. Some people argue that economists are wrong about human nature – that in fact human wants are not really unlimited. They claim that, 'If wants were so unlimited we wouldn't need advertising.' Outline an argument that supports this view and another argument that does not. What is your overall opinion?
3. Is it valid to assume that all resources are scarce? Discuss whether the following resources are limited globally:
 - a clean atmosphere
 - drinkable water
 - fish in the sea
 - the internet
 - human creativity
 - human effort.

Overall, do you think it is valid for economics to assume that resources are finite (limited)? Justify your answer.

4. 'Unlike poorer developing countries, Australia does not experience the economic problem of relative scarcity.' Is this statement correct or incorrect? Justify your answer.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 1.1



1. Describe the difference between 'needs' and 'wants'.
2. Define the terms 'good' and 'service' and explain the difference between these two types of products.
3. Explain what economists mean by the 'economic problem of relative scarcity'.
4. Explain why the economic problem means that people must make choices.



1.2 Economic resources

So far, we have learned that human wants are infinite, but the resources required to make the goods and services required to satisfy those needs and wants are finite. What exactly do we mean by 'resources'?

Production process

the actual making of goods or provision of services

For producers to supply the goods and services wanted by consumers, they must undertake the process of production. The **production process** involves the actual making of goods or provision of services to consumers or other businesses.

Economic resources

the inputs required by the producer to complete the production process

To complete this production, the producer will require various **economic resources**. Economic resources are the inputs required by the producer to complete the production process. They are also sometimes referred to by economists as 'factors of production'.

Scenario 1.1

Developing an app

Saria studied IT at school. She is passionate about the environment. She also loves designing websites, has tried her hand at creating apps, and taught herself how to code via an online course. She recently completed a TAFE course in programming. She has decided to start up her own small business developing apps for businesses in her local area. For Saria, the production process will be how her apps are developed using her skills and the IT equipment she requires. The 'inputs' will be the economic resources she needs. One week into operation, Saria has received her first order to develop an app. The local community group that cares for the nearby creek and its environment wants her to design an app that allows supporters to keep track of the group's progress, report wildlife sightings, join up online, find out about upcoming events and swap unwanted items in their 'Exchange Shop'.

The economic resources needed in the production process can be classified into four groups:

- land
- labour
- capital
- enterprise (management).

Land

Land natural resources, sometimes called 'the gifts of nature'

Land refers to natural resources, sometimes called the 'gifts of nature'. This includes:

- fertile pastures for crops and farm animals
- mineral reserves, which could be used in construction of buildings, bridges, motor vehicles and so on
- the sun and wind's energy, which can be harnessed to provide power
- healthy rivers, which provide water for communities and wildlife
- forests, which provide timber for building, specimens for medical research and so on
- oceans, which provide fish to eat, pearls to wear, and absorb CO₂ from the atmosphere and much more.

Australia is a very lucky country because it has an abundance of naturally occurring resources. There is one major natural resource that Australia is short of, though: fresh water.



FIGURE 1.3 Australia has an abundance of naturally occurring resources.

Activity 1.3

COLLABORATE



Land resources

Working alone or in small groups, consider the production process for Saria to develop the app she has been commissioned to design for her first customer – the community group caring for the local creek. Write a list of steps that Saria will need to go through in producing the app.

Outline the various 'land resources' needed by Saria in creating an app. Express as a mind map or flow chart. This map or flow chart will be added to in the next three activities so take this into account in your design.

Labour

The **labour** resource is the people power (human skills and effort) available to work in the production process. Labour can be both physical human effort – such as builders, cleaners, delivery drivers and other 'blue-collar workers' – but also mental effort such as that provided by teachers, doctors, accountants and computer engineers. Australia has a highly skilled workforce.

Labour the people power available to work in the production process

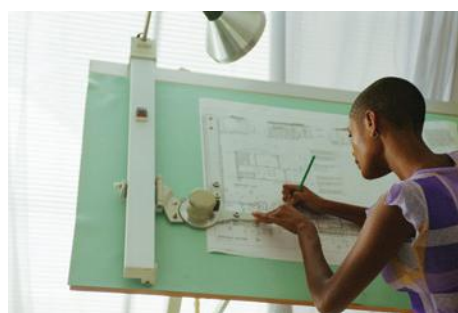


FIGURE 1.4 Australia has a highly skilled workforce.

Activity 1.4

COLLABORATE



Labour resources

1. Working alone or in the same small groups as before, recall the production process created for Saria as she develops a new app for her local community environment group.
2. Using the mind map or flow chart you have started, outline the various 'labour resources' needed for the production of the app. Explain the role to be played by each labour resource.

Capital

Capital the machinery, plant and equipment made by people to assist in the manufacture of goods and provision of services

The **capital** resource is the machinery, technology, plant and buildings made by people to assist in the manufacture of goods and provision of services. Capital greatly increases the efficiency of the production process and includes computers and cloud storage services, ladders, trucks, cranes, physical buildings like stores and warehouses, tractors, ships and so on. (Economists do not consider money to be an economic resource. Rather, it is an asset used to purchase economic resources. So, it is important not to confuse the idea of money as 'capital' used in business and finance with the idea of 'capital' economic resources.)



FIGURE 1.5 Capital resources include equipment and tools such as freight trains, shipping ports, robotics, computers, office space and medical technology.



Activity 1.5

COLLABORATE

Capital resources

1. Working alone or in the same small groups as before, recall the production process created for Saria as she develops a new app for her local community organisation.
2. Add the various 'capital resources' needed for the production of the app.
3. Explain the role to be played by each capital resource.

Enterprise

Enterprise the qualities some individuals possess that make them able to accurately perceive market opportunities and effectively coordinate the production process

Entrepreneur someone who is willing to take risks and start a new business venture with the intention of making money

The **enterprise** resource involves the qualities some individuals possess to accurately perceive market opportunities and effectively coordinate the production process. These people can manage workers, capital and land resources to produce the goods and services that will be bought by consumers. Enterprise is a subset of the labour resource.

An **entrepreneur** is the name given to an individual who possesses the quality of enterprise, and who is willing to take risks and start a new business venture with the intention of making money. Entrepreneurs are considered risk-takers because they will often borrow large sums of money or invest a lifetime of savings in order to start their own business. Many small businesses fail within the first few years.

These economic resources are combined in different ways to complete the final product or service. For example, to produce a tub of gelato, an entrepreneur might coordinate the production process of combining land, labour and capital resources to produce and sell a product: a tub of gelato from a gelato store, as shown in Figure 1.6.



FIGURE 1.6 Combining labour, capital and land resources to produce and sell a product: a tub of gelato from a gelato store

In addition to combining these resources in the production process, the entrepreneur must arrange advertising, comply with taxation laws and much more.

To make any given product ready for consumers to purchase in a market, all four different resources are necessary.

Activity 1.6

COLLABORATE



Using enterprise

1. Working alone or in the same small groups as before, recall the production process created for Saria as she develops a new app for the community organisation caring for the local creek. Using the mind map or flowchart you have developed, outline how enterprise will be used by Saria in developing the app.
2. Imagine that you wanted to go into business and needed a business partner. Make a list of the qualities of entrepreneurship for which you would be looking. You might need to do some further research online on the characteristics of entrepreneurs.



EXTRA ACTIVITY 1.2

Research – land resources

Complete the autemarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 1.2



1. Define the key economic resources of land and labour.
2. Explain why money is not considered to be 'capital' in economics.
3. Explain the role of 'enterprise' in the production process.
4. For each of the following products, identify one example of each economic resource (land, labour, capital and enterprise) required to produce it:
 - a. tractor
 - b. pedicure
 - c. desk
 - d. guitar lesson.

7&8 1.3 Costs

Opportunity cost

We have seen that relative scarcity involves having to make choices about the alternative uses of resources. Suppose the school we were discussing earlier chose to use the space in its yard to create a basketball court.

This means that alternative uses – such as the veggie garden or new play equipment – are lost. These can be referred to as ‘trade-offs’ – the idea that we are giving up the opportunity to use our resources for other purposes when we choose to use them for a specific purpose. In the context of economics, we are trading off using the ground for a veggie patch or playground in order to use it as a basketball court.



FIGURE 1.7 The opportunity cost of going to a movie might be the enjoyment missed out on by not going to a concert.

Opportunity cost
the value of the lost
alternative use to which
the economic resources
could have been
allocated

Some might say that giving up a veggie patch that could grow vegetables for the school canteen and be used to teach students about caring for the environment is a high price to pay for a basketball court that will only be used by students keen on that game.

Each time an economic choice is made, we experience an opportunity cost. **Opportunity cost** is the value of the lost alternative use to which the economic resources could have been allocated. It is the next best use of the resources that is forgone (given up) when resources are used for a particular purpose.

The opportunity cost of going to the movies might be the enjoyment you would have had if you had gone to a concert instead.

As you can see from this example, the opportunity cost of something is not the same as the cost of the item itself. If someone chooses a career in computer programming, then that individual cannot become a carpenter – at least not without extensive retraining. By becoming a computer programmer, the economy loses the production that person would have created had they become a carpenter. If limited resources are directed towards supplying new hospitals with equipment, then those same resources cannot be used in education for renovating school buildings. The opportunity cost of better healthcare, therefore, is fewer renovated school buildings.

The notion of opportunity cost goes beyond the monetary outlay alone and tries to capture the problem of relative scarcity by showing that an alternative want must go unsatisfied when a limited resource is used for something else.

Difficulties in measuring opportunity cost arise when we consider that virtually an unlimited number of wants may have been given up. Economists are therefore careful when measuring the opportunity cost of a decision. They specify that the opportunity cost is the value of the next best alternative use for that resource. In other words, they don't consider all possible uses of the resource, just the one that would have been the next best option – but was not chosen.

As you can imagine, the choice between uses of resources requires a value judgement. We must decide what we value the most and what the next most valued alternative is.

As stated already, the benefit we would have gained from the next most valued option that we did not choose is the opportunity cost of an economic decision.

In choosing the basketball court, the school is reflecting a particular set of values, beliefs and cultures. It is easy to see that the more people who are involved, the more complex the decision-making task will be. Compare deciding with a group of friends what to do after school with simply deciding on your own. While governments at various levels make many choices about the satisfaction of wants with limited resources, in our economy, markets are more commonly used as a means of expressing values and choices. We will see how this is done later.

Activity 1.7

REFLECT



Opportunity cost

1. Suggest the opportunity cost that might be involved in making the following choices:
 - a. starting work full-time at the end of Year 12
 - b. buying a new car instead of saving your money
 - c. government funding for the Olympic team.
2. Think of your own example: now that you know about opportunity cost, identify two times recently when you have experienced it.

Activity 1.8

CREATE



Opportunity cost

Be creative: Draw a cartoon or make a short animation showing the opportunity cost of one of your recent decisions. You could try using a free online cartoon drawing program or animation software to create a video explaining opportunity cost to other young people.

Cost-benefit analysis

One way of deciding what choice to make with limited resources is to complete a **cost-benefit analysis**. This analysis involves making a detailed list of the costs (including the opportunity cost) and benefits of each proposal. By comparing the total benefits and total costs of a decision, a more systematic and logical decision can be made. It becomes possible to determine whether the decision itself will result in a net benefit – which occurs when the benefits of a decision outweigh the costs. It also means that it is possible to compare different choices by working out which has the greatest net benefit.

Cost-benefit analysis involves making a list of the costs and benefits of each alternative proposal and comparing them to reach a conclusion

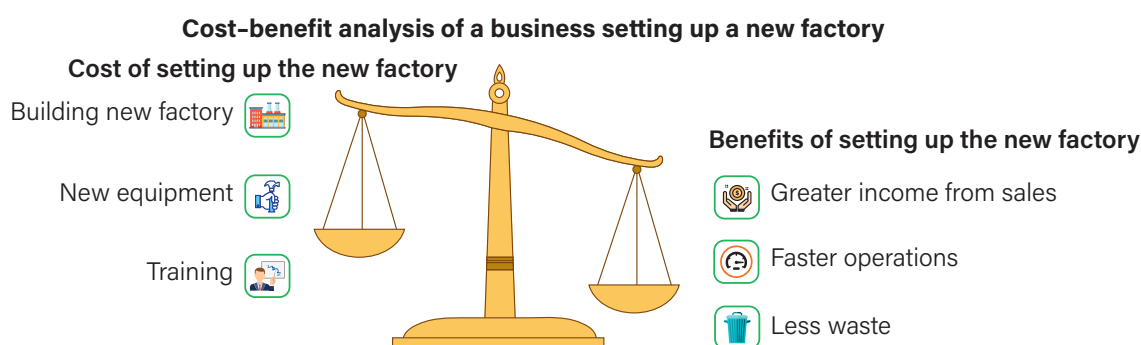


FIGURE 1.8 A cost-benefit analysis allows us to compare the overall cost and benefit of a decision, and then choose the best option.

The main steps involved in conducting a cost–benefit analysis have been outlined in the box.

Steps in conducting a cost–benefit analysis

1. Identify all groups that will be affected by the decision.
2. Identify and assess all costs that will occur as a result of the decision. Includes estimating a monetary value for costs [including opportunity costs] that are not directly monetary in nature, such as the loss of space or loss of enjoyment.
3. Identify and assess all the benefits that will occur as a result of the decision. Again, this includes estimating a monetary value for benefits that are not directly monetary in nature, such as a reduction in traffic congestion or an increase in harmony in the community.
4. Consider other possible future costs or benefits that will stem from the decision but won't impact in the near future. This could include the loss of future options.
5. Calculate the total benefit and the total cost of the decision to see whether the benefit is greater than the cost. If so, the decision will have a net benefit. It is usually a good idea to proceed with decisions that will yield a net benefit.
6. If there are two options, the one with the greatest net benefit is the best choice.

Source: Summarised from Victorian Government Department of Treasury and Finance, *Victorian Guide to Regulation, Toolkit 2: Cost–benefit analysis*, updated July 2014.

As you can see from the steps in the box, it is important to identify all the costs and benefits that could potentially arise from the different options. Where possible, the costs and benefits should be assigned dollar values.

Case study 1.1

Costs and benefits of free RAT provision

During the summer of early 2022, the Australian economy began to properly 'open up' following the series of on and off lockdowns that were used to suppress the spread of COVID-19 for much of 2020 and 2021. As the Australian vaccination rate approached 95%, it was felt by governments that the restrictions on activity, including density limits in retail and entertainment, restrictions on socialising, and requirements for check-ins, could be loosened without resulting in an explosion of COVID-19 infections that threatened community safety and the health system.

However, it was also clear that COVID-19 was still a risk for the community. In December 2021 and January 2022, very lengthy queues

at formal testing stations indicated the inability of the testing system to cope with the extreme infectiousness of the Omicron variant. This led to a renewed focus on rapid antigen tests (RATs for short). These tests allowed people to test themselves at home, with a requirement that they then isolate if they tested positive on a RAT.

As the focus shifted to difficult-to-get RATs, there was significant debate about whether these should be provided for free to all Australian households, provided for free or discount rates to some groups, or simply be available to those who were able to find them and chose to purchase them.

Ultimately, the Federal Government decided to provide a certain number of RATs for free to all

Case study 1.1 *continued*

concession card holders – aged pensioners, welfare and benefits recipients and low-income earners. Several state governments, including the Victorian Government, also announced they would provide sufficient free RATs to all schools to enable all students and staff to self-administer the tests twice weekly for Term 1. Later, early childhood education attendees were also added to this list.

Any time the government chooses to provide a free service or good to the community, this means the resources used to provide those services or goods are no longer available to be used for another purpose.

Deciding on whether the government's decision to provide free RATs makes sense will depend on evaluating the costs and benefits associated with competing alternatives, and if the 'best' alternative is chosen, it necessarily means that the value or net benefits of the next best alternative project that is forgone (i.e. opportunity cost) must be lower.

Those in favour of free provision of RATs to everyone used the argument that RATs (in as much as they enabled easy access to testing) yielded a benefit to the whole community – even those not taking the tests themselves. When an individual buys and uses the test, they pay for it, but everyone else who is protected from COVID-19 when a positive person isolates and does not further spread the disease also benefits. It stops our health system being overwhelmed, and it reduces the healthcare costs and economic fallout from the outbreak.

1. Briefly explain why it is important to conduct a cost-benefit analysis when making economic decisions, and the key steps in conducting such an analysis.
2. Copy and complete the table below by listing all of the costs and benefits that were likely to have been identified in undertaking a cost-benefit analysis for providing RATs for free to the whole community. Use the information provided in the extract and also think carefully about the kinds of benefits and costs that would be involved in providing free RATs to everyone. Don't forget to consider the non-monetary benefits, like the impacts on health and society.

Costs	Benefits

3. Imagine you are a minister in the Victorian Government. You are faced with a choice between using your available funds to provide free RATs to everyone in Victoria or building four new hospitals – one in each of the growth 'corridors' of Melbourne – fast-growing outer suburbs where hospital services are relatively limited. Make a list of the costs and benefits of building the new hospitals, using a table similar to the one you used in Question 2.

**EXTRA
ACTIVITY 1.3**

Collaborate –
free RAT
provision



FIGURE 1.9 People in cars queuing for a COVID-19 testing centre in Bondi, Sydney (21 December 2021) and standing in line outside a testing centre at Melbourne Town Hall (22 December 2021).



Activity 1.9

COLLABORATE

Spending a school grant

Suppose that your school has received a grant of \$5000 and the Student Representative Council (SRC) has been asked to help decide what to spend it on.

1. As a class, brainstorm a list of ways in which \$5000 could be spent. Narrow the list down to two.
2. As a class, complete a more formal cost–benefit analysis for each option by copying and using the table below.

Cost–benefit analysis for each option for spending the \$5000 grant

Costs	Benefits

3. As a class, determine which choice has the greater ‘net benefit’, and should be your choice for how to use the \$5000.
4. In pairs, write a submission to the SRC explaining the class’s choice and the reasons for it.

This activity could be modified to consider a real situation within the school. Perhaps the SRC really does have funds available, or a resource such as a spare classroom that needs to be allocated a use.



EXTRA ACTIVITY 1.4

Research –
community resource
allocation



Complete the automarked quiz in the Interactive Textbook,
and answer the Review questions on paper or in the Interactive Textbook.



Review 1.3

1. Write a definition of opportunity cost.
2. Sophie works part time at a local café on Saturday afternoon. Her friends have asked her to come with them to see a film this Saturday. If she chooses to work, she will earn \$33. Sophie decides that the best option for her Saturday afternoon is to go to the film with her friends. What is the opportunity cost of Sophie’s choice?
3. What is meant by a ‘cost–benefit analysis’?
4. Explain why it is important to use a cost–benefit analysis when making important economic decisions.



1.4 The economy and economic decision-making

A simple economy

As we learned earlier, an economy is an area in which economic ‘agents’ (people who are part of the economy) produce, purchase and consume goods and services. In the simplest economy, there are two groups of participants, which are also called ‘sectors’:

- **households**, which provide resources needed for production of goods and services, and then buy the goods and services produced by businesses
- **businesses**, which buy the resources from the households and turn them into goods and services via the production process.

Individuals in households have two key roles in any economy. First, they provide resources to the production process. In a country like Australia, most resources are owned privately, so the individuals living in households sell these resources to the business sector. In return for the resources provided by the households, the businesses provide income to the households. The businesses then use the resources they have purchased to produce goods and services. Since the households have received income from selling their resources (such as their labour or land) to the businesses, they then use that income to buy goods and services from the businesses.

When households are purchasing goods and services, they are known as consumers. A consumer is a person who purchases goods and services for their own personal use. The products they purchase are not then used to manufacture products for sale. By definition, consumers focus on consumption – the products they purchase will be used by them rather than being used as an input into the production process.

Households provide resources needed for production of goods and services, and then buy the goods and services produced by businesses

Businesses buy resources from households and turn them into goods and services via the production process



FIGURE 1.10 A consumer is a person who purchases goods and services for their own personal use.

Expenditure the total value of the spending on all the goods and services that have been produced

The process is circular, so this simple model of an economy is called the circular flow of income, **expenditure** and production. The model is depicted in Figure 1.11.

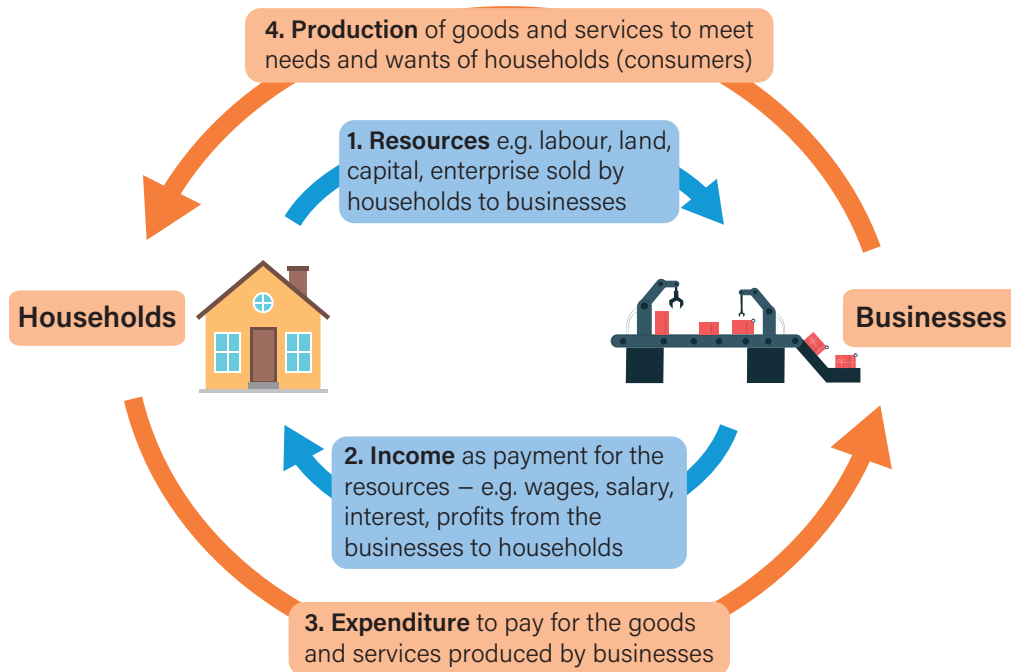


FIGURE 1.11 The model of a simple economy shows the interaction between households and businesses in creating income, expenditure and production.

TABLE 1.1 Key terms from the model

Production	The total value of all the goods and services that are produced in an economy over a period of time
Income	The total amount of income earned by those who have contributed to the production of the goods and services (in the production process)
Expenditure	The total value of the spending on all the goods and services produced
Economic activity	The real value of the production, employment, incomes and expenditure in an economy. In Australia, the most common way to measure the level of economic activity is gross domestic product (GDP) – the value of all goods and services produced in Australia in one year

Australia's economy

Market a situation where potential buyers are in contact with potential sellers and there is a means of exchange

Means of exchange a method of payment for goods and services

Barter the use of goods or services as a means of exchange

In Australia's economy, most economic decisions are made by the **market**. A market is any situation where potential buyers are in contact with potential sellers and there is a **means of exchange**. The buyer and seller just need to be in 'contact', which means that markets include places where buyers and sellers meet in person, and also virtual meetings, such as online shopping or trading where the buyer and seller never meet face to face. A 'means of exchange' is a way of paying for the goods and services that are traded. In most markets, money is used as the means of exchange, but if the two traders in the market exchange one good or service directly for another good or service, this is called **barter** (the use of goods and services as a means of exchange).

If you consider the model of a simple economy described in previous pages, the consumers (households) act as the buyers, and businesses act as the sellers of final goods and services. At the same time, households are sellers of resources, and businesses are the buyers of those resources in resource markets.

Unlike the simple economic model in Figure 1.11, in Australia the government plays a major decision-making role, and this is considered in more detail at the end of this chapter. Australians also save some of their income into financial institutions, and Australia sells some of its production to overseas countries through international trade. This trade involves the export of goods and services to other countries, along with Australians buying goods and services from overseas in the form of imports.

Although Australia's economy is not as simple as the one depicted, this model provides a basic idea of how an economy works through the use of resources, the payment of incomes, and the production and consumption of goods and services.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 1.4



1. Explain why the simple model of the economy shown in Figure 1.11 is referred to as a 'circular flow model'.
2. Explain the difference between 'income' and 'expenditure' in the circular flow model.
3. Describe the two ways that businesses rely on households in the economy, according to the circular flow model of the economy.
4. Explain what is used as the 'means of exchange' in most markets.
5. Outline the difference between an 'export' and an 'import'.
6. Is a market created in each of the following situations? Give a reason for your answer in each case. In the cases where there is a market, specify what is being bought, what is being sold and the means of exchange.
 - a. Tilana goes to Apple to buy a new iPhone 15.
 - b. Trudy has two tickets for the upcoming concert by K-pop band BTS. As a birthday gift, she offers to take her friend Manuela.
 - c. Anh buys shares in Woolworths on the Australian Securities Exchange (ASX).
 - d. Rashid and Ramon are good friends at school. Rashid offers to tutor Ramon in Maths if Ramon helps Rashid with his History homework.
 - e. Peppa and George have created a babysitting club where they look after neighbourhood children for cash.
 - f. Tran's parents think he has too much 'stuff', so he agrees to clear out his room and have a garage sale to get rid of things he doesn't want.
 - g. Following the garage sale, Tran still has lots of stuff left over. He leaves his old bike and skateboard on the nature strip, hoping someone will take them away.



1.5 Producers: primary, secondary or tertiary?

In any economy, production can be classified into three types of industries, or 'sectors'.

Primary sector the part of the economy that contains industries that either extract or produce raw materials. The raw materials can include minerals, wood, fruit and vegetables, and other agricultural products

Secondary sector the part of the economy that contains industries that transform the raw materials and components into goods

Tertiary sector the part of the economy that contains industries that supply services to businesses and consumers

- The **primary sector** refers to the part of the economy that contains industries that either extract or produce raw materials. The raw materials can include minerals, wood, fruit and vegetables, and other agricultural products. In Australia, we most closely associate primary industries with mining and agriculture (farming). Someone who works on a farm or for a mining company would be working in the primary sector.
- The **secondary sector** refers to the part of the economy that contains industries that transform the raw materials and components into goods. For example, until recently Australia had a car manufacturing industry that transformed steel, rubber, paint, technology and lots of plastic into cars. Someone who works in a factory or on a building site would be working in the secondary sector.
- The **tertiary sector** refers to the part of the economy that contains industries that supply services to businesses and consumers. These services can be as simple as an accountant who keeps the books for several small businesses, and as large as Australia's major banking corporations. If you have a casual job working at a fast-food restaurant, you are working in the tertiary (services) sector.

It has been suggested by some economic theorists that a new 'sector' needs to be added to the economy, in recognition of how production is changing.



FIGURE 1.12 Primary sector



FIGURE 1.13 Secondary sector



FIGURE 1.14 Tertiary sector

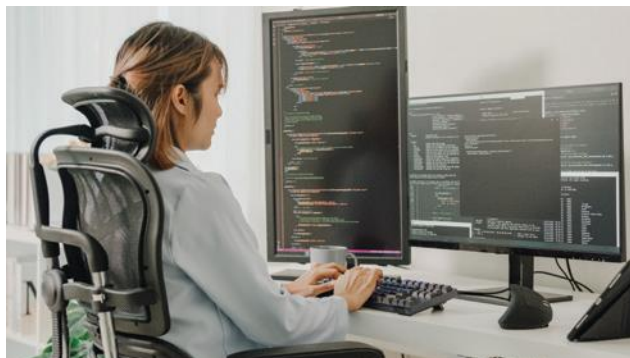


FIGURE 1.15 Quaternary sector

Some have suggested the existence of a ‘**quaternary**’ sector, which refers to the knowledge-based part of the economy that trades in information services. The businesses classified as part of this sector would include those that focus on information technology, media, education, blogging and designing, along with social media. For example, if someone has a job working for a social media company they could be considered as employed in the quaternary sector.

Quaternary sector the knowledge-based part of the economy that trades in information services. The businesses classified as part of this sector would include those that focus on information technology, media, education, blogging and designing, along with social media

Key industry areas in Australia

Table 1.2 shows the breakdown of output (the value of production) and number of people employed by each of the five key industry areas in Australia in November 2023. It also shows what proportion of all of Australia’s production (GDP) is produced by each industry area. If you compare this data with the information contained in Table 1.3, you will see that the structure of Australia’s economy and what it produces have changed significantly over time. That table shows a snapshot of output at the time of Federation, and again during the early 1950s.

Data provides an important tool for economists, as it allows us to measure our economy and understand it better. Activity 1.10 requires you to work with and analyse this data to reach some conclusions.

TABLE 1.2 Output and employment by industry, 2023*

Industry	Value of production (output) \$billion	Employment (millions of people)	Share of total Australian production (% of GDP)
Services	1406	11.4	68.0
Mining	321	0.3	15.4
Construction	159	1.4	7.6
Manufacturing	124	0.9	6.0
Agriculture	64	0.3	3.0

*Value of production data for 2022–23 financial year, Employment data for November 2023

Sources: Australia Bureau of Statistics, *Labour Force, Detailed, Australia*, December 2023, Table 04. Employed persons by Industry division of main job, <https://cambridge.edu.au/redirect/10440>, Table 5. Gross Value Added (GVA) by Industry, <https://cambridge.edu.au/redirect/10441>

TABLE 1.3 Output by industry, 1900–01 and 1950–51

Industry	Share of total Australian production (% of GDP)	
	1900–01	1950–51
Services	31.0	24.0
Mining	12.0	2.6
Construction	7.0	7.0
Manufacturing	12.0	22.4
Agriculture	19.4	30.0

Source: Australian Bureau of Statistics, *Year Book Australia* 2005.



Activity 1.10

ANALYSE DATA

Australian production by industry

Using the data from Tables 1.2 and 1.3, complete the following questions.

Some of the questions will require you to do basic calculations and create graphs, so you may need a calculator and a laptop or tablet device.

1. Table 1.2 lists five separate industries. Classify these five industries according to which sector of the economy they would be likely to fit in: primary, secondary, tertiary or quaternary.
2. Using the data in Table 1.2, calculate the size of Australia's 'workforce' working in industry in November 2023. The workforce is the total number of people working.
3. Using your answer to question 2, calculate the percentage of Australia's workforce working in each of the sectors of the economy – primary, secondary and tertiary – in November 2023.
4. Using Excel or another spreadsheet program, create a pie chart showing the proportion of Australia's total production that is made by each sector of the economy – the primary, secondary and tertiary sectors. Be sure to provide a title and legend for your chart.
5. Look again at your answers to questions 3 and 4. Compare the percentage of employment by sector with the percentage of output by sector in the Australian economy. Did you find the data surprising?
6. Describe the pattern of change in output between Australia's industries between 1900–01 and 2022–23. When you describe a pattern of change, talk about which sectors have grown and which sectors have shrunk in terms of how much they produced over that time.
7. Do some investigation into Australia's economy online and see if you can find some reasons for the change in output across sectors in Australia over the last 100-plus years. The Economic History Association website includes a brief economic history of Australia, and that is a good place to start.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 1.5

1. Describe what is produced by companies in the primary sector.
2. Define 'secondary sector' in your own words.
3. Explain the key difference between what is produced in the secondary sector and the tertiary sector.
4. Identify the key feature of the quaternary sector.



1.6 Economic decision-making

The three basic economic questions

Returning to the simple model of the economy considered earlier, some key questions arise. How does an economy decide what goods and services to produce? What combination of resources will be used to create those goods and services? And who receives the goods and services once they have been produced?

As we have seen so far, economics is about making choices. The problem of satisfying unlimited wants with limited resources means that any economy faces the following decisions:

- what to produce
- how to produce it
- for whom to produce it.

These are called the ‘three basic economic questions.’ In Australia, these three questions are mostly answered by the operation of markets. Markets determine the answers to the three basic economic questions through the price mechanism, which we will examine in detail later.

How do markets answer the three basic economic questions?

Before examining the price mechanism, we will provide a broad overview of how markets work to determine what and how much to produce, how to produce it and for whom.

Consumer sovereignty

the consumer is in charge when it comes to deciding where resources are allocated in a market economy

Scenario 1.2

What to produce?

Petra is studying Food Technology. She loves cooking and thinks that a dessert dish she developed called Magic Mango Mousse is particularly delicious. She is considering going into business selling it. What should she do before committing her hard-earned savings to buying limited resources of mangoes, butter and so on, setting up a kitchen and hiring people? There are many factors Petra needs to consider in setting up the business, but one of the most important is whether anyone else is going to find her mango mousse delicious. If not, then the business will fail.

In a free market economy, it is the consumer who decides what the limited resources will be used for. If no one likes Petra’s mousse, then the farmer’s mangoes will be used for something else that the consumer does like. If consumers do like Petra’s Magic Mango Mousse, and therefore are prepared to spend money on it (they demand it), as an entrepreneur Petra will coordinate the resources required in the production process and make the mousse. These resources will be used to produce Petra’s Magic Mango Mousse rather than produce something else that is not as popular with the consumer.

As a producer, Petra will focus on making a product from which she can make a profit. In this example, resources are being allocated according to what the consumer wants to purchase – so the consumer is queen (or king) in deciding where resources are allocated in a market economy. This is called **consumer sovereignty**.

Scenario 1.2 *continued***How to produce?**

Petra has asked around and done some surveys, and she has found that there is consumer demand for her Magic Mango Mousse. She will now need to decide exactly what method of production and what resources she will use. She will have to decide the set-up of her kitchen and how she will distribute her product. Decisions will include the equipment and the extent of technology used, location of her kitchen, the quality of ingredients and the kind of staff required. In a market economy like Australia's, most producers choose to use the lowest cost method available to them. This will allow



FIGURE 1.16 Decisions include the equipment and the extent of technology used

them to maximise their profit. If Petra found she could employ five chefs or two robots to make her mousse, she would carefully consider which option was likely to make her the most profit by keeping her costs of production low. In countries like Australia, where wages are relatively high, more capital-intensive production methods are quite popular. This is because it can be much cheaper to replace workers with machines or technology.

For whom to produce?

This refers to how the economic benefits from production will be distributed. In simple terms, it is about who gets what is produced. Once goods and services have been made, how will it be determined who receives the goods and

services? Should the goods and services go exclusively to those people who can afford to pay for them, or should there be some guaranteed minimum level of access to goods and services that everyone gets to enjoy, regardless of their ability to pay?

In a market economy like Australia's, the question 'For whom to produce?' is mostly answered by the market. Most goods and services go to those who can afford to pay for them – by buying them in the marketplace. However, the government also collects tax and uses that money to provide certain services, such as education and health.

In setting up and running her business, Petra will need to determine how much to pay her employees (workers) and how her profit will be split with business partners, if she has any. She will also sell her product on the market. Given that her product is not a necessity, it is likely that the answer to 'For whom to produce?' in relation to Petra's Magic Mango Mousse will be 'Whoever can afford to pay for it.'

**EXTRA****CASE STUDY 1.2**

Is the future of work at home?



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 1.6**

1. In your own words, briefly explain how Australia answers the three key economic questions of:
 - a. what to produce
 - b. how to produce
 - c. for whom to produce.
2. Explain what is meant by 'consumer sovereignty.'



1.7 Markets and the price mechanism

We have already learned that a market is any situation where potential buyers are in contact with potential sellers and there is a means of exchange. Markets are the main way by which Australia decides what and how to produce with our scarce resources, and who will receive the benefits of economic production.

Markets decide what to produce and how to produce through the operation of the price (or market) mechanism. The **price mechanism** is the system whereby the willingness of producers to supply and consumers to demand interact in the marketplace to set prices for goods and services. **Consumer demand** is the willingness and ability of the buyer to pay the actual asking price for the good. **Supply** is the quantity of that commodity that will be provided by the producer at a particular price.

An understanding of how demand and supply interact helps us understand how markets operate, which in turn is useful for business managers, share market investors, consumers and government policy-makers.

The law of demand

Consumer behaviour in response to price changes is expressed as the **law of demand**. It states that the quantity of a product people are prepared to buy will fall as the price rises. What affects the willingness and ability of the consumer to spend?

What are the top three goods on your current wish list? Let's say a new smartphone is one of them. Your ability to buy one is going to be driven mainly by your income. What about your willingness to buy one? How long do you think your new smartphone will be current before a new version comes along? What else could you buy with the money you would spend on a new smartphone?

The law of demand shows the relationship between price movements and consumer demand for a product, and is illustrated in Figure 1.17. The law of demand states that consumer demand is inverse to the movement in price of that product – that is, as the price rises, demand falls, and as the price falls, demand rises.

If the price of a given product (for example, a smartphone) is high – say, \$1800 – then the quantity demanded by consumers is low – say, 100 units. This is because fewer consumers can afford and/or are willing to pay the higher price. Conversely, if the price of the smartphone falls to say \$1400, then the quantity demanded increases – in this example, to 500 units. This is because more consumers can afford and/or are willing to pay the lower price.

The straight line drawn between these two points is called the *demand curve* (and sometimes the *demand line*).

The law of demand assumes that all other things that would influence consumers' demand are held constant. So, for example, the movement from consumer demand of 100 at a price of \$1800 to demand of 500 when the price falls to \$1400 would occur just because of the change in price, not a change in anything else that might influence how much consumers are willing and able to buy (demand) of a product.

Price mechanism

the system whereby producer supply and consumer demand interact in the marketplace to set prices for goods and services

Consumer demand the willingness and ability of the buyer to pay the asking price for the product

Supply the quantity of a product that will be provided by the producer at a particular price

Law of demand

states that consumer demand for a product will move inversely to the movement in the price of the product, so that as the price rises, demand falls

Demand factors events that change consumer willingness and ability to pay without a change in the price of the product itself

Substitute an alternative good or service that can be used for the same purpose

Complementary product a product that is used with another product; for example, petrol is a complementary product to a car

Demand factors

There are a number of other events or factors that might influence consumers' willingness and ability to purchase a product, other than a change in the price of the product itself. They are called **demand factors**. They include things like:

- the level of a consumer's income
- preferences and expectations of the consumer (such as popularity of a product)
- the price of **substitute** products
- the price of **complementary products** – which are generally used with the product.

However, when considering the law of demand, we assume that all those other demand factors are held constant – and only the price of the product changes.

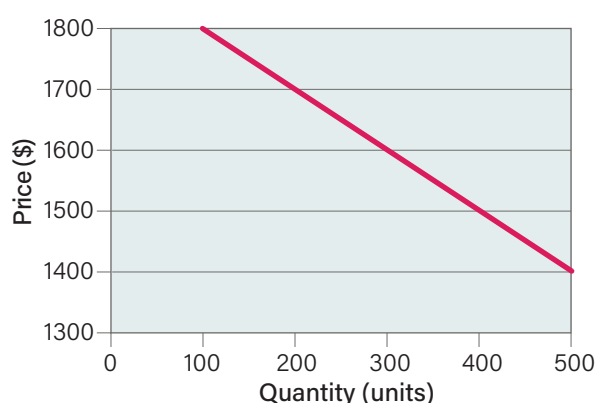


FIGURE 1.17 The downward slope of a demand curve illustrates the law of demand.

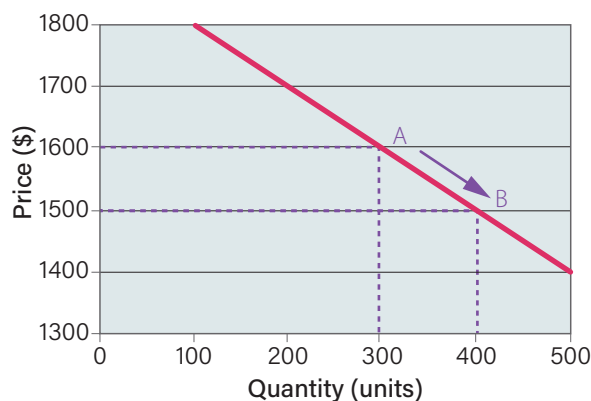


FIGURE 1.18 A reduction in price of the product will see an increase (expansion) in the quantity demanded.

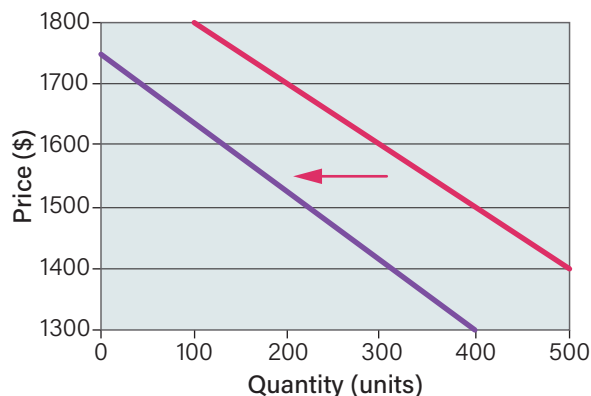


FIGURE 1.19 Demand factors shift the demand curve.

When only price changes, we see a movement along the demand curve. So, for example, if the demand curve in Figure 1.17 was for smartphones, and they decreased in price from \$1600 to \$1500, we might see an increase (also called an 'expansion') in the quantity demanded from A to B, as shown in Figure 1.18. The quantity demanded would increase from 300 to 400 units.

If a demand factor other than the price of the product changed, then we would see a shift in the demand curve itself. Suppose that the price of internet-connected tablets (a substitute for the smartphone) suddenly went down significantly. It is likely that more consumers would buy an internet-connected tablet instead, meaning that for each possible price of the latest smartphone there is now a smaller quantity demanded. A decrease in demand entails a shift to the left of the demand curve, as shown in Figure 1.19.

Of course, if a change in a demand factor led to an increase in demand, we would see a shift in the demand curve to the right.

Note the language that is used to express these concepts. When only the *price* of the product itself changes, we say there is an increase or decrease in the *quantity demanded*, and a movement along the demand curve. When a *demand factor* affects demand, we say there is an increase or decrease in *demand*, and a shift of the demand curve, so that a whole new demand curve is created. This means that at all the prices of the product either more or less of the product is demanded.



EXTRA ACTIVITY 1.5

Collaborate – law of demand

The law of supply

In order to understand the **law of supply**, we need to think about the market from the perspective of the seller.

Suppliers desire to maximise their profit. The law of supply states that if the price of a product rises and nothing else changes, producers will be prepared and able to increase the amount of the product they offer to the market. Why? Imagine that the cost of making the product does not change but the price the producer can sell it for increases. Each new unit of the product that the producer sells will provide them with even more profit!

The law of supply explains the relationship between price movements and the quantity of goods supplied by the producer. Note that this refers to planned supply, not to what is actually sold (which will be determined by the interaction of supply and demand, considered shortly).

The law of supply states that the quantity of goods supplied by a producer will increase in line with the movement in price of that product.

That is, as the price rises, supply rises, and as the price falls, supply falls. The law of supply can be presented graphically, as shown in Figure 1.20.

If the price of a given product (for example, smartphones) is high – say, \$1800 – then the quantity supplied by producers is also high – say, 500 units. Conversely, if the price falls to, say, \$1400, producers reduce supply – in this example, to 100 units. The straight line drawn between these two points is called the *supply curve* or *supply line*. In this example, if the price decreased from \$1800 to \$1400, then there would be a movement along the supply curve from C to D, as shown in Figure 1.21. The quantity supplied would decrease from 500 to 100 units.

Law of supply states that the quantity of goods supplied by a producer will move in line with the movement in the price of the product, so that as the price rises, supply rises

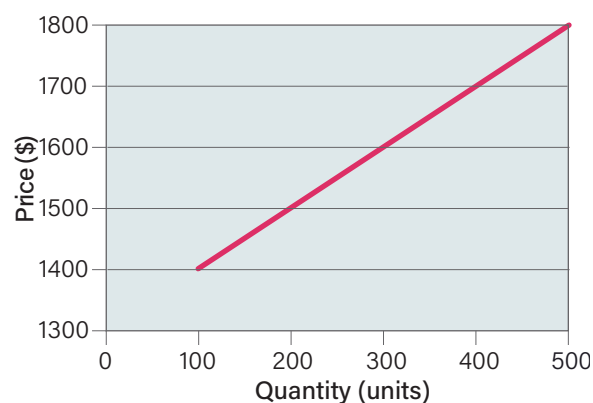


FIGURE 1.20 The upward slope of a supply curve illustrates the law of supply.

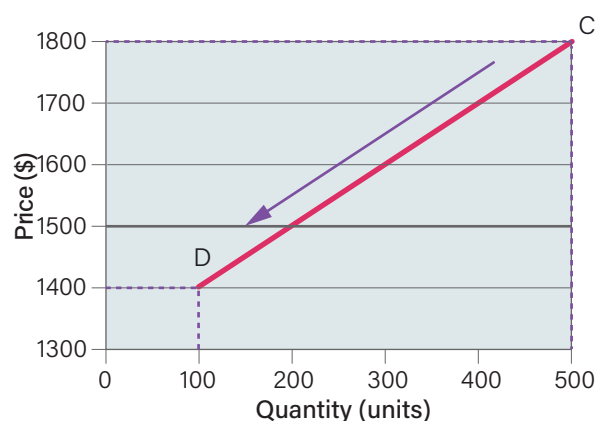


FIGURE 1.21 A reduction in price of the product will see a decrease (contraction) in the quantity supplied.



FIGURE 1.22 The law of supply explains the relationship between price movements and the quantity of goods supplied.

Supply factors those events that change the willingness and ability of a supplier to supply goods and services without a change in the price of the product itself



EXTRA ACTIVITY 1.6

Collaborate – law of supply

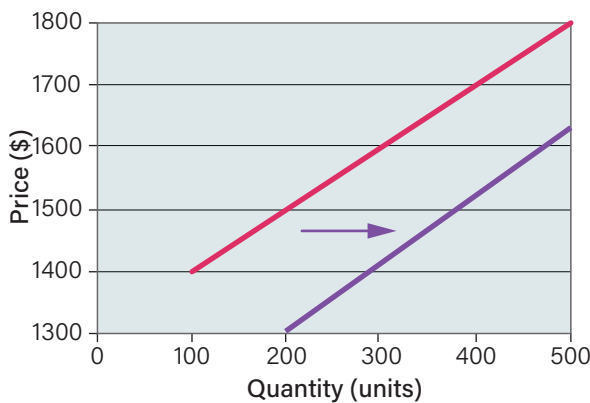


FIGURE 1.23 Shift in supply curve

Equilibrium price the price where consumer demand equals the supply of goods; where the demand and supply lines intersect

Supply factors

Supply factors are those events that change the willingness and ability of a supplier to supply goods and services without a change in the price of the product itself. Just as in the case of demand, sometimes a factor other than the price of the product changes, and encourages producers to supply more or less of the product at the existing price. The supply factors include:

- the price of inputs and other costs of production – the lower the price of inputs, the more profit per unit and so the greater the quantities producers are willing to supply regardless of the price at which the product is sold
- the price of other products – for example, if the price of other products rises and there is a perception of increased profits from selling those products, then producers may switch to supplying more of those products and less of the original.

Changes in either of these supply factors will lead to a *shift* of the supply curve itself. For example, in our smartphone example, if the price of inputs such as electricity or steel decreased, then the producer could gain a higher profit at every price point and so would be willing to supply more at any given price. This would lead to a shift in the supply curve to the right. This is illustrated in Figure 1.23.

The equilibrium price

So far, we have seen how many smartphones consumers are willing to buy (demand) at every possible price. We have also seen how many smartphones sellers are willing to sell (supply) at every possible price. But how do we know what the *actual* price of smartphones will be and how many smartphones will be sold?

In order for there to be a trade in a market, the buyer and the seller must agree on the price. The **equilibrium price** is the price at which consumer demand equals the supply of goods. The equilibrium price contains enough profit to

motivate producers to make the product. Consumers are also willing to spend their money on the product at the equilibrium price. At the equilibrium price, all that is produced is sold. The quantity demanded by consumers at that price is satisfied exactly by the quantity supplied by the producer. This situation is represented graphically in Figure 1.24.

The equilibrium price graph demonstrates the point at which intersection occurs between the demand and supply curves. In this example, the equilibrium price is \$1600 per unit. At the equilibrium price of \$1600, producers will supply 300 units and consumers demand 300 units.

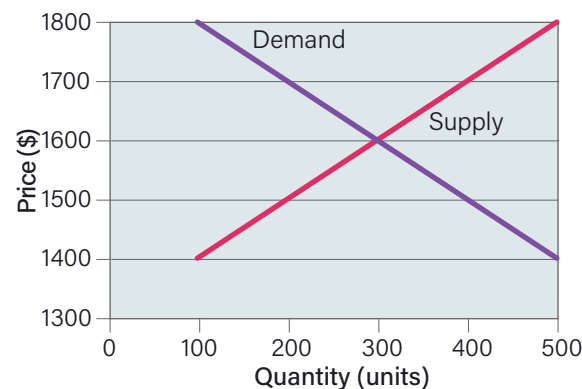


FIGURE 1.24 Equilibrium price

Scenario 1.3

The equilibrium point: re-usable water bottles

Dora and Olivia have decided to invest their hard-earned savings into a new company – D&O Hydration – that creates individualised water bottles. At their own school, students have a habit of leaving their water bottles behind in class or abandoning them in the school yard.

Their plan: create an insulated water bottle, embossed with the student’s name, and in a student’s choice of colour, with a small strap for carrying, made of lightweight but sturdy material. They want to make sure they produce just the right quantity of water bottles, so they don’t run out but also don’t have leftover stock.

Their market research illustrated the relationship between consumer demand for the water bottle and its price. Dora and Olivia then crunched some numbers – costs of producing the water bottles, along with basic marketing and sales infrastructure (website and postage). From this information, they were able to develop a supply schedule.

The combined demand and supply schedule is presented in Table 1.4, showing the quantity of their unique water bottles demanded and supplied in a given week, at each possible price.



FIGURE 1.25 Re-usable metal water bottles are increasingly popular.

TABLE 1.4 D&O Hydration water bottles demand and supply (hypothetical)

Price	Quantity demanded	Quantity supplied
\$15	6000	3000
\$20	5000	3500
\$25	4000	4000
\$30	3000	4500
\$35	2000	5000

Activity 1.11

ANALYSE DATA



Re-usable water bottles

Read Scenario 1.3, then complete the following questions.

1. Using a Microsoft Excel spreadsheet and Chart Wizard (or graphing paper), create a graph from the data in Table 1.4 showing both the demand and supply curves. (*Hint:* choose the XY Scatter chart type.)
2. Identify the equilibrium price and equilibrium quantity.



Activity 1.11 *continued*

3. How would the following events affect consumer demand? In what direction would the demand line shift? Explain.
 - a. A new producer comes onto the market, offering a nearly identical product but at a lower price.
 - b. Schools across Victoria ban single use plastic bottles and require all students to have a re-usable water bottle.
 - c. D&O Hydration attract the endorsement of K-pop band BTS.
4. The suppliers used by D&O Hydration advise supply interruptions and rising costs mean they will double the price charged for the materials supplied to D&O.
 - a. Explain the impact this new information will have on the profit Dora and Olivia make for each water bottle sold.
 - b. How will this information influence the supply curve? Clearly explain your reasoning.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 1.7**

1. Define the following terms in your own words:
 - a. law of demand
 - b. law of supply
 - c. equilibrium.
2. Explain how a demand factor that increased demand for a product would affect the demand curve.
3. Describe how an increase in the price of petrol may impact the demand for cars, given that cars require petrol to run.
4. Explain how a supply factor that decreased supply of a product would affect the supply curve.
5. Describe how increased wages paid to baristas (who make coffee) may affect the supply of coffee in cafes.



FIGURE 1.26 The increase in petrol prices may impact how frequently people use their cars.

1.8 Surpluses and shortages

Consider Scenario 1.3, in the previous section of this chapter. If Dora and Olivia made an agreement to sell water bottles to every primary school in Australia, this would lead to a very large increase in demand (a shift of the demand curve to the right). There would be more water bottles demanded at each price, including the equilibrium price.

If the supply of water bottles was capped at 4000 units despite the increased popularity of the bottles, there would be a shortage of water bottles at the equilibrium price. More people would be wanting to buy water bottles at that price than would be available.

Shortages

When there is a **shortage** in a market, producers respond by increasing prices, as they see an opportunity for more profit – providing consumers are willing and able to pay a higher price to get the product that is in short supply. Some consumers may drop out of the market as the price rises, depending on how strong the demand is. As entrepreneurs spot the chance for profits in that industry, they may enter the market, which may increase competition (and supply) and then drive down the price, enticing more consumers back again. And so the cycle continues.

Shortage a market situation where the quantity demanded is greater than the quantity supplied, and the market is not in equilibrium

Scenario 1.4

Fruit smoothies in summer!

Imagine you decide to set up a stand selling fruit smoothies at school during a long, hot summer. The canteen refuses to make fruit smoothies for students, and at the start of summer you are the only one supplying fruit smoothies. In a large school, you would probably be unable to supply all the fruit smoothies that are demanded. You would probably sell out, even if you increased your price and some customers dropped off. While you are negotiating to take on friends as business partners, it is likely that other students will set up fruit smoothie stands, having noticed your success. They may try to steal business from you by offering their fruit smoothies at lower prices. In response, you lower yours. Eventually things will settle down to an equilibrium price, where all suppliers are still making a profit and more customers are satisfied than when it was just you supplying the fruit smoothies at school.



FIGURE 1.27 Selling fruit smoothies during summer could be a viable business idea.

In summary, when there is a shortage:

- Producers will run out of stock earlier than expected.
- Consumers are willing to bid up prices to get the item they desire, and some producers will raise prices a little to test the market.
- Some consumers would decrease the quantity demanded in response to the higher price.
- Some new producers enter the market because higher profits are possible.
- Eventually the market will settle at a new higher equilibrium price.

Surplus a market situation where the quantity supplied is greater than the quantity demanded, and the market is not in equilibrium

Surpluses

We can follow our fruit smoothies scenario further to illustrate the concept of **surplus**.

Scenario 1.5

Fruit smoothies in winter

Imagine now that autumn is nearly over, and it is early winter. Demand for fruit smoothies falls off and you and your competitors find that you have fruit smoothies left over at the end of recess and lunchtime. The market now has a surplus of fruit smoothies. You and your competitors may respond by decreasing the price, hoping that this would bring customers back. It would probably bring some customers back and at the same time some suppliers may decide it is no longer worth it, leave the smoothies market and gear up to sell hot chocolate instead. Eventually things would settle down to a new, lower equilibrium price.



FIGURE 1.28 Trying to sell fruit smoothies during winter might not be wise. Hot chocolate may be a better option.

In summary, when there is a surplus:

- Producers have stock left over.
- Producers respond by lowering prices, hoping to win more customers.
- Some producers may leave the market if profits are falling.
- Some consumers would increase the quantity demanded in response to the lower price.
- Eventually the market will settle at a new lower equilibrium price.

Resource allocation between markets

It should be clearer now how the price mechanism works in our economy to ration limited resources among consumers with unlimited wants.

When one product becomes more popular or more profitable compared with another, markets reallocate resources from the production of the product that is less popular or profitable to the market that is more popular or profitable.

As you will have noticed in the discussion of shortages and surpluses previously, as a demand factor (for example, the product becomes more popular such as fruit smoothies in the warmer months) causes an increase in demand for a product, the price of the product tends to rise. This will encourage profit-seeking producers to supply more of the product. To do this, they will shift resources into producing that product.

Conversely, when a factor causes a decrease in demand (for example, fruit smoothies becoming less popular because of colder weather), the price of the product will fall and some of the producers of fruit smoothies will stop making that product. The resources they were using to make the fruit smoothies (such as the blender, workers and paper cups) would now be used to produce hot chocolate which is more popular in the winter months.

The story in Figure 1.29 illustrates, in a basic way, **resource allocation** between markets.

Resource allocation the way in which land, labour, capital and enterprise are used to satisfy what to produce, how to produce and for whom to produce



FIGURE 1.29 Resource allocation: Spike and Madidas

Shifting resource allocation

The story of Spike and Madidas sneakers (Figure 1.29) recaps the concept of shifting resource allocation. The increase in popularity has led to an increase in demand for Spike sneakers. This acts as a vital signal to consumers and producers. In Figure 1.29, the endorsement of Sam Rapinoe means that shoe consumers are willing to pay more for a particular quantity of Spike sneakers than before. Producers will raise the price of Spike sneakers (and resources used to make them), seeking more profit. Other producers will notice this and shift their resources into Spike sneakers production because this is where greater profits are. Of course, increased competition may eventually drive prices down and lead to further shifts in resource allocation.



Activity 1.12

CREATE

Resource allocation

Continue the comic strip from Figure 1.29, showing a shift in resource allocation to Madidas sneakers production and selling. Include appropriate captions.

Price helps consumers to decide which of their wants is the most important, and a desire for profit stimulates efficient resource use by each supplier and helps to smooth out imbalances in over-supply (surplus) and under-supply (shortages). The price mechanism also has a role to play in the distribution of wealth, through the generation of profit and wages for successful suppliers in markets where there is demand.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 1.8

1. Define 'shortage' and explain how an increase in demand for a product (for example, through increased popularity of the product) could cause a shortage.
2. Explain the impact of a shortage on the price and quantity produced of a product.
3. Define 'surplus' and explain how a product becoming less popular could cause a surplus.
4. Explain the impact of a surplus on the price and quantity produced of a product.
5. Describe how the change in prices of goods will send a signal to producers to change how they allocate resources.
6. For each of the following scenarios, estimate whether prices will increase, decrease or stay the same. Give a reason for your choice.
State whether you think demand will increase, decrease or stay the same in response to the price movement and give a reason for your opinion:
 - a. a surplus of winter clothing due to an unusually warm winter
 - b. a shortage of Taylor Swift tickets due to the popularity of her most recent album
 - c. a surplus of an old textbook for economics due to a new course being taught
 - d. a shortage of mangoes due to storms in Queensland.

1.9 Specific markets

We will now examine a particular market in more detail.

The residential real estate market and the auction

The residential real estate market provides an example of a market where buyers and sellers come together to do business.

Property agents frequently hold **auctions** to sell property. The seller can set a **reserve price**, which is a price below which the auctioneer cannot sell the property. An auction is a transaction in which the buyer of an item and the price paid for it are decided after potential buyers have declared what they are willing to pay. In an English auction (the most common kind of auction used to sell residential property in Australia), buyers bid against each other in a process coordinated by the auctioneer, with the highest bidder purchasing the product. An advantage of an auction is that often the sale is resolved on the day rather than the seller having to wait many weeks or months for the property to be sold.

The housing auction market is made up partly of investment properties and partly of owner-occupied housing. The demand and supply factors in the text boxes that follow may be relevant in one or both of these types of property.

Auction a transaction where the buyer of an item and the price paid for it are decided after potential buyers have declared what they are willing to pay

Reserve price a price below which the auctioneer cannot sell a product



FIGURE 1.30 An auction is the most common way for residential property to be sold and bought.

Demand factors that operate in a residential auction market

- **Price of the property.** Plus ongoing costs, such as rates, maintenance.
- **Income of buyers.** This, together with interest levels, influences purchasing power.
- **Preferences.** Includes the house itself, plus lifestyle factors (such as amenities and schools near property).
- **Price of substitute properties.** Price of substitute investments, such as the share market.
- **Prevailing tax regime.** Includes stamp duty, land tax and negative gearing allowances on investment properties.
- **Expectations.** Includes the potential buyer's perception of the value of the property, as well as expectations regarding their own circumstances and expectations regarding the return on the property should it be an investment.

Supply factors that operate in a residential auction market

- **Price of the property.** For residents, the price expected at an auction will influence a decision to move or stay. For investors, the expected price will determine whether they will realise (make) a profit by selling.
- **Price of other properties or investments.** Investors may switch to supplying office space rather than apartment space if greater profits are perceived.
- **Price of inputs.** The original cost of the property and costs associated with preparation for sale, such as renovations, will influence willingness to sell.
- **Seller's own circumstances.** The extent to which the seller needs the proceeds of the auction to finance another property or for a different purpose.



Activity 1.13

RESPOND

Buying a house

Nikhil and Maanya have decided to sell their family home located in Thornbury, an up-and-coming inner northern suburb in metropolitan Melbourne. Housing prices in Melbourne have been booming lately, and Nikhil and Maanya are keen to make the most of the increased value of their property. During COVID-19 lockdown, they discovered it was easy to work from home, remotely from their offices, and so they are keen to move away from Melbourne to have more space. Consequently, they want to move to a country town, which will also be a nice place to raise their children. They plan to move north to a warmer climate and will buy in Swan Hill on the Murray River in northern Victoria. Nikhil and Maanya appoint a local real estate agent to handle their sale.

After careful thought and discussion, Nikhil and Maanya decide to auction their home. The auction date is set for Saturday, 29 October, which is two months away. The agent advertises extensively throughout the local area and Melbourne in general prior to the auction. By chance, two days before the auction, the Reserve Bank announces a rise of 0.5 per cent in official interest rates.

The day of the auction arrives, and the weather is perfect – warm and sunny, without a cloud in the sky.

1. Carefully read the story above.
 - a. Is this auction likely to achieve a higher or lower than expected sale price for the home? Why?
 - b. What other factors may affect a sale on auction day? Explain how these factors may affect the price achieved. You should include in your explanation an analysis of why similar houses may vary widely in price from town to town or suburb to suburb, as well as a discussion of other factors that may influence price.
2. Another kind of auction market is eBay. Explain how an equilibrium price is reached for a particular good on eBay.



EXTRA CASE STUDY 1.3

Changing consumer attitudes and the effect on resource allocation



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 1.9

1. How do auctions work? Describe what is involved in the English auction process.
2. Describe one advantage of an auction for the seller of the property.
3. Identify why the availability of substitute properties would be a demand factor affecting the property market.
4. Identify why the cost of preparing the property for sale would be a supply factor affecting the property market.



1.10 Government intervention in markets

The price mechanism does not necessarily mean that all consumers are satisfied and, in our economy, the government may intervene in certain markets to increase the number of satisfied consumers. The government also intervenes to ensure that everyone can access goods or services that are necessities of life or that are required for a person to live a dignified life, befitting someone living in modern Australia.

Public transport is an example. If it were run at a profit, the price of a ticket would be much higher than it is now, which would exclude many of those who rely on public transport, such as those who cannot afford a car or are unable to drive. Government subsidies keep ticket prices lower.

Even more important is the role of the government in ensuring all Australians are able to access healthcare. If it were left to the market to provide healthcare for everyone in Australia, it is possible that the prices of some healthcare services would be far too high for some people to afford. It would make sense for healthcare providers to try to maximise their profits by charging as high a price as the market will allow; however, this would result in large numbers of Australians who couldn't afford to pay for the healthcare they needed. As a country, we would be much sicker – and much less productive. The government collects taxes (discussed in more detail in Chapter 2) and uses the money collected to fund the free and subsidised provision of healthcare to Australians.

For example, all Australians are entitled to a Medicare card. This allows the holder to receive free care in any public hospital, and to see a doctor for free if the doctor is willing to 'bulk bill' Medicare and be paid the fee that the government provides. The government also subsidises prescription medicines. For most Australians, the most they will pay to fill a pharmaceutical prescription is around \$40, and those who have a low-income healthcare card or receive welfare benefits pay substantially less. During the COVID-19 pandemic, the free provision of certain forms of healthcare, such as the vaccine (and in some places rapid antigen tests), became crucial to support the health of the whole community.



FIGURE 1.31 If public transport were run at a profit, the price of a ticket would be much higher than it is now.

Another reason for government intervention in markets is that sometimes markets produce too much of products that are not good for us. For example, the government imposes extra taxes in the form of tobacco excise on all tobacco products. This includes cigarettes, loose tobacco and cigars. Health experts agree that tobacco is very bad for human health. It is a major contributor to cancer in smokers. It also has a negative effect on those around them – the experience of ‘passive smoking’. This negative secondary impact is another reason why the government wants to discourage smoking.

As a result, the excises on tobacco are very high – they make up about 70 per cent of the price of a packet of cigarettes. This compares favourably with the rest of the world, where tobacco taxes make up about half the price of a packet of cigarettes. Tobacco excise is also much higher than the taxes on other goods and services in Australia – such as the GST (goods and services tax), which is levied at 10 per cent of the price of the product.

By imposing these high tobacco taxes, the government is trying to send a price signal to consumers. It is hoping that by increasing the price that consumers have to pay for cigarettes, many consumers will be discouraged from purchasing cigarettes (and other tobacco products), and will instead quit. The government also chooses to provide some products for free, to ensure that the benefits of consumption of those products is experienced by everyone in the community. Case study 1.1 earlier considered the costs and benefits of the free provision of rapid antigen tests (RATs) to all school students and staff (including teachers) for Term 1 of the 2022 school year. The government decision to provide the tests for free was an acknowledgement that the positive impact on the community of reducing the spread of COVID-19 through using RATs was greater than the benefit experienced by the individual who has to pay for the RAT.

The role of the government in managing the economy is covered in more detail in Chapter 2.



FIGURE 1.32 State governments provided free RATs to all students and teachers to encourage their consumption and reduce the spread of COVID-19.

Activity 1.14

RESPOND



Government intervention

1. For each of the issues below:

- state whether it primarily concerns what, how and/or for whom to produce
- discuss how the government could intervene in the market to resolve this issue
- list arguments for and against government intervention in the market.

An example has been completed for you below.

Example

Parent bodies are concerned that junk food advertising during children's TV programs is contributing to childhood obesity.

- This issue concerns how to produce. Advertising is part of the selling strategy, which is part of the production process.
- The government could intervene by asking media organisations to introduce no junk food advertising during children's TV as part of their Code of Practice. A stronger intervention would be for the government to ban such advertising.
- Some arguments in favour of government intervention:
 - This is a serious issue with long-term implications for the health of the population.
 - Profit-maximising junk food companies and media companies cannot be trusted to regulate themselves.
- Some arguments against government intervention:
 - This is an issue for parents. They should be monitoring what their children watch on TV and what their children eat.
 - Too much government intervention risks creating a 'nanny state'.
- a. The burning of fossil fuels (coal and oil) is contributing to the acceleration of global warming and climate change.
- b. The flood of cheap imports is threatening the Australian-made souvenir market.
- c. Young fashion designers are finding that their designs are appearing under major labels with minimal or no payments to them.
- d. It has been found that nano-particles in make-up cause damage to sea life.
- e. Scalpers are selling tickets to events at highly inflated prices.
- f. Increasing inequality in incomes is leading to a major gap between the 'haves' and the 'have nots' in Australia.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 1.10



1. Why might it be necessary or desirable for the government to intervene in markets? Consider the costs and benefits of such intervention in your discussion.
2. Describe how the government intervenes in the tobacco market to reduce tobacco consumption.
3. Explain why some governments chose to provide free RATs to school students and staff in early 2022.



Consolidate your learning

Research a market

There are many different types of markets in Australia.

1. Choose a market that interests you from the list:
 - the labour market
 - the stock market (also referred to as the share market)
 - the foreign exchange market
 - the retail market (for example, clothes, books, electronics)
 - the telecommunications market (phones or internet/data services)
 - the music market
 - the market for soccer or AFL players
 - the retail petrol market
 - another market not listed (check with your teacher).
2. Prepare a research report on the market you have chosen. You will need to write up a series of research questions and a research plan. You should consider:
 - the most important features of the market – the buyers, the sellers and the product
 - the location of the market (physical or virtual location)
 - how prices are determined in this market
 - whether prices vary between similar goods and services within the market, and why this is so
 - whether there are lots of suppliers and lots of consumers in this market at the moment (that is, how competitive the market is)
 - demand and supply factors that affect the market or have affected the market in recent years. Illustrate your answer with examples.
 - any government intervention in the market (state or federal governments set rules or regulations to control how the market works)
 - the current 'state' of the market – is it 'booming' or going through a 'downturn'? Is it worth a new supplier considering investing in this market by opening a new business?
3. Present your findings as a research report, complete with sub-headings and illustrations.

Chapter 2

Australia's economic performance

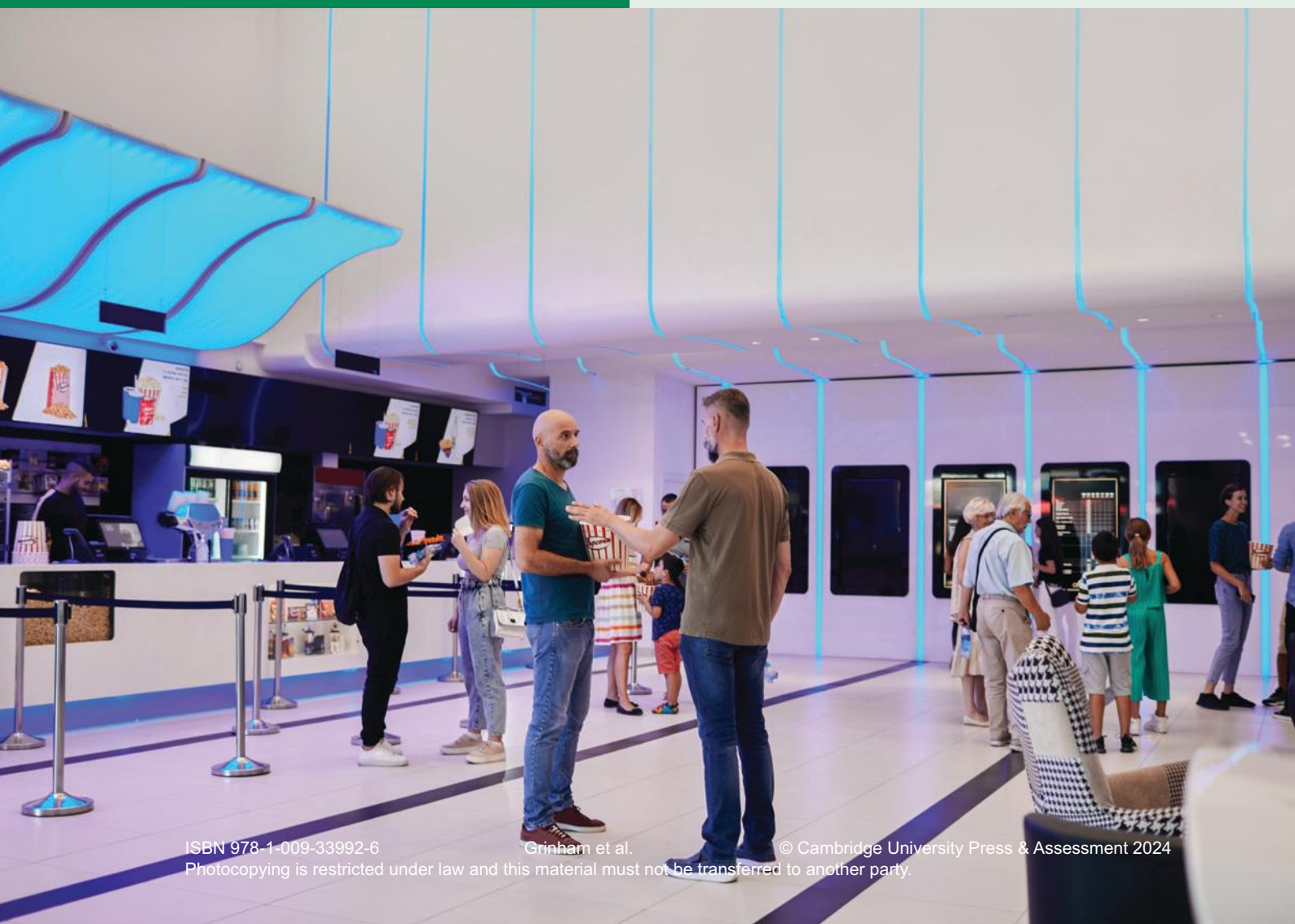
FIGURE 2.1 Products in the services sector, such as cinemas, are an increasingly large part of modern economies.

Understanding how an economy operates and evaluating how it is performing involves gaining an insight into the key participants in the economy and how their behaviour influences economic activity. It also means that we need to consider how economic policy options available to governments can be used to influence the way the economy is performing.

Furthermore, we need to investigate how a society's values can impact the economy.

This chapter looks at how Australia measures the performance of our economy. This includes considering how we measure our standard of living. To do this, we investigate issues such as economic growth, unemployment, inflation and the distribution of income and wealth. We discuss the economic indicators we use to measure that economic performance.

In this chapter, the simple model of the Australian economy is expanded to include the role of the government and key economic players.



2.1 Circular flow of money and income

Income money received in the form of wages from working, dividends from shares owned or rent received from property owned over a period of time

Economic activity the real value of production, employment, incomes and expenditure in an economy

Economic policy policies designed to meet economic objectives set by the government

The circular flow of money and resources (Figure 2.2) reminds us of the way resources flow from households to businesses. Households supply their time, effort and other resources such as land to businesses in return for **income**. The businesses then use the resources provided by households to produce goods and services. Consumers (in households) use the income they earned from selling their productive resources (their labour, their skills, any capital or land they may own) to purchase the goods and services produced by businesses.

In this simple economy, all the 'flows' are of equal value. For example, all the income earned by households is spent on goods and services produced by businesses. The value of the income to households is equal to the value of resources supplied by the households to the businesses. In economics, we refer to the amount of goods and services produced (production), the level of income received (income) and the amount of spending (expenditure) as the level of **economic activity**.

All economies need to have an adequate level of economic activity or they will encounter economic problems like poverty, unemployment, inflation, inequality or unsustainable debt levels. For example, if households chose not to spend all of their income, that would reduce the amount of spending. The reduction in spending on goods and services would tell businesses that they did not need to make as many products. In response, businesses would reduce their production and buy fewer resources from the household sector. This would, in turn, reduce the amount of income paid to the households. Overall, the level of economic activity would fall.

If economic activity is too low or too high, governments use **economic policies** to help increase or decrease the level of activity, in order to address the problems that are caused when there is too much or too little economic activity.

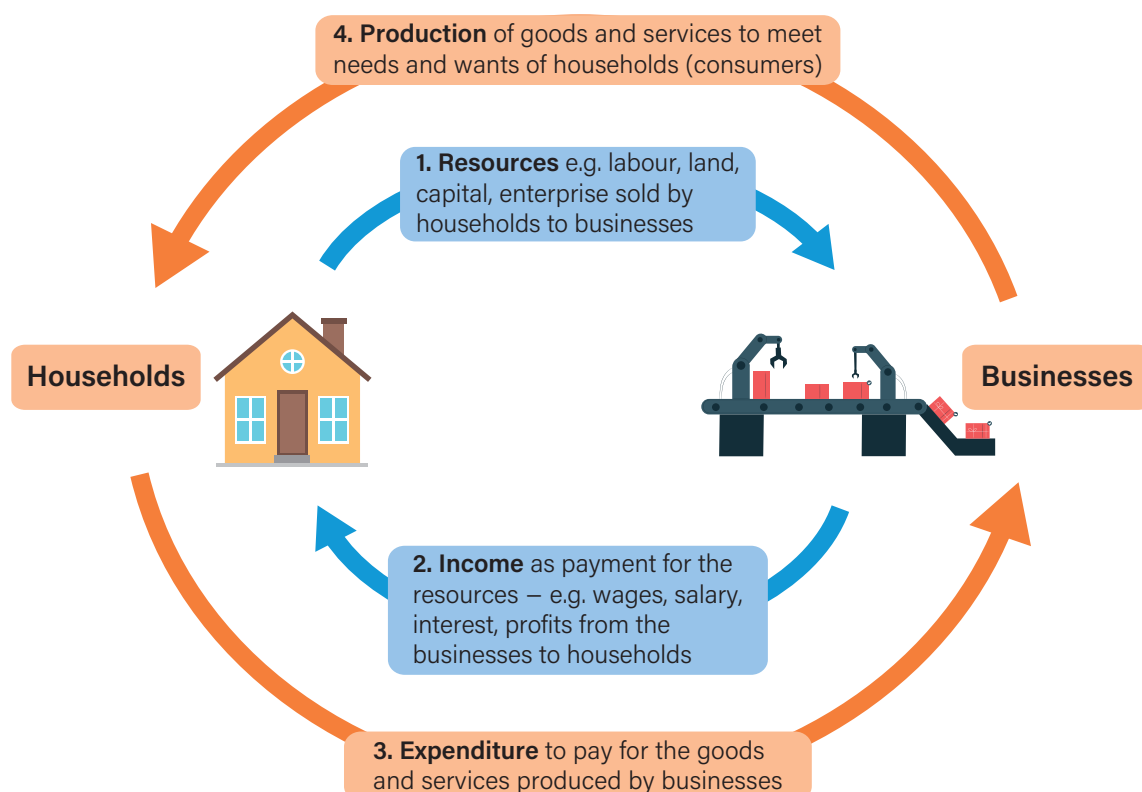


FIGURE 2.2 In the circular flow model of the economy, the flows are represented by the arrows and all the flows are of equal value.

Activity 2.1**CREATE****A simple economy**

1. Imagine a simple economy where the following economic activity takes place:
 - Households sell economic resources to businesses worth \$10 million.
 - Businesses use the resources to produce \$10 million worth of goods and services.
 - In your notebook, sketch the model of the simple economy based on Figure 2.2. Add in the two pieces of economic activity at the appropriate places in the model. Also label each flow with the amount that is being spent (expenditure) and earned (income).
2. In the same economy as Question 1, imagine that households decide to save \$1 million worth of their income. Explain what would happen to spending (expenditure) in the economy, and the effect it would have on production. Re-label your diagram, showing how each flow has changed.
3. Consider the change to economic activity you explained in Question 2.
 - a. What might happen to employment when economic activity changes in this way?
 - b. Imagine you are a member of the government. How would you view this change to economic activity? Do you think it is positive, negative or neutral? Justify your response.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 2.1**

1. Define the following key terms in your own words:
 - a. income
 - b. economic policy
 - c. economic activity.
2. Describe how the flows of resources and income move between the household and business sectors.
3. Describe how the flows of spending and production move between the household and business sectors.
4. Outline four issues that may arise in a society that does not have an adequate level of economic activity.

2.2 Key participants in Australia's economy

The simple economic model does not include the influence of numerous other participants on how much spending happens in the economy or how the economy operates. These key participants include the Federal and State governments, the Australian Consumer and Competition Commission (ACCC), the Reserve Bank of Australia (RBA), the Fair Work Commission (FWC), the Australian Council of Trade Unions (ACTU) and the Australian Chamber of Commerce and Industry (ACCI).

Federal and State governments

As you learned in Chapter 1, the government influences markets in various ways. In addition to its role in regulating markets, the government also intervenes in the overall economy.

The Federal and State governments:

- Introduce laws and economic policies that affect the Australian economy – for example, the federal government introduced the goods and services tax (GST).
- Collect taxes and undertake spending as part of the Federal and State Budgets.

The government uses the Budget to improve Australia's economy and society.

- Government spending includes providing important community services such as schools and hospitals, as well as infrastructure like roads and railway lines, which are essential to the efficient functioning of an economy and which otherwise are not provided to the marketplace.
- Government spending also helps to support the most disadvantaged in society by providing a 'social safety net' of pensions and unemployment payments.

- Manage the Australian economy as it moves through its various **economic cycles** – the government has a range of economic tools at its disposal to try to manage the economy.

Economic cycles

fluctuations that can occur in the level of economic activity in an economy over a period of time

Example

The Federal government collects taxation via income tax and sales taxes like the GST and uses it to fund numerous services for Australians. Health and hospital funding is an area on which the Australian Federal and State governments need to cooperate. In the 2024–25 Budget, the government announced it would spend \$146 billion on health and aged care over the year. The government provides funding to State governments, who are responsible for operating public hospitals, and the Federal Government directly funds medical care through payments to doctors via Medicare. To help reduce wait times to see GPs and take pressure off public hospitals, the Federal Government announced it would build 29 more new Medicare Urgent Care Clinics that will open for longer hours and with no out-of-pocket cost for patients, increasing the total number of clinics across Australia to 87.



FIGURE 2.3 The government provides significant economic and social support to Australians, including funding public hospitals.

The Reserve Bank of Australia

Established in 1959, the Reserve Bank of Australia (RBA) operates according to an Act of Parliament, and has responsibility for managing **monetary policy** in Australia.

Monetary policy refers to the RBA adjusting interest rates in order to influence the level of spending and saving in Australia's economy. Board members of the RBA meet eight times a year to determine whether to increase or decrease interest rates, or leave them unchanged, depending on the state of the economy.

Monetary policy is used to promote a stable economy for Australia, and improve the economic prosperity of Australians by promoting strong economic conditions and low unemployment and inflation.

Monetary policy

involves setting the interest rate on overnight loans in the money market; this usually flows on to interest rates charged by banks and other financial institutions

Example

After a period of extremely low interest rates to support the economy during the COVID-19 pandemic, in May 2022 the RBA began to raise interest rates. This was because they had observed that inflation (a rise in most prices across the economy) was picking up speed. There was discussion everywhere about the 'cost of living crisis' – meaning that people were struggling to afford to pay bills and afford their daily needs. Over a period of 17 months, the then-RBA Governor Philip Lowe and his successor Michele Bullock announced a total of 13 interest rate rises. Higher interest rates reduce the amount of spare money Australians have to spend and encourage households and businesses to save rather than spend. This is designed to reduce the upward pressure on prices and reduce inflation. The public reaction to the rising interest rates is an example of one of the key challenges in managing a large economy like Australia – the RBA was trying to reduce the rapidly rising prices by encouraging Australians to save rather than borrow and spend, but Australians also experienced higher costs for paying off their existing loans (especially mortgages.) Nevertheless, over the months since the interest rate rises began to take effect, spending has slowed and inflation has also slowed down.

Activity 2.2

RESPOND

Role of the Reserve Bank

Watch Video 2.1, Role of the Reserve Bank.

1. Apart from influencing interest rates, list two other things the RBA does to help the Australian economy operate smoothly.
2. Outline why it is likely that someone in your household or someone you know has received a cheque or a payment from the RBA.



VIDEO 2.1

Role of the Reserve Bank (01:25)

Australian Competition and Consumer Commission

The Australian Competition and Consumer Commission (ACCC) is an independent authority with the main function of enforcing the *Competition and Consumer Act 2010*. This means promoting **competition** in the marketplace, promoting fair trading and regulating national infrastructure for the benefit of all Australians. The ACCC investigates cases where businesses are considered to be acting in an anti-competitive manner. Anti-competitive behaviour means businesses may be gaining greater profits at the expense of consumers by manipulating the information available to consumers or **colluding** with other businesses to enable them to unfairly increase their profits.

Competition where several businesses in the same market are each trying to be more successful than the others

Colluding coming to a secret arrangement in order to gain a benefit

The ACCC:

- promotes competition and fair trading
- regulates national infrastructure
- investigates cases where businesses may be acting in an anti-competitive manner.

Example

During the 'cost of living' crisis in 2023 and into 2024, Australia's two dominant supermarket chains – Coles and Woolworths, who control more than 70 per cent of all retail grocery sales in the country between them – came under fire from the public and the media over accusations of 'price gouging.' This occurs when retailers have the power to set prices at excessively high levels (well above the cost of supplying the product plus a reasonable level of profit). Many in the public noted that at the same time as supermarkets were rapidly raising their prices, they were also making record profits. In response to these concerns, the Federal Government announced in late January 2024 that the ACCC would conduct an inquiry into 'prices and competition in Australia's supermarket sector.' The ACCC is designed to promote competition and better outcomes for Australian consumers. As noted by the ACCC Chair at the time, 'We know grocery prices have become a major concern for the millions of Australians experiencing cost of living pressures. We will use our full range of legal powers to conduct a detailed examination of the supermarket sector, and where we identify problems or opportunities for improvement, we will carefully consider what recommendations we can make to Government.'

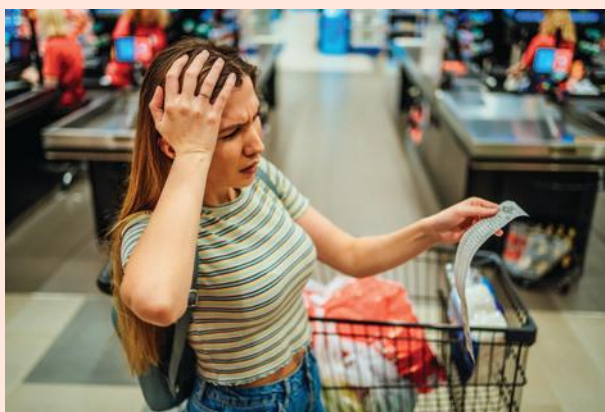


FIGURE 2.4 As Australians struggled with higher prices and the rising cost of living, the Federal Government announced an ACCC inquiry into pricing set by Australia's major supermarkets.

Fair Work Commission

The Fair Work Commission (FWC) is the national workplace relations tribunal. It was set up under federal government law, but operates independently of the government.

The FWC:

- oversees and enforces minimum employment conditions and resolves disputes between employers and employees
- sets the **minimum wage**, to provide a safety net for the lowest-paid Australian employees.

Minimum wage set by the Fair Work Commission in Australia, it is the minimum hourly rate of pay that a paid adult employee can receive for paid work; as of July 2023, the minimum wage was \$23.23 per hour

Gig economy economic activity that is characterised by the worker providing on-demand services, being classified as an independent contractor and where a digital platform mediates the transaction

Example

The increasing popularity of on-demand food delivery services, such as Menulog and UberEats, has led to some debate over the rates of pay and conditions of employment of delivery drivers. These drivers work in what is often referred to as the '**gig economy**'. As contractors, they have historically not been entitled to many of the benefits received by permanent employees in other fields. In 2021, Menulog announced it would move to enter formal employment contracts with many of their delivery workers. As part of this move, they applied to the Fair Work Commission (FWC) to create a new award to cover the on-demand food delivery industry. In 2022, the FWC ruled that food delivery riders should be covered by the Road Transport and Distribution Award 2020. The union representing these workers believes that this award provides the most secure employment conditions for people undertaking food deliveries.



FIGURE 2.5 Working in the gig economy has become an increasingly common choice for younger people, and the FWC has acted to improve some employment conditions for some delivery workers.

The Australian Council of Trade Unions

The Australian Council of Trade Unions (ACTU) is the peak body for most of Australia's union organisations. It represents almost two million workers from nearly 50 different affiliated unions, from a range of industries such as retail, hospitality and the trades (such as electrical workers and miners).

The ACTU often appears in different forms of the media to voice its opinions, on behalf of members, on issues affecting the workers it represents.



FIGURE 2.6 Trade unions act in the interest of their members and sometimes organise rallies and strikes in protest of changes to labour laws, a lack of wage increases or decreasing job security. These protests can help shape government economic policy.

Example

The Transport Workers Union of Australia (TWU) is affiliated with the ACTU and made submissions on behalf of the workers to the FWC during its considerations of Menulog's application for a suitable award to cover the working conditions of on-demand food delivery drivers.

Australian Chamber of Commerce and Industry

The Australian Chamber of Commerce and Industry (ACCI) is a pressure group. It is a representative business organisation that promotes the interests of industry groups and businesses. It represents industry peak bodies and state-based chambers of industry.

The ACCI:

- represents the perspective and interests of businesses and industry groups in lobbying governments
- promotes public discussion on issues that impact the economy
- promotes policies that improve productivity, employment and growth.

Example

In late January 2024, the Federal Government announced a decision to make changes to a series of income tax cuts, referred to as the 'Stage 3 tax cuts', which had been legislated to come into law from July 2024. In response to this announcement, the ACCI issued a joint statement opposing the changes, alongside three other major employer groups and business pressure groups. They argued it was necessary to implement the original tax cut plans to boost productivity and enable Australia's workforce participation rate to increase – getting more people into jobs. They argued that the long-term economic growth of the economy would improve if the original tax cuts were kept in place.

Activity 2.3**CREATE****ACCC and ACTU**

1. Design a postcard that the ACCC could send to all Australian businesses conveying the message that it is illegal to mislead customers by misrepresenting the benefits of their products to consumers.
2. Imagine that you have been appointed by the ACTU as a marketing officer. Prepare a one-page advertisement to encourage Australian workers to join a union.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 2.2**

1. Explain the role of the Federal and State governments in the Australian economy.
2. List two functions served by the Fair Work Commission (FWC).
3. Explain who the ACTU represents.
4. Explain who the ACCI represents.
5. Explain why the ACTU and the ACCI may have differing perspectives on the FWC decision about the appropriate award for on-demand food delivery drivers.



FIGURE 2.7 Construction and maintenance of roads and railway lines are essential services, which are provided or subsidised by State and Territory governments with the assistance of the Federal government. The funds are primarily collected through taxation.

2.3 Economic decision-making and values

Economic decisions are made all the time. Consumers decide what needs and wants they wish to satisfy; producers make decisions about what goods and services will be produced to meet these needs and wants, and the best way to produce them. The government decides what goods and services it needs to provide and how it needs to regulate the activities of consumers and producers. The ACTU and the ACCI decide on how they will attempt to influence the operations of businesses and the economy.

Given that wants cannot all be satisfied due to limited resources, economic decisions are often based on a cost–benefit analysis. The cost to be considered is not just the financial cost of items, but also when one alternative is selected, the benefits of the next best alternative will be forgone (given up). This applies to consumers and producers, as well as to the government and the other participants in our economy.

Scenario 2.1

Opportunity cost

Tilana has decided to travel and meet a friend who is backpacking in Europe. This means Tilana can no longer afford to buy the new electronic scooter she had been saving for as she will spend her money on her holiday instead. She will miss out on the benefits she could have received from buying the electronic scooter, such as being able to use it to visit friends or travel to work, rather than catch public transport.



Activity 2.4

REFLECT

Economic decision

The federal government has decided to increase taxes on businesses that are heavy polluters. Should this money be used to improve hospitals and schools, for income tax cuts, for environmental initiatives, or should it be distributed to increase Centrelink payments?



Activity 2.5

REFLECT

Opportunity cost

Imagine you were given a choice between three options for using your after-school time.

- Your best option is to travel straight home and do some tennis practice in the backyard.
- Your second-best option is to travel straight home and get started on your homework.
- Your third best option is to join friends having a smoothie at a local café.

You choose your best option.

Identify the opportunity cost of your decision.

Satisfying every need and want for all members of society is impossible. Decisions always need to be made about how limited resources should best be allocated.

Economic decisions cannot be looked at in isolation, because decisions made by consumers, producers, the government and the other participants in the economy have broader implications for the whole economy. They will affect the circular flow of income and the level of economic activity. There is increasingly more focus on and expectation that economic decisions will take other considerations into account, such as any impact on the environment. Figure 2.8 highlights some of the factors involved in economic decision-making.

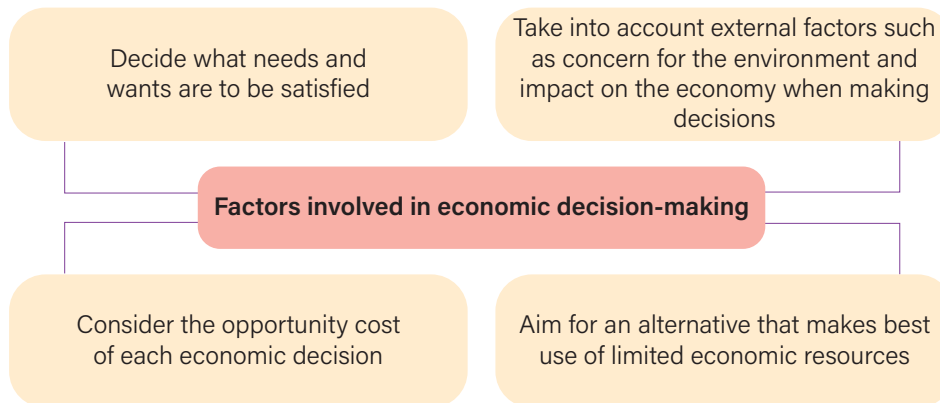


FIGURE 2.8 Factors involved in economic decision-making

Values affect economic decision-making

Values are what people believe in and consider significant. Every individual has their own values system, which can influence the choices they make. In economics, the values shared by consumers, producers, trade unions, industry groups and governments can be quite diverse, and all those different values can influence economic decision-making.

Values what people believe in and regard as significant

Wealth the total amount of assets an individual has accumulated and owns – for example, value of housing, shares and amount held in bank accounts; can also refer to a country

Example

Values affecting economic decisions

Economics looks at how to satisfy the needs and wants of the community and how the income and **wealth** generated in the economy should be shared between members of the community. In recent years, there has been increasing debate about the rates of benefits paid to those receiving JobSeeker – a payment available to adults who are actively looking for work but unable to find employment. Numerous groups, including some business and employer groups, some economists, and social service support groups, advocate for a substantial increase to the benefit rate, arguing that the current rate of benefit provides insufficient income to cover the cost of basic essentials. This is particularly harsh for those who are unemployed for a long time. Economists argue that the low rate of the payment forms a barrier to finding a job, as it is insufficient to allow unemployed people to actively undertake searching for a job, including buying work attire, getting a haircut or going to the dentist. During the first round of COVID-19 lockdowns, the Federal Government introduced a temporary, substantial increase to the JobSeeker benefit – effectively doubling the payment. Early in 2021, this temporary increase was removed.

Example *continued*

In March 2021 the government announced a permanent increase of \$50 per fortnight, which raised the payment for a single person with no dependent children to around \$616 a fortnight. The increase to the benefit was expected to cost around \$9 billion over four years, allocated in the Federal Budget. Despite the increased benefit, recipients would still be living well below the Australian measure of poverty – the Henderson Poverty Line. While government welfare benefits are raised regularly in line with inflation, many still argue that the payment remains too low.

Shortly after the JobSeeker announcements, the government announced significant new spending on defence. Critics of the decision argued that there could be better uses of these funds, including further increasing the payments to recipients of JobSeeker benefits.

These spending decisions clearly indicate the extent to which value judgements influence decisions made by consumers, producers and governments in a market economy.

**Activity 2.6****REFLECT****Values**

1. Consider your own values. What decision would you make in each of the hypothetical situations described below?
 - a. **You are a consumer.** Imagine that you are choosing between taking a holiday in Broome, Western Australia, or travelling to Bali for a resort holiday, which would be significantly cheaper. Which would you choose and why?
 - b. **You are a producer.** When stocking your small supermarket, you have a choice of purchasing sustainably caught prawns, which were fished by Australian trawlers (boats), or imported prawns, which cost quite a bit less and will allow you to make more profit. There have been a number of bad news stories about the poor conditions for workers on international prawn trawlers. Which input would you choose? What values does your decision reflect?

**EXTRA
ACTIVITY 2.1**

Collaborate –
economic decision-
making and values



*Complete the automarked quiz in the Interactive Textbook,
and answer the Review questions on paper or in the Interactive Textbook.*

**Review 2.3**

1. Define the concept of opportunity cost.
2. Explain why it is not possible to satisfy every consumer need and want.
3. Explain how the choice between a substantial increase in JobSeeker payments and the announcement of a government decision to increase spending on defence is an example of how values affect economic decision-making.

2.4 Measuring Australia's economic performance

Living standards

The ultimate measure of Australia's economic performance is the overall **standard of living** enjoyed by Australians. Living standards can be measured in terms of both the **material standard of living** of a person or society and the **non-material factors** that influence quality of life. Increased material comfort can be great, but there are many other factors aside from access to material things that contribute to our quality of life.

Economic activity helps to improve the standard of living of both individuals and the whole of society. This is because economic activity contributes to our material standard of living by allowing us to earn incomes we can use to purchase goods and services. Having a comfortable standard of living is also likely to enhance our non-material quality of life in some ways, by reducing stress and ensuring we can access healthcare and education that will enhance our quality of life.

Standard of living an individual's material quality of life

Material standard of living the ability of individuals and households to purchase or access goods and services; sometimes referred to as 'material prosperity'

Non-material factors those factors that influence a person's wellbeing that cannot be measured by monetary factors, but relate to quality of life



FIGURE 2.9 Economic activity can help societies to improve average material living standards, such as people's capacity to buy a car, and non-material living standards that affect our quality of life, such as time for leisure and connecting with friends.



FIGURE 2.10 A key goal for all participants in Australia's economy

Sustainability valuing Earth's finite natural resources appropriately in order to maintain an ecological balance

Economic objectives government goals or aims – for example, low unemployment, low inflation

Inflation an average rise in the general level of prices of goods and services over a period of time, leading to a reduction in the purchasing power of money

It is also possible that economic activity can have a negative effect on our non-material living standards. This will be discussed later in this chapter.

Measuring the performance of Australia's economy involves collecting data on various indicators of economic performance. These include the level of economic growth, unemployment, inflation, **sustainability**, consumer and business confidence, and how well our quality of life compares with a global standard and those of other countries.

The Federal Government has a number of **economic objectives**, such as promoting full employment, strong economic growth and keeping **inflation** under control. Economic activity tends to fluctuate over time, so government policy-makers need to use a range of suitable **macroeconomic** and **microeconomic** policies to help keep the economy on track and meet their desired objectives.

Some of these objectives may be incompatible. Therefore, delicate decisions between conflicting economic objectives must sometimes be made. For example, meeting the objective of strong and sustained economic growth could make it difficult to achieve the objective of keeping inflation low.



Activity 2.7

RESEARCH

Macroeconomics

the whole economy and the variables affecting it, such as unemployment, inflation, monetary and government budgetary policy

Microeconomics

the behaviour of individuals and businesses within the economy and how they interact with the market

OECD Better Life Index

Which country has the better life?

Locate the OECD Better Life Index website and use it to help you answer the questions below.

1. What does the Better Life Index measure?
2. Decide on several factors you would like to compare. Use the tool on the first page to create your own Better Life Index based on what you value.
3. Collect data on Australia and two other countries of your choosing based on the factors chosen in Question 2.
4. Research reasons for variations between countries.
5. Write up a report comparing Australia's standard of living with that of other countries.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 2.4

1. Define material living standards and describe how they are measured.
2. Define non-material living standards and describe how they are measured.

2.5 Economic growth and the economic cycle

As students of economics and observers of the world around you, you may have heard talk of 'economic growth', 'recessions', economic downturns, unemployment, booms, inflation and other terms that are used to refer to the overall 'health' of the Australian economy. All these terms relate in some way to the level of economic activity. When the level of economic activity is too high or too low, it can create economic problems. It can compromise the 'health' of the economy.

The economic cycle is the name given to the fluctuations that occur in an economy over a period of time. Generally, governments aim for positive economic growth, since this means more jobs are created, more consumer needs and wants can be met and a higher standard of living can be enjoyed by citizens.

Economic growth gives a good economic picture of the health of the economy. The commonly used measure of economic growth is **gross domestic product (GDP)**. GDP is measured by adding together the total amount (in dollars) of all goods and services *produced* in Australia during a year. It is also often expressed in percentage terms to make comparisons between periods easier. If the rate of growth of GDP is greater than 0 per cent, this represents positive growth, whereas a figure below 0 per cent represents negative growth. A rate of GDP growth of 3 per cent, for example, indicates that the value of goods and services produced in the economy this year is 3 per cent greater than last year.

Note that although GDP is measured over a 12-month period, the GDP figures are released every 'quarter' – at the end of three months.

When assessing how much an economy's output has increased, it is important to remove the effects of increasing prices. If the value of a nation's output increases just because average prices have increased, this means there has been no increase in the real amount of actual output. This measure is referred to as 'nominal' GDP – GDP in dollar terms.

To illustrate, imagine that a nation produced \$100 million output in Year 1 and \$110 million in Year 2. If everything also cost 10 per cent more in Year 2 compared with Year 1, there has been no real increase in output – just an increase in average prices. The physical amount of output will not have changed, so there has been no increase in the amount of goods and services available to the consumers in the nation. Growth in **real GDP** removes the effects of increasing prices.

Growth in real GDP means that the real amount of goods and services produced in a country is increasing, which usually means that consumers also have access to more goods and services, and their material living standards are improving. A more accurate measure of improving material living standards for a country's population is the increase in **real GDP per capita**, which takes into account the increase in population. The growth in real GDP is compared with the increase in the population among whom the output will be shared. If the increase in the population is greater than the increase in the value of output in a country, real GDP per capita will fall.

Table 2.1 shows the difference between growth in Australia's GDP, real GDP and real GDP per capita between 2018 and 2023. The measure is from July in the first year to June in the second year. This is called a 'financial year'.

Economic growth an increase in the real value of output produced in the economy over time, usually measured by increase in real GDP

Gross domestic product (GDP) a measure of the value of all goods and services produced in Australia during a year; obtained by adding together the total amount (in dollars)

Real GDP the value of output produced in a country over time, after removing the effects of changes in prices

Real GDP per capita the value of real output in a country divided by its population – so the increase in real GDP per capita is the average growth per person

TABLE 2.1 Australian growth in nominal GDP, real GDP and real GDP per capita, 2018–23

Measure	July 2018– June 2019	July 2019– June 2020	July 2020– June 2021	July 2021– June 2022	July 2022– June 2023
GDP (nominal)	5.7	1.8	5.3	11.7	9.8
Real GDP	2.2	–0.3	2.1	4.2	3.0
Real GDP per capita	0.6	–1.8	1.7	3.7	1.0

Source: ABS, *Australian System of Accounts: Annual estimates of key economic measures, including GDP* (2023).



Activity 2.8

ANALYSE DATA

Growth in GDP

1. Look at Table 2.1. Which measure has grown the fastest and the slowest between 2018–19 and 2020–21? Use the data in the table.
2. Identify one reason why real GDP per capita grew more slowly than real GDP between July 2019 and July 2020.

Limits of GDP in measuring living standards

There are some limitations of real GDP growth (and real GDP per capita) as indicators of living standards. These include:

- Real GDP does not measure all the activity that contributes to people's material standard of living. For example, it does not measure activity that improves our lives but is not traded in the market. This includes home-cooked meals, unpaid care and home-grown food.
- Real GDP does not consider whether increased output has resulted in people having less leisure time or being more stressed. It also does not consider the possible harmful side-effects of increases in output, such as more pollution being created as the economy grows.
- Real GDP does not measure 'black market' activities, such as bartering and cash transactions that are not reported, or illegal activity.
- Real GDP per capita provides an average measure, but it does not tell us how the output is distributed. It is possible that some people receive a very large share of the output (and income), while others receive a much smaller share.



FIGURE 2.11 Criticisms of GDP as a measure of living standards include its failure to account for produce not sold in a market, such as growing our own food in a family garden, and unpaid care.

The economic cycle: how GDP can vary over time

Thinking back to the circular flow model of the economy, there are a number of reasons why the level of economic activity can fluctuate over time. As noted earlier, this fluctuation is referred to as the economic cycle. The causes of fluctuations in the economic cycle include the following:

- If consumers or businesses feel very positive (they have high levels of confidence), they may choose to borrow and spend more. This encourages more output and higher GDP.
- If Australian consumers choose to buy a lot of products (**imports**) from other countries instead of from Australian producers, this reduces the level of spending and GDP falls.
- If foreigners decide they particularly like Australian products – for example, if our pristine beaches and wide-open spaces attract lots of tourists – we may end up selling a lot more products to overseas customers (**exports**), so more products need to be produced, more jobs need to be filled and GDP rises.
- If the federal government decides to reduce the amount of tax all **PAYG taxpayers** pay on their salaries and wages, people have more money to spend so producers need to produce more output, and GDP rises.

Imports goods and services purchased from an overseas seller and sold in the Australian market

Exports goods and services produced in Australia and purchased by overseas countries

PAYG taxpayers those who work in wage or salary jobs and pay income tax instalments each time they receive a payment from their employer

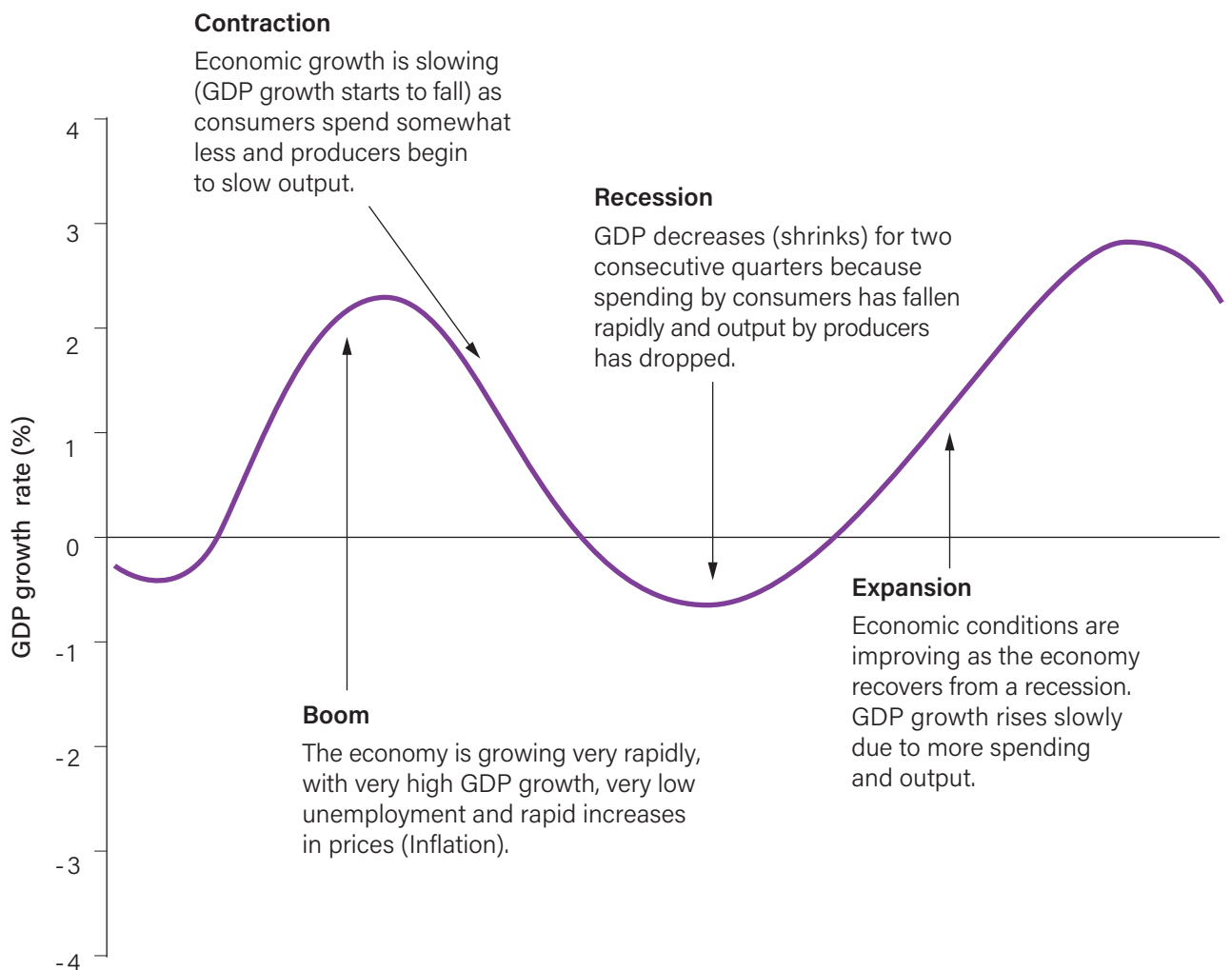


FIGURE 2.12 The economic cycle



Activity 2.9

RESPOND

Economic cycle

Consider each of the situations below and explain whether you think it best describes an economic contraction, recession, expansion or boom:

1. very strong consumer confidence; low unemployment; strong retail spending; rapidly rising prices
2. consumers very nervous about the state of the economy; difficulty finding a job; consumers not spending on luxury items
3. consumer confidence improving; more jobs becoming available; consumers starting to spend more freely.



Activity 2.10

REFLECT

Impact on GDP

Explain the likely impact on GDP (economic growth) of each of the following. To answer, think about whether the event will encourage or discourage spending and production in the economy. Here is an example.

The US government imposes taxes to discourage Americans from buying products from other countries.

If the US government made it more difficult for Americans to buy products from other countries, they may stop purchasing so many Australian products. This would lead to a decrease in exports from Australia. If Australian producers are selling fewer products, they will probably reduce their output, and this will reduce GDP.

1. The enormous popularity of smartphones means Australians are buying a lot more iPhones, Samsung Galaxies and Google Pixel phones. They are all made overseas.
2. The government announces it is going to spend an extra \$10 billion on building new roads next year. This will create more jobs.
3. Consumers feel pessimistic about their current employment conditions (they are worried they may lose their jobs), so they save more.
4. The Federal Government increases the PAYG tax rates paid by all taxpayers.
5. Banks are worried about risks due to a resurgence of COVID-19, so they make it harder for consumers and businesses to borrow money.
6. Chinese factories decide to decrease the amount of coal and iron they buy from Australia as they reduce their steel production, due to slowing demand for building products.



WORKSHEET

What is an economy?



EXTRA CASE STUDY 2.1

The COVID-19 pandemic and the Australian economy

Other indicators of Australia's economic performance

We can use economic growth as one measure of the performance of Australia's economy. In order to assess the performance of the Australian economy, a range of other economic measurements or indicators can also be used.

Table 2.2 identifies some of the key economic indicators used in Australia, in addition to GDP.

TABLE 2.2 Some key economic indicators

Key economic indicator	Description of economic indicator and how it is measured
Inflation rate	Expressed as a percentage, inflation represents an increase in the general level of prices across the economy and is measured by the Consumer Price Index (CPI).
Unemployment rate	Expressed as a percentage, the unemployment rate is a measure of the number of people aged over 15, actively seeking work but not able to find it.
Measures of Australia's Progress (MAP)	Expressed in terms of performance on a series of measures, MAP is designed to help answer the question 'Is life in Australia getting better?'
Sustainability indices	The Dow Jones Sustainability index assesses the environmental, social and economic sustainability of corporations.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 2.5

1. Describe the difference between GDP and real GDP.
2. Describe the difference between real GDP and real GDP per capita.
3. Identify which of GDP, real GDP and real GDP per capita provides the best measure of material living standards in a country.
4. List two limitations of real GDP as a measure of living standards.
5. Explain why economic activity fluctuates over time.
6. What is an **economic recession**?
7. Explain how unemployment and inflation are each measured.



Economic recession when GDP declines for two consecutive quarters, there is a decline in demand from consumers and a drop in output by producers, and the employment market is weak

2.6 Current Australian economic growth performance

Prior to the COVID-19 pandemic, Australia consistently experienced economic growth, as GDP grew in almost every quarter. The enormous impact of the COVID-19 pandemic-related measures on the economy is explored in Extra Case Study 2.1 which is available in the online version of the textbook. In brief, in 2020 Australia entered its first recession in 30 years. Economic growth was negative (below zero) for two quarters in a row. Since then, the Australian economy has been in the 'expansion' stage of the economic cycle as economic conditions improved with the opening up of the economy and more economic activity. This is shown in Figure 2.13. Until 2020, Australia's GDP grew, albeit more slowly than in the preceding 10 years. This can be seen in Figure 2.13 where the 'Year-ended' GDP growth is on average closer to 2 per cent, while it was more often closer to 3 or 4 per cent between 1997 and 2007. Then in 2020, GDP growth became negative, falling below zero. GDP growth then became positive again in early 2021 and, apart from one three-month period leading up to the end of September 2021, has been in positive territory since then. However, more recently economic growth has slowed rapidly – with quarterly rates since 2022 adding up to around 2 per cent GDP growth per annum on average.

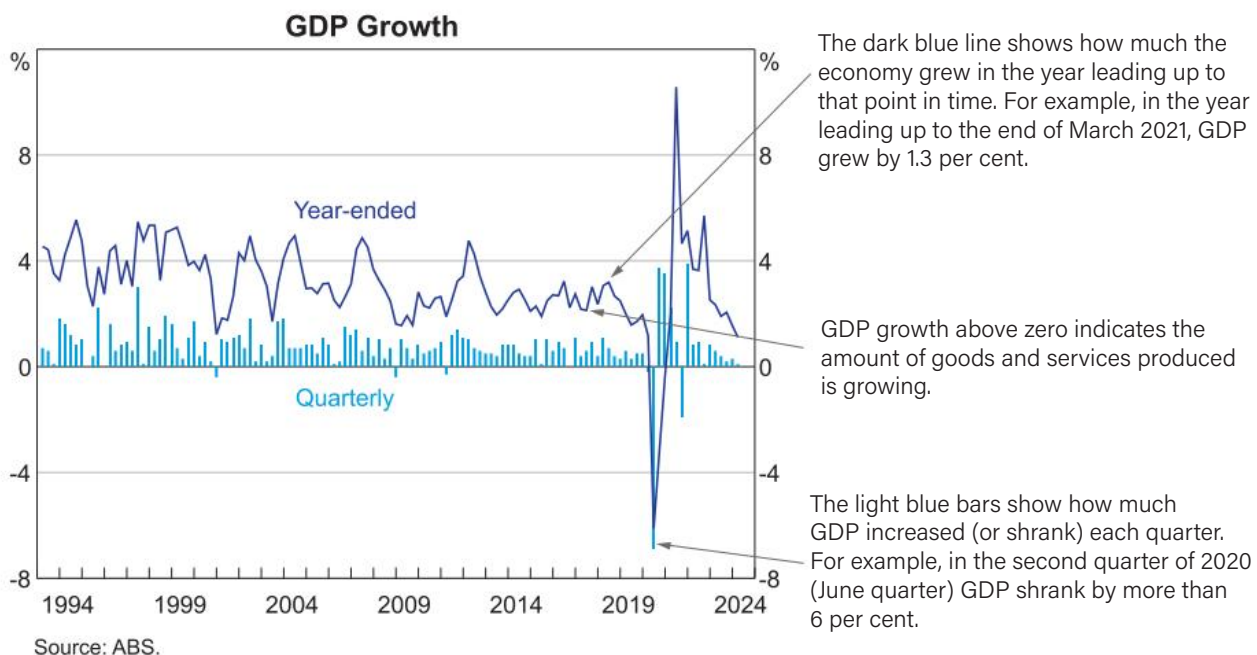


FIGURE 2.13 GDP growth

Source: Reserve Bank of Australia, *The Australian Economy and Financial Markets Chart pack*, June 2024



Activity 2.11

ANALYSE DATA

Australia's GDP growth

Use data from Figure 2.13 to answer the following questions:

1. Describe the impact of the COVID-19 pandemic (from March 2020) on Australia's GDP.
2. Identify the highest level of GDP growth in Australia in the last 10 years.

Interpreting economic charts

The ability to interpret reports about current national economic conditions and explain how these can influence the decision-making process of consumers, producers and government policy-makers is an important skill.

For many people, it is easier to understand economic data presented in a graph than the same information presented in table or written format. In fact, every graph tells a story, and being able to interpret this story will help you to understand more about how Australia is performing as a country.

A few tips on reading economic graphs/charts:

- Explain what is being measured in the graph.
- Describe the general 'trend' in the data – is it going up or down overall?
- With data that measures growth in something positive (such as economic growth), an upward trend is favourable and a downward trend is unfavourable

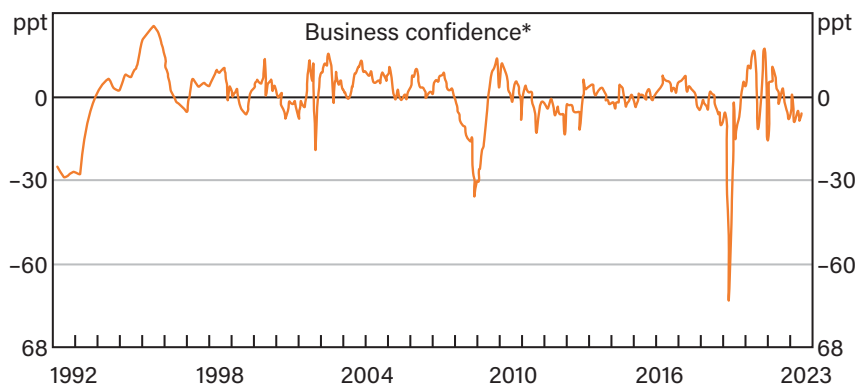


EXTRA
ACTIVITY 2.2
Create – RBA
Snapshot tool

Two measures that have a significant effect on the willingness and ability of households and businesses to borrow and spend, and that therefore affect economic growth, are business confidence and consumer confidence (also called consumer sentiment). When the figures are considered 'favourable' they are likely to encourage more economic growth, and when they are considered 'unfavourable' they are likely to have a negative impact on economic growth.

Business confidence

Expressed as a percentage above or below zero, business confidence indicates how optimistic (above 0) or how pessimistic (below 0) businesses feel about the company's prospects.



*Net balance; deviation from average since 1989.

FIGURE 2.14 Business confidence

Source: Reserve Bank of Australia, *The Australian Economy and Financial Markets Chart pack*, August 2023

Consumer confidence

Expressed as a number above or below 100, consumer confidence indicates how optimistic consumers are feeling about their current economic situation, such as incomes and jobs, and therefore how likely they are to save money or spend money in the economy. A measure above 100 means there are more optimists than pessimists and a number below 100 means pessimists outweigh optimists.

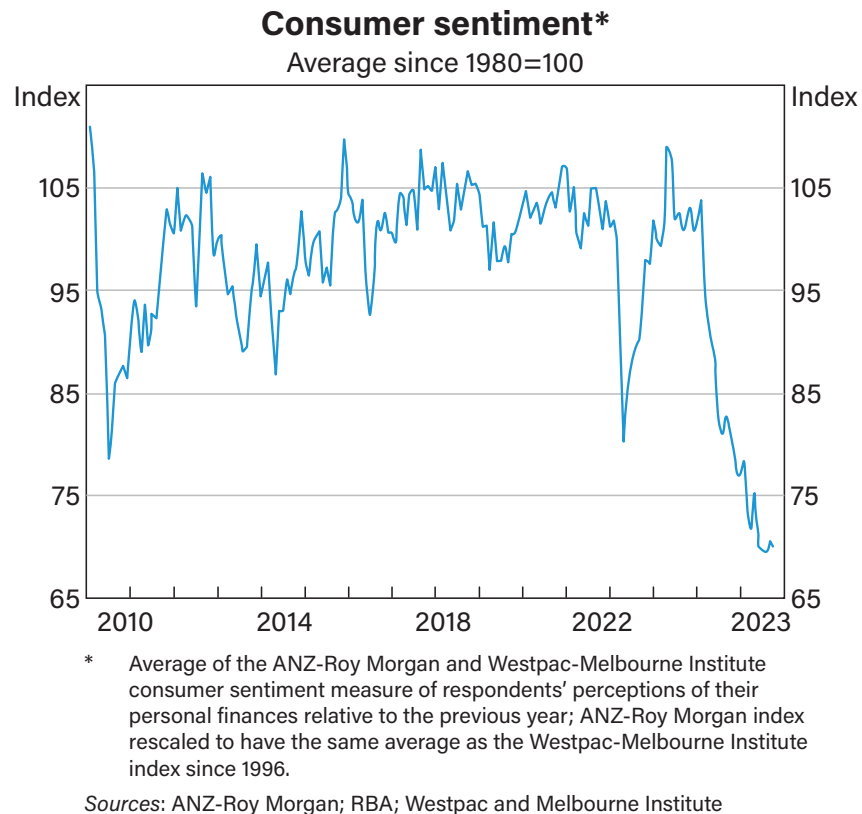


FIGURE 2.15 Consumer confidence

Source: Reserve Bank of Australia, *The Australian Economy and Financial Markets Chart pack*, August 2023



Activity 2.12

ANALYSE DATA

Look at the two charts of business confidence in Figure 2.14 and consumer confidence in Figure 2.15. For each graph, comment on:

1. what the graph represents and what it says about current levels of confidence in the economy
2. whether the recent levels of confidence shown in the charts are likely to be positive or negative for economic growth
3. whether there is an alternative way to present this information that may be easier to understand.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 2.6

1. Define business confidence.
2. Define consumer confidence.
3. Explain what a consumer confidence measure of 120 would mean about optimists compared to pessimists among Australian consumers.
4. Identify whether the following results would be considered favourable or unfavourable:
 - a. business confidence of -15 percentage points
 - b. consumer confidence of 90.

2.7 Measuring and tackling unemployment

Unemployment results when an economy is unable to generate enough jobs for those workers who are willing and able to work. Traditionally, an important economic objective of successive federal governments is to provide **full employment**.

The Australian Bureau of Statistics (ABS) measures the level of unemployment. To be classified as unemployed, a person must be aged over 15, actively seeking work and not currently working. The ABS defines employed persons as: 'All persons aged 15 years and over who (during the week of the employment survey) worked for one hour or more for pay, profit, commission or payment in kind in a job or business or on a farm.' This means that those working more than one hour per week in paid employment will not be classified as unemployed, even if they would like to work more hours than they currently do.

Full employment a situation where every person who is willing and able to work is able to find employment, at a level consistent with low and stable inflation

Unemployed – people who are not in a paid job, but who are available and actively looking for work.

Employed – people who are in a paid job either full time (at least 35 hours per week) or part time (for one hour or more in a week).

Not in the labour force – people who are not in a paid job, and who are not looking for work.

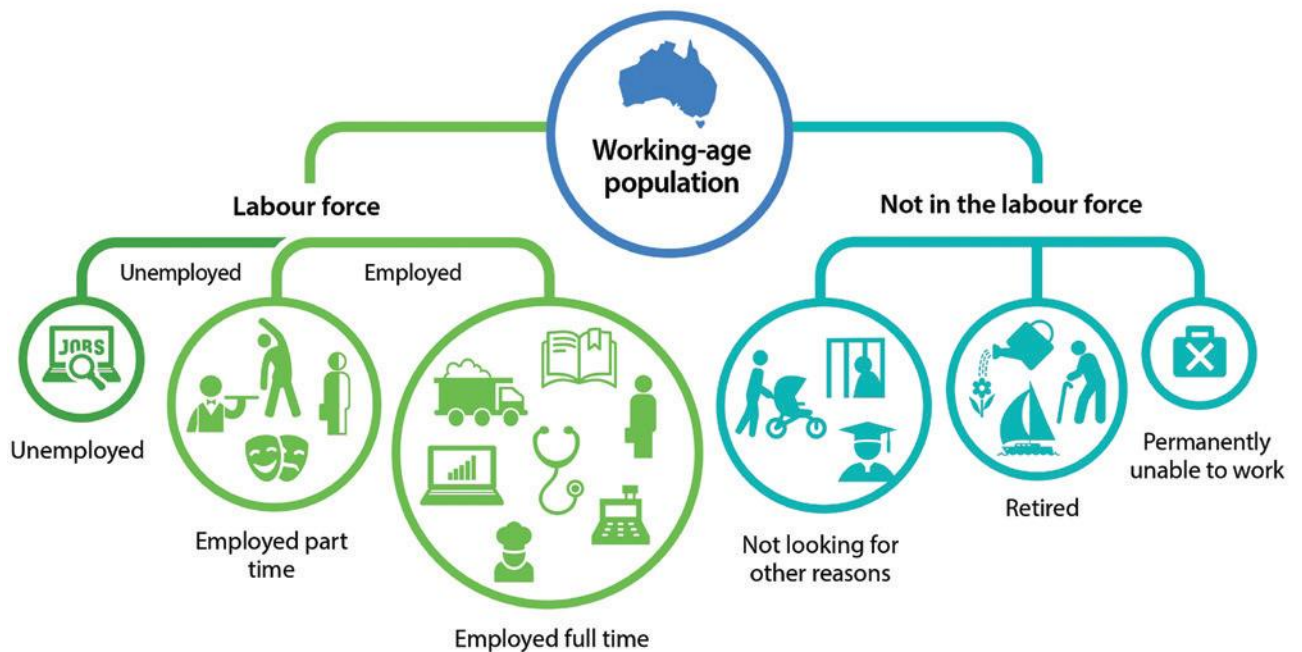


FIGURE 2.16 Labour market classifications

Source: Reserve Bank of Australia

The unemployment rate can be influenced by the participation rate. A higher **participation rate** means more people are actively seeking work, potentially increasing the unemployment rate if those people are unable to find a job.

There are different classifications of unemployment. Table 2.3 summarises the main types of unemployment experienced in Australia.

Participation rate the percentage of the working-age population making itself available for work

TABLE 2.3 Types of unemployment

Type of unemployment	Explanation
Seasonal unemployment	Factors usually related to the climate or seasons that cause some workers to be out of work at certain times of the year <i>Example:</i> cherry pickers are very busy during the summer months, but may struggle to find work at other times of the year
Structural unemployment	Where workers have skills that are not needed by the jobs that are available, often as a result of changes to the way the economy is structured and operates <i>Example:</i> many manufacturing workers have been replaced by machinery and robotics, which results in unemployment if workers are unable to retrain for new positions
Cyclical unemployment	Changes in the economic cycle (as explained earlier), such as a downturn in the Australian economy <i>Example:</i> less spending leads to a drop in demand for workers producing goods and services, and job losses
Frictional unemployment	When people are leaving one job to look for another, there will often be a short time of unemployment before a new position is found
Long-term unemployment	These are people who have been out of work for 12 months or more and struggle to find jobs, possibly due to lack of experience, education or skills, or because of personal difficulties

Scenario 2.2**ABS unemployment classification**

**EXTRA
ACTIVITY 2.3**
Collaborate –
unemployment
scenarios

**FIGURE 2.17** Searching for work can be time-consuming, overwhelming and stressful.

Aadthana currently works eight hours a week at a supermarket, but wishes she were in full-time employment. Faisal is ready to start work at any time but currently is not employed anywhere and is actively seeking a job.

In these examples, Faisal is classified as unemployed – he is actively seeking work and currently does not work at all. However, Aadthana is not classified as unemployed because she is working for more than one hour each week in paid employment.

Why unemployment is a problem, and what can be done to reduce it

Why is unemployment a problem? Think back to the circular flow of income. High unemployment affects the performance of the economy. Unemployed people earn much lower incomes (or no income) compared with those in work. This means that they have less money to spend in the economy, which in turn impacts on economic growth and makes achieving other government economic objectives difficult.

Unemployment often rises when economic growth is too slow because businesses don't need as many workers to produce output – for example, during a contraction (downturn) and definitely during a recession.

Other positive reasons for the government to prioritise keeping unemployment low include the following:

- **Reducing the need for welfare payments.** High unemployment results in more government spending on welfare.
- **Social benefits.** Being unemployed can affect a person's self-esteem, health and opportunities for social contact with other people.
- **Unemployment is an inefficient use of resources.** Labour resources are sitting idle and not being used efficiently, as they would in the workplace.

Figure 2.18 outlines some of the policies governments can use to tackle unemployment.

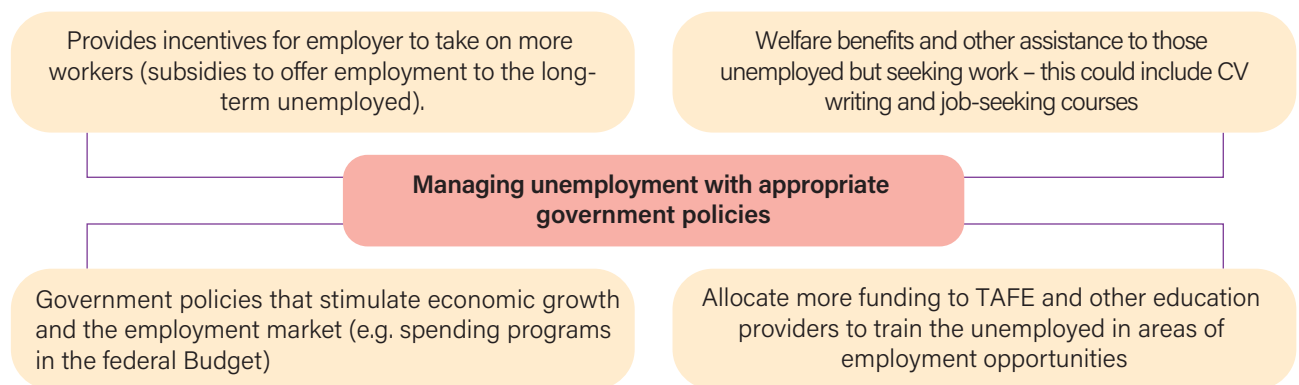


FIGURE 2.18 Managing unemployment

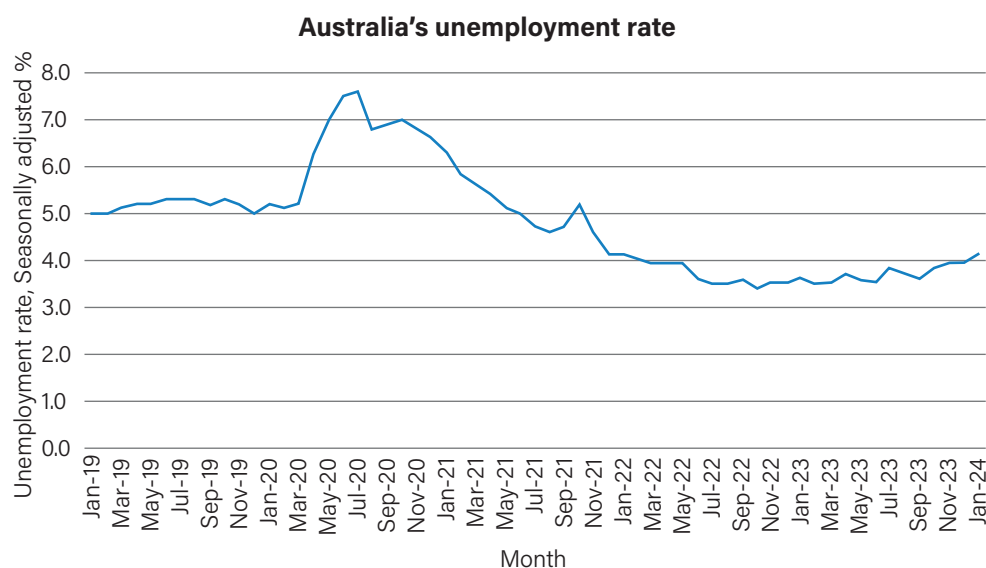


FIGURE 2.19 Australia's unemployment rate, January 2019 to January 2024

Source: Seasonally adjusted data taken from ABS, *Labour Force Figures*, January 2024.



Activity 2.13

ANALYSE DATA

Under-employment

those who are employed but are available and want to work more hours than they do

Recent unemployment performance

1. The graph in Figure 2.19 shows the unemployment rates between January 2019 and January 2024. Describe the trend in unemployment since early 2021.
2. Explain why Australia's unemployment trended in this direction over the period described in Question 1.

Case study 2.1

Unemployment is not the whole story for those who want and need work: under-employment and insecure work

During the COVID-19 recession of 2020, Australia's unemployment rate rose rapidly, peaking at over 7 per cent in mid-2020. Almost 900 000 jobs were lost. From then, however, the unemployment rate trended downwards until mid-2023. At the same time, **under-employment** also fell, hitting a low of 5.8 per cent in January 2023. Since mid-2023, unemployment has been trending upwards and so has under-employment, with 6.6 per cent of the labour force (over 950 000 people) still under-employed in January 2024. The under-employed are those who have employment but are available and willing to work more. The age group with the highest rate of under-employment is those between 15 and 24 years.

The prevalence of under-employment has consistently been greatest in the lower skilled occupation groups, and lowest in the higher skilled groups.

In addition to under-employment, insecure (precarious) work – casual employment and work in the gig economy – is increasingly common. This type of employment has no guarantee of conditions often associated with employment, like regular hours, ongoing work, and paid sick or holiday leave. This has long been a common mode of employment for younger people. But increasingly more jobs are becoming less secure. In the most recent Australia Talks survey

(conducted by the ABC in 2021), 88 per cent surveyed said they thought job insecurity was a problem in Australia, and more than a quarter (27 per cent) were concerned they might lose their job within the next 12 months.

1. Explain the difference between unemployment and under-employment.
2. Classify each of the following people according to whether they are unemployed, under-employed, casually employed or not in the labour force (not working and not seeking a job.) (Note: some may be more than one.) Explain your classifications and compare them with those of a classmate.
 - a. a 15-year-old Year 10 student, studying full time
 - b. a café employee who works 20 hours a week but wants more shifts
 - c. a nurse who happily works part time because he looks after his children
 - d. a barista who only works when her boss calls her in, about once every few weeks
 - e. a hairdresser who works a total of 40 hours a week at two different salons
 - f. a qualified gym instructor who has applied for 15 jobs this month but can't find one
3. Which particular workers does under-employment and gig or casual work affect the most? Consider how under-employment might affect living standards.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 2.7



1. Explain the difference between frictional unemployment and seasonal unemployment.
2. Explain the difference between structural unemployment and cyclical unemployment.
3. Explain why the existence of frictional unemployment means that it is not likely to be possible to achieve an unemployment rate of 0 per cent.
4. Describe how the official rate of unemployment is measured and who measures it.
5. According to the definition provided by the ABS, which of these people are considered unemployed?
 - Tina currently spends three hours a day applying for positions advertised in the newspaper. She is ready to start a new job today as she currently doesn't work.
 - Juan is a Year 9 student aged 14 years and nine months. He has begun the search for a casual after-school position.
 - Gabriella works three hours a week at a newsagency. As this does not provide her with much income, she is very keen to take on more hours in another position.
 - Phillip was injured in a fall last week in his job as a painter. As he now has six weeks' paid sick leave owing, he has decided to use this before returning to his job.



FIGURE 2.20 Spending on training and skills development is one policy government can use to reduce unemployment.

2.8 Measuring and tackling inflation

Inflation is an economic issue that has the potential to greatly influence the performance of the Australian economy. Inflation occurs when the average price level of goods and services rises over time. Inflation is often referred to as an increase in the 'cost of living'.

Consumer Price Index (CPI) comparison of the costs of a basket of goods and services bought by consumers to see what price movements there have been over time

The ABS measures inflation using the **Consumer Price Index (CPI)**. The inflation rate is usually expressed as an annual rate. During the 1970s and 1980s, Australia had very high levels of inflation, with some years experiencing rates in excess of 15 per cent. Currently, the government and the Reserve Bank of Australia consider an inflation rate of between 2 and 3 per cent each year to be an acceptable and healthy level of inflation. This is called the inflation target.

EXAMPLE

Over the twelve months to the December 2022 quarter, the CPI rose 7.8 per cent. This means that if your trolley of shopping items at the supermarket cost \$100 at the beginning of that year, by the end of the year the same trolley of groceries would cost you approximately \$107.80.



FIGURE 2.21 During 2022, the CPI rose 7.8 per cent.

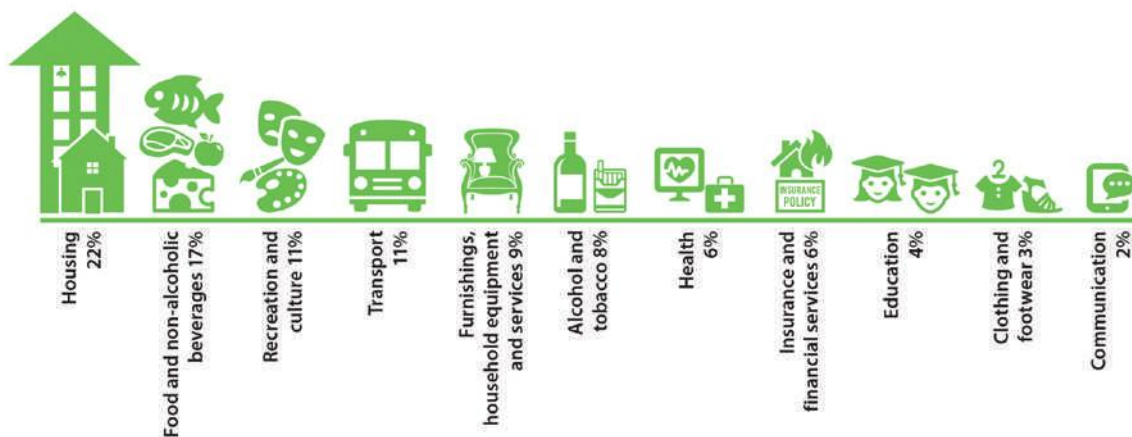
Regimen the basket of goods and services (approximately 100 000 items) that make up the main purchases of households in the eight Australian capital cities. It is used by the ABS to measure the CPI

The CPI

Every three months, the ABS collects prices on the same basket of goods and services. This basket, also called the **regimen**, includes over 100 000 products that are purchased by consumers. The basket is then divided into 11 categories. In order to determine whether average prices have risen, the ABS weights each of the price changes according to the percentage of household expenditure spent on that product. For example, the transport category accounts for around 11 per cent of household spending, whereas clothing and footwear only account for 3 per cent of spending. Increases in the price of transport (such as higher petrol prices and increases in public transport fares) would be weighted more heavily than increases in the prices of clothing when calculating the change of average prices overall. This is because increases in the price of transport would have more impact on a household's cost of living than increases in the price of clothing.

To calculate the rate of inflation, the ABS compares the cost of purchasing the 'basket' in one period of time with the cost of purchasing the basket in the previous period. The increase in the cost becomes the rate of inflation.

Groups in the CPI basket and their weights



* Numbers do not add to 100 per cent due to rounding.

FIGURE 2.22 The CPI basket (regimen) and their weights

Source: RBA

Activity 2.14

RESEARCH



CPI and inflation

- Use the Australian Bureau of Statistics (ABS) website to answer the following questions. (If you cannot easily find the information, refer to the downloadable Word version of this activity for step-by-step instructions.)
 - Find the current CPI figure. Is the current rate within the RBA's 'target band' for inflation of 2–3 per cent? Explain whether inflation in Australia is currently too high, too low or 'just right'.
 - Find the CPI 'Key statistics.' Identify two of the items listed having the most significant price rises and note down the percentage increase in their prices.
 - List the 11 groups that make up the CPI basket, and next to each group, list two items you or your family purchase that would be included in calculating the CPI.
 - Use the list of CPI categories created in part c. Rank the categories from the category on which you think your family spends the most to the least.
- At home, talk to members of your family about recent price changes. Do they think inflation is currently high or low? Ask them to identify which prices are rising most rapidly, and which prices are not rising rapidly.
- At the end of World War I, the German government printed huge amounts of money to solve the country's severe economic problems. Type the words 'Germany hyperinflation' into a search engine to research how effective this strategy was. From your research, explain why all governments don't just print more money to pay off their debts.



EXTRA ACTIVITY 2.4

Create – RBA
Inflation Explorer

Possible reasons for high inflation

The following are the main reasons for high inflation:

- Strong economic growth.** During an **economic boom**, the economy is growing at a rapid rate and production is at capacity so it can be difficult for producers to access more resources to increase their output. Producers and retailers may increase their prices to take advantage of the strong economic climate.

Economic boom

when GDP grows rapidly, with a strong employment market and strong spending and confidence shown by consumers and producers

- **Inflationary expectations.** This can be a problem during times of high inflation if consumers believe prices will keep increasing at a fast rate. Workers (who are also consumers) may demand large pay rises to compensate for the expected future higher inflation rate.
- **Costs of inputs.** Substantial rises in the cost of inputs, such as petrol or wages, can flow through to the wider economy and put pressure on the inflation rate.



FIGURE 2.23 High inflation can severely impact the day-to-day life and budgets of Australian families.

Effects of inflation

Inflation has a number of undesirable side-effects.

Gap between rich and poor

High inflation can make the gap between rich and poor much bigger. This is because inflation leads to a redistribution of income, making some better off and some worse off during inflationary times.

Those on fixed government benefits, such as pensioners or people on unemployment benefits, will find the purchasing power of their income reduced. They will be less able to afford goods and services unless their benefits are increased substantially. In contrast, people owning assets such as property are usually better off, as the value of these assets tends to rise during times of high inflation.

Economic performance

Inflation can unfavourably affect the performance of the economy. In times of rising oil, grocery and energy prices, consumer confidence can fall as airfares, petrol and electricity bills all go up in price. Increasing prices of necessities means less money is available for general retail, unfavourably affecting this sector of the market.

What the government can do about inflation

The RBA implements and provides the direction for monetary policy in Australia. Monetary policy is a strong economic tool that can be used by the RBA to help keep inflation under control. The RBA has set a medium-term objective for inflation of between 2 and 3 per cent and uses interest rates (namely the cash rate) to achieve this. If the RBA does change interest rates, the effect flows through to economic activity. An increase in interest rates equals a rise in the cost of borrowing, and this generally leads to a slowdown in consumer and business spending. Conversely, a decrease in interest rates equals a fall in the cost of borrowing money. This generally leads to an increase in consumer and business spending.

If the RBA believes that inflation is likely to be too high in the near future, it is likely to increase interest rates to slow the economy down and reduce inflationary pressures. Higher interest rates mean higher loan repayments for both households and businesses. This means consumers will have less cash left over for shopping, reducing retail sales and taking pressure off prices. On the other hand, they also want to ensure inflation is not too low, as this can indicate an unhealthy economy, with too much unemployment.

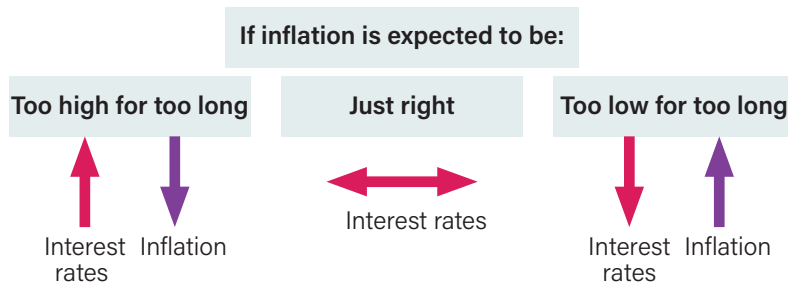


FIGURE 2.24 How the RBA responds to inflation

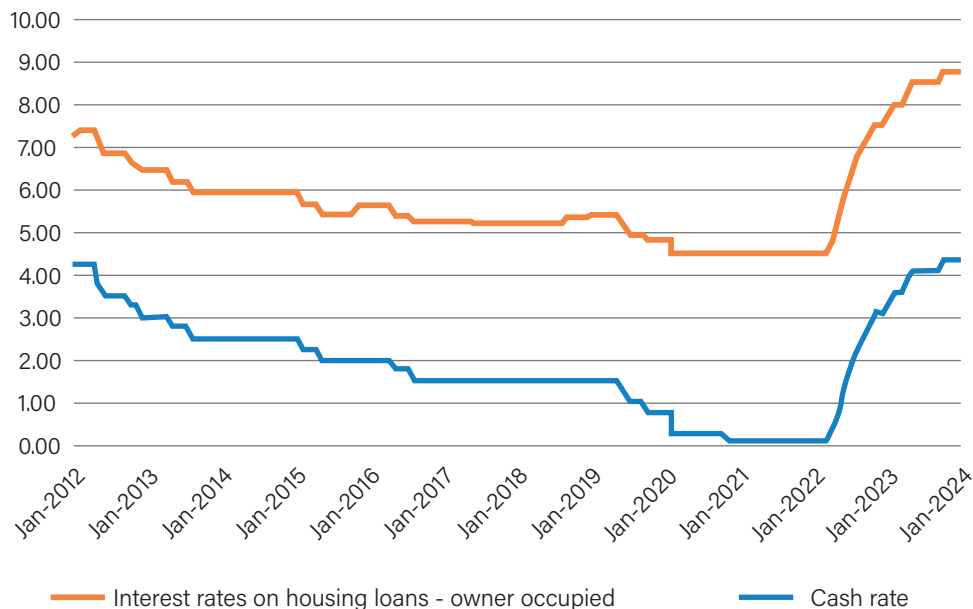


FIGURE 2.25 Housing loan interest rates and the RBA cash rate

Activity 2.15

ANALYSE DATA



1. Look at Figure 2.25, which shows Australia's housing loan interest rates over time.
 - a. Describe the trend in housing loan interest rates between 2012 and early 2022.
 - b. Describe the trend in housing loan interest rates since early 2022.
 - c. Explain the likely effect on Australia's economy of the trend you described in part b.

Activity 2.15 *continued*

2. You are a member of the RBA Board for the day. Examine the hypothetical data in the two scenarios below. For each scenario, explain what the RBA would be likely to do. In your answer, explain the likely impact on spending, economic growth and inflation of *your* RBA decision.

a. China is struggling. After decades of extremely strong economic growth, Australia's major trading partner China is struggling. Recently, its largest construction company failed, and as a consequence China has decreased its demand for our exports of coal and iron ore. The unemployment rate will be likely to rise, and Australian producers say they are expecting to have very few job vacancies. In fact, they are saying they may have to begin cutting back on extra benefits for their existing staff, and may offer lower wages to new employees. Because of this, they are saying they have no intention of increasing their prices, since consumers are clearly feeling less confident. Consumers are borrowing less, spending less and feeling cautious enough to want to save more of their income each week – just in case. The ABS has reported the CPI inflation rate was 1.2 per cent last year.

b. Consumers feeling buoyant. Recent strong retail sales figures indicate that consumers are feeling very positive about the economy. Unemployment is at an all-time low, and many employers are having to offer higher wages to attract new workers, as they struggle to fill job vacancies. Producers say that because consumers are spending so strongly, they simply can't keep up, and have had to raise their prices to cover the costs of paying higher wages and higher prices for the inputs they use. The ABS has reported the CPI showed inflation last year was very high – with average prices rising by more than 5 per cent.



EXTRA CASE STUDY 2.2

Unintended
consequences of
economic decisions



*Complete the automarked quiz in the Interactive Textbook,
and answer the Review questions on paper or in the Interactive Textbook.*



Review 2.8

1. Define 'inflation.'
2. What is the CPI?
3. Outline how the CPI is constructed.
4. Describe the importance of low inflation to the performance of the economy.
5. Describe how inflationary expectations can cause high inflation.
6. Explain why high inflation tends to widen the gap between rich and poor.
7. Identify what the RBA would be likely to do with interest rates if they thought inflation would be too high over an extended period of time.
8. What effect would a substantial rise in interest rates have on each of the following groups:
 - a. a family with four young children and a home loan
 - b. a young couple with no loans who have \$50 000 invested in an online savings account
 - c. a new small business owner who has borrowed substantially to open a business?

2.9 The Federal Budget

Each year, the Federal Treasurer presents the annual Federal Budget. This is referred to as **budgetary policy**, where the government of the day forecasts expected government receipts (money coming in, mostly from taxes) and expected outlays (money going out, spent on the provision of goods and services for the community) for the coming 12 months. The Federal Budget is the way money is allocated for various government projects. It is also a useful macroeconomic tool to help the government manage the economy. It can be used to promote economic growth and employment or reduce inflation. It can also be used to promote certain social and community goals, such as education and providing healthcare, or addressing disadvantage in certain communities.

Budgetary policy an economic tool of the government concerned with the level and composition of government outlays and revenues; it can be used to assist in achieving economic objectives

Outcomes of the Federal Budget

When the Federal Treasurer presents the annual Budget, there are three types of possible outcomes:

- **budget surplus** – when expected receipts are greater than expected outlays
- **budget deficit** – when expected receipts are less than expected outlays
- **balanced budget** – when expected receipts are equal to expected outlays.

Table 2.4 shows that in 2023–24 there was an expected Budget deficit of \$13.9 billion. This contrasts markedly with the Budget surplus of \$22.1 billion in the previous year's 2022–23 Budget. In addition, the 2020–21 Budget ultimately ran a record-high deficit of \$134.2 billion. This was to support the economy during the COVID-19 crisis, which included economic shutdowns and border closures. The massive economic impact resulted in very significant extra government spending and reduced receipts from taxation. (This is discussed in detail in Extra Case Study 2.1 in the online version of the textbook.) As the Australian economy recovered from the COVID-19 downturn in 2022–23, and the global economy also improved, Australia's Federal Government collected increased taxes from higher employment and from the profits of successful resource exporting companies.

TABLE 2.4 Recent budget outcomes

	Actual	Actual	Estimate	Estimate
	2021–22	2022–23	2023–24	2024–25
Underlying cash balance (\$billion)	–134.2	22.1	–13.9	–35.1

Sources: Budget 2023–24 and MYEFO 2021–22.

Impact of the Federal Budget on economic activity

The Federal Budget can have an impact on economic activity.

- **Deficit.** The government would use a Budget deficit or increase the size of the existing deficit if it wanted to increase economic activity (for example, if there was a recession) by pumping more money into the economy.
- **Surplus.** The government would use a Budget surplus or increase the size of the existing surplus if it wanted to reduce the level of economic activity (for example, if the economy was very strong, and running at full capacity with inflationary pressures).



Activity 2.16

RESEARCH

Federal Budget

1. Go to the Federal Budget website. What were the main points in this year's budget? Were there any obvious Budget 'winners' or 'losers'? (A good source of basic information is the glossy 'Budget at a glance' document)
2. From the Budget website, choose a positive budget initiative, such as spending on education and training programs and subsidies. Briefly explain the details of the program and how it is likely to improve the living standards of those affected.
3. Investigate different economic issues that could impact on the Australian economy (for example, inflation and interest rates). Collect three relevant articles from newspapers and summarise the source of and key points about each article. Demonstrate your results to your class in a five-minute presentation.
4. Read the following scenario.

Treasurer for a day

You have just been appointed to the position of Federal Treasurer. This is your chance to shine on the national stage and sell the government's intention of being a good economic manager with a commitment to a fair society. Assume the economy is currently experiencing an economic slowdown, so you are intending to announce that next year will see a large Budget deficit to stimulate the economy and to encourage consumer spending. You are concerned that Australian voters might react negatively to your idea of running a Budget deficit next year so you are keen to promote the reasons why Australia needs a Budget deficit.

Write a two-minute speech that could be used to sell the current year's Budget. For guidance about what you might include in your speech, research online and find what was said at this year's Budget launch. Remember that this is an important promotional tool for any federal government, so you need to be upbeat and positive, and sell the benefits of the Budget to the Australian people.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 2.9

1. Describe what a Budget deficit indicates about the relationship between the money received by the government and the money spent by the government over the course of a year.
2. Describe a 'balanced' budget.
3. Describe what happened to the size of the Budget deficit between 2021–22 and 2022–23. Identify the main cause of the change in the Budget deficit.
4. Explain how a Federal Budget can be used to influence the level of economic activity if economic activity is too low.
5. Explain how a Federal Budget can be used to influence the level of economic activity if economic activity is too high.



FIGURE 2.26 Federal Treasurer Jim Chalmers at a press conference about the 2023–24 Budget, which was presented to Parliament on 9 May 2023.



Consolidate your learning

Dear Economist

You have been approached by a business magazine that wishes to introduce a new column called 'Dear Economist' where readers write in with any economics questions they have. As the editor knows you have been learning about economics, she wants you to take up this exciting new position. The first three letters from readers have arrived and are shown below. Your task is to reply to each letter and help answer their economics queries.

To find information about what an economist does, visit the Economic Society of Australia's website or the Reserve Bank of Australia's Education webpage.

Letter 1

Dear Economist,

My partner has been unemployed for the last eight months. She is still actively seeking work as a front-of-house staff member in the cinema industry. Could you explain to me what causes unemployment and whether there is anything the government can do to solve the problem? Concerned, Reservoir

Letter 2

Dear Economist,

I have noticed that each time I shop for groceries and petrol, prices of the necessities seem to have risen and yet my income is not increasing. Can you please explain what the government means when it talks about 'inflation' and what causes prices to rise? Is there anything the government can do to make life a bit more affordable? Worried, Bendigo

Letter 3

Dear Economist,

I am wondering just how good life in Australia really is. I hear a lot about 'economic growth' and GDP and I know we live in a prosperous society but I sometimes wonder whether we focus too much on money and ignore the most important things. People seem quite stressed and I wonder just how happy Australians are. Can you please explain to me whether Australians are better off materially than we were 20 years ago and whether GDP is the only, or even the best, way of measuring our overall living standards. Confused, Balwyn

Report card on Australia's economy

In this chapter, you have learned a lot about the different indicators used to measure the performance of Australia's economy. As a student, you will have experienced having your performance evaluated many times – in reports! Now it is time for you to evaluate the overall performance of Australia's economy.

1. Present your findings as a report card on the Australian economy, assigning a grade and brief comment on each area of performance, and an overall grade for the economy in the last two years. What are the areas that need attention? What are the areas of strength in Australia's economy?
2. Collect data on Australia's recent performance in terms of each of the measures studied:
 - economic growth
 - inflation

- unemployment and under-employment
 - Federal Budget outcome
 - overall living standards/how Australia is progressing overall.
3. Visit the RBA Education page for the data. There are several options to choose from. You can also use the websites referred to throughout this chapter and news sites to find updated data on some of the measures.
 4. Present your report card using an appropriate structure, and be creative in your design.

Economic Idol

Imagine living in an economy with low unemployment and no under-employment, low inflation – an environmentally sustainable economy with a high standard of living. This task requires you to consider what you would do to help solve some economic problems in order to achieve such an outcome.

Are you up to the challenge of becoming an 'Economic Idol' and helping to make Australia's economic dream a reality?

1. **The need for economic growth.** Managing the economic cycle to avoid economic recessions and depressions is a key goal of any Treasurer. What economic policies or initiatives would you use to promote a stable economy with consistent economic growth? Consider how the Federal Budget and monetary policy could be used to manage the level of economic growth.
2. **Minimising Australia's unemployment and under-employment rate.** What strategies would you suggest to help reduce Australia's unemployment rate? Consider the role of education and training, stimulating the economy and so on.



FIGURE 2.27 What sort of report card will you give the Australian economy?

3. **Addressing inflation.** Maintaining an inflation rate of between 2 and 3 per cent per year is important to providing Australia with a stable economy. What strategies would you suggest to help keep Australia's inflation rate within this target? Consider how policies such as monetary policy could be used.
4. **Report and presentation.** This task needs to be completed on your computer, and should include a range of visuals and/or graphs to convey your economic strategies.
5. **Presentation.** At the completion of your economics report, you will be required to present your ideas to the class in a two-to three-minute presentation. Do you have what it takes to be an Economic Idol?

Chapter 3

Australia in the global economy

Australia's economy cannot be examined in isolation. What happens in another part of the world will inevitably affect Australia, as the world has become more closely connected than ever before. Globalisation has presented our economy with many new opportunities, but also many challenges.

In this chapter, we investigate Australia's place in the global economy and look at the importance of exports and imports for Australia's economic growth and development. Other issues, such as the effect of foreign currency on trade and the role of multinational corporations in the national economy, are also discussed. We compare Australia's living standards with those in other countries. Along with trade, this chapter considers Australian foreign aid and other policies that can be used to improve living standards locally and in other countries.

FIGURE 3.1 The global economy means all parts of our world are now interconnected.



3.1 Australia as a trading nation

What is globalisation?

Trade the exchange of goods and services between nations

Globalisation the expansion of business operations into other countries as a result of the removal of economic barriers and increases in global technology

Multinational corporations (or companies) organisations that operate in more than one country; their head office is based in one country but they have branches in other countries

Tariffs taxes on imported goods

Trade between countries has become an increasingly important feature of the world's economy over the last 35 years. **Globalisation** is the expansion of business operations across international borders as a result of the removal of economic barriers and advances in global technology. This has freed up international trade and encouraged foreign investment. Competition between countries for trade has intensified in recent years, and the growth of **multinational corporations** continues unabated. Since the 1980s, the trend towards a global marketplace has intensified. This has been as a result of a number of important factors, including:

- rapid advances in technology (for example, the internet makes the exchange of information between countries easier, as well as providing more potential global customers, and the development of shipping containers made it cheap and easy to transport enormous volumes of goods around the globe)
- the relaxation of laws regarding foreign investment in many countries (for example, German-owned supermarket Aldi has nearly 600 stores in Australia; many foreign-owned banks, such as ING, are now popular in Australia too)
- a reduction in **trade barriers** through trade agreements between countries, making the exchange of goods and services between countries much easier. When trade barriers such as **tariffs** are removed, imports become cheaper and therefore more popular.



Activity 3.1

COLLABORATE

Changes over the past 100 years

1. Working in groups, brainstorm the different changes that have taken place over the past 100 years in:
 - a. communications
 - b. trade
 - c. transport
 - d. technology.
2. For each change, describe its impact on society and the economy.



EXTRA ACTIVITY 3.1

Reflect – significant
Australians

Trade barriers restrictions on free trade between countries, including the imposition of taxes and quantity limits on imports, and rules banning imports of certain products

Global economy the production, distribution and consumption of goods and services on an international level

Australia's place in the global economy

The world has undergone radical change over the last decades. Geographic and cultural distances have shrunk with the advent of cheaper air travel, email, the internet and digital communication. These technological advances have all made a **global economy** possible. This century presents nations with a range of new challenges, including:

- environmental deterioration
- global warming
- economic stagnation
- a global pandemic
- changing demands for labour
- the conservation of non-renewable resources.

The events that occur within a country on the other side of the world directly affect Australia. No longer can we think of an event as only affecting just one country or one continent. A drop in the stock market in Tokyo or London will be felt within hours on stock markets in Australia. The COVID-19 pandemic is emblematic of this – a global pandemic that began in one city far from Australia,

but the impact and consequences of which have been felt around the world. Indeed, many epidemiologists have observed that were it not for the integration of the global economy, the spread and effect of COVID-19 would both have been able to be contained much more readily. We cannot think of ourselves as an isolated nation: Australia is one nation within a global community.

Multinational corporations

Multinational corporations (MNCs) – also referred to as transnational corporations – have evolved strongly in the global economy. Multinational corporations are not linked to one city or town, or even a single nation. They operate simultaneously in many countries. Amazon, Pepsi, KFC, Apple, Ikea, X (formerly Twitter) and Facebook are all examples of successful multinational companies or brands that have contributed to the growth of globalisation. Such corporations are able to raise funds from a much wider range of sources and extend their customer base to virtually the whole global market.



**EXTRA
ACTIVITY 3.2**
Research – brand
origins

Growth of multinationals

There are a number of reasons for the growth of multinational corporations:

- It is often economical for a multinational to establish part of its business operations in a country other than where its headquarters are. This may be because of cheaper production costs due to lower labour rates or less strict environmental regimes or tax laws.
- **Economies of scale**, due partly to rapid advances in technology, have enabled multinationals to gain substantial market share.
- These economies of scale have also led multinationals to develop new markets and use the increased access to money and other resources available to them to grow their businesses.
- Multinational corporations, such as McDonald's, have developed products that are popular with consumers in all parts of the world.

Some criticisms have been levelled at the rise of multinational corporations. It is felt by some that local cultures and traditions are being lost as consumers buy more and more of the same types of products from the multinationals, at the expense of smaller local businesses. This even applies to the movies and television programs that people watch. For example, American movies are often more popular than those produced locally. Streaming services such as Disney+, Amazon Prime, Paramount+, Netflix and Binge also deliver services direct to people's homes, using algorithms that target certain customers with specific types of programs.

In addition, some concerns have been raised that some corporations are too powerful because they are becoming extremely large. In 2023, the 29 largest multinational corporations in the world had an annual revenue that placed them in the top 100 economic entities on the globe. The world's largest corporation, Walmart, would rank as the world's 42nd largest 'economy' if it were a country! This would place it just behind Norway and Austria, and way ahead of Greece, Finland and New Zealand. Table 3.1 shows the ranking of 'economic entities' globally, using GDP (annual production) to rank nations and revenue to rank MNCs. Note that MNC entries in the table have been italicised.



FIGURE 3.2 Spotify is a very successful global company, and an example of an MNC.

Economies of scale
the economic benefits of being able to reduce the 'per unit' price of a product made due to increased production runs

TABLE 3.1 Comparison, annual GDP (selected countries) and annual revenue (selected corporations) 2023

Global ranking by size of output	Country or <i>MNC</i>	Annual GDP (US\$ billions, PPP) or Annual revenue (US\$ billions)
1	China	30 337
2	United States	25 439
6	Germany	5 323
19	Australia	1 644
39	Ireland	650
40	Norway	627
41	Austria	614
42	<i>Walmart</i>	611
43	Kazakhstan	605
44	<i>Saudi Aramco</i>	603
45	Algeria	595
46	Chile	592
47	<i>State Grid</i>	530
48	Czechia	525
49	<i>Amazon</i>	514
50	Peru	512
53	<i>China National Petroleum</i>	483
54	Israel	475
55	<i>Sinopec Group</i>	471
56	Ukraine	449
59	<i>Exxon Mobil</i>	413
60	Hungary	402
61	<i>Apple</i>	394
62	Greece	387
63	<i>Shell</i>	386
67	Finland	330
68	<i>UnitedHealth Group</i>	324
69	<i>CVS Health</i>	322
70	Sri Lanka	319
71	<i>Trafigura</i>	283
72	Kenya	311
74	<i>China State Construction Engineering</i>	306
75	<i>Berkshire Hathaway</i>	302
76	<i>Volkswagen</i>	293
77	<i>Uniper</i>	288
78	<i>Alphabet (Google)</i>	283
79	<i>McKesson</i>	277
80	<i>Toyota Motor</i>	275
82	New Zealand	267
83	<i>TotalEnergies</i>	263
84	Dominican Republic	256

Source: GDP data – World Bank, GDP ranking, PPP, 2022; MNC data – Fortune Global 500 (2023).

In addition to concerns about the size of MNCs and their ability to sometimes operate without governments being able to oversee or regulate their activities, there has also been much concern over the efforts of many MNCs to minimise taxation liabilities. Because they are domiciled (based) overseas and operate across numerous countries, many MNCs can substantially reduce the amount of tax they pay in higher-taxing wealthier countries by shifting their profit recording to countries with very low tax rates. For example, in 2016 it was revealed that Google paid an average effective tax rate of less than 3 per cent per year over a 10-year period in the United Kingdom (compared to an average profits tax of 20 per cent), despite the fact that Google earns 10 per cent of its global revenue in that country. While tax minimisation is not illegal, the accusation is that these companies are not contributing their 'fair share' of tax to countries where they make a large proportion of their sales. Extra Case Study 3.1 in the online version of the textbook examines this further, for the case of a pair of Nike sneakers.

Meta – the company formerly known as Facebook – is a global MNC and the subject of Case study 3.1.



EXTRA ACTIVITY 3.3

Reflect – multinational corporations: data and issues



EXTRA CASE STUDY 3.1

Nike and accusations of MNC tax avoidance

Case study 3.1



Meta Platforms Inc.

Meta is the new 'brand name' for the company formerly known as Facebook, Inc. Now a multinational company, Facebook started out as a fun activity for founder Mark Zuckerberg (and his co-founders) as a student at Harvard University. Initially it was 'FaceMash' – a social networking site for Harvard students. It subsequently expanded to students at other universities and some businesses. By September 2006, it became available to everyone with a valid email address and 13 years or older.

It became a publicly **listed company** in 2012 and also bought Instagram. It then purchased WhatsApp in 2014. It owns technology companies Oculus, Giphy, Mapillary and Kustomer, and is now one of the world's most valuable companies. It was worth more than US\$760 billion as of September 2023, measured by **market capitalisation** – the total value of all its shares.

In some ways Meta (and particularly Facebook) represents a new generation of companies and is emblematic of the globalisation of the economy – it can only exist because of the advanced technology that fuelled globalisation, and its global reach and profitability is dependent on technology. In October 2008, Facebook announced it would set up its international headquarters in Dublin, Ireland, and

now operates in almost every country in the world. By July 2023, it had 2.99 billion active users each month (global population is 8.1 billion people).

Initially, the company generated little revenue, but in 2012 its revenue began to improve. In the year to December 2023, its profit was over US\$23.2 billion (although this was substantially lower than 2022, when the profit had been close to double the 2023 figure). Facebook offers its product for free to its users – those who choose to subscribe to become part of the social network by subscribing to Facebook. So how does it make money? If a commercial company provides a service for free, there is a high chance that you, the user, are in fact the 'product' – and something about you is being sold to create the company's profit. Facebook generates nearly 98 per cent of its revenue from advertisement placements by marketers. It harvests user data and micro-targets ads based on user profiles and internet activity.

Listed company a company whose shares can be traded on a stock exchange; members of the general public are able to buy part-ownership of listed companies by purchasing company shares

Market capitalisation a method for measuring the value of a company traded on the stock exchange, by multiplying the current price per share by the quantity of shares

Case study 3.1 *continued*



FIGURE 3.3 Facebook has an effective monopoly of its type of social media.

Monopoly an industry where there is only one dominant producer or seller of a product or service

Facebook operates as an effective **monopoly** and therefore has enormous control over the online experience of its users. For many people, Facebook (and other social media) is their main source of news, and a key source of contact with the world.

It has been criticised on a number of fronts including accusations of tax avoidance, the environmental impact of its use of electricity to operate its platform, censorship and handling of user data. It has also been accused of making the cost of disconnecting from the platform too high – its ubiquity means many events and businesses are largely or sometimes only contactable or even conducted via Facebook.

1. Explain why Facebook would be considered a 'multinational corporation.'

- 2.** Describe how technology helped Meta/Facebook to grow.
- 3.** Given that it is free to subscribe to and use Facebook, how does the company make money?
- 4.** Work with a classmate to create a table summarising the Plus (P), Minus (M) and Interesting (I) points regarding Facebook that are outlined in the article. Add any additional P, M or I points you are aware of that aren't considered in the article.
- 5.** The article lists a number of key criticisms of Facebook's operations. Use a search engine to research one of the following criticisms of the company and summarise the claims made about its impact. Then research and summarise Facebook's (Meta's) responses to the claim.
 - a.** Environmental impact
 - b.** Social impact in terms of enabling the spread of disinformation
 - c.** Censorship claims and claims of selective censoring (and deleting) of posts on only some issues
 - d.** Facebook addiction and the impact of Facebook on mental health of users
 - e.** Concerns over data collection and privacy
 - f.** The Cambridge Analytica scandal
 - g.** Facebook and disinformation around the January 6th insurrection in the United States
 - h.** Meta's decision to not pay for news content from other media companies that appears on Facebook



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 3.1

- 1.** Define globalisation.
- 2.** Outline how technology has contributed to the rise of the global economy.
- 3.** Outline how the removal of trade barriers has contributed to globalisation.
- 4.** Define economies of scale and explain how the availability of economies of scale have contributed to the rise of the global economy.
- 5.** Explain why many MNCs relocate their production from their country of origin to other countries.
- 6.** Explain why one criticism of MNCs is that they don't pay their fair share of tax.

3.2 Exporting and importing

A key part of Australia's connection to the global community is through trading. Economists refer to Australia as a relatively small, open economy. This means that Australia relies heavily on the rest of the world to purchase the products we produce, and to supply products that we consume. As a result, we are heavily reliant on international trade. Australia is a country rich with natural resources. Australia exports a wide range of goods and services to overseas customers. This generates vital income for our economy. Examples of Australian exports include iron ore, tourism, coal, education, meat and livestock, wool and wine. Examining the list of Australia's exports reveals that our main exports are predominantly natural resources or services. Whether a business is large or small, to be a successful exporter, it must continually strive to find innovative ways to improve on the goods or services it sells in order to remain competitive in an international marketplace.

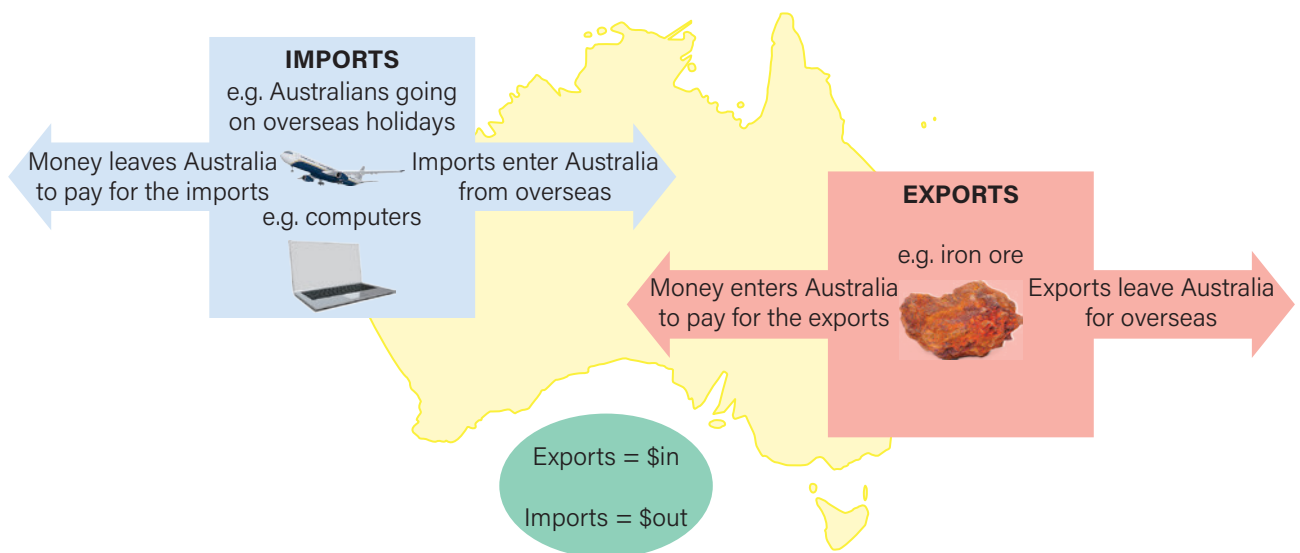


FIGURE 3.4 Following the money is one way to determine whether a product is an export or an import.

Many of the goods and services Australians purchase are imports. There are a number of reasons why Australia imports, including the following:

- Consumers may desire an item or service that is different from those being provided by Australian businesses.
- The price of the item or service is cheaper (for example, as a result of economies of scale or low labour costs, as discussed above).
- The particular good or service may not be produced in Australia.



FIGURE 3.5 Increasing numbers of the products purchased by Australians come from overseas, making ports, such as the Port of Melbourne, increasingly busy and important places.



Activity 3.2

RESEARCH

Country of origin

1. Create a table similar to the one below. Collect the country of origin of at least 10 items or services that you own, have recently purchased or find around your home (check the 'Made in/Product of ...' label). Some suggestions have been included in the table. Add or delete items of your choosing.

Item	Made in/Product of
Mobile/smartphone	
Games console	
Pair of jeans	
Laptop or desktop computer	
Family car	
Textbook (printed in)	
Tin of tomatoes	
Frozen or fresh berries	
Streaming service (e.g. Disney+, Stan or Netflix)	
Film you recently watched at the cinema or online	
School uniform	

2. Analyse the data you have collected:
 - Choose five items that were produced in countries other than Australia and investigate the reasons why those goods or services were imported from overseas rather than being made in Australia.
 - Record the number of items produced in each country listed and use this information to create a pie chart showing the percentages of items produced in each country of origin. You can use a spreadsheet program, such as Excel.
 - If your parents had conducted a similar activity when they were your age, do you think the results would have been different? Explain your answer.

Manufactured products goods that are made manually or using machinery, especially on a large scale in a factory setting

Australia's exports, imports and trading partners

Over time, Australia has ceased producing a large variety of **manufactured products**, such as televisions, white goods (fridges and microwaves), consumer electronics, clothing and shoes, and, most recently, motor vehicles. The vast majority of manufactured products consumed by Australians are now produced overseas and imported. For example, many people elect to buy electrical items manufactured in China and clothing made in Bangladesh. Lower labour and set-up costs (for example, factory and equipment) make manufacturing there cost-effective.

Other consumers may elect to buy cars made in Germany or Sweden because of personal reasons, such as prestige or safety. Improvements in transport technology have led to a dramatic increase in world trade over the past 50 years. One figure sometimes quoted is that for a pair of sneakers made in China and sold in Australia for around \$150, only about 25 cents of the cost of production is the transport.

TABLE 3.2 Australia's top 10 exports and imports, 2022

Exports		Imports	
1	Coal	1	Refined petroleum
2	Iron ore & concentrates	2	Passenger motor vehicles
3	Natural gas	3	Freight transport services
4	Education-related travel services	4	Personal travel services (excluding education)
5	Gold	5	Telecom equipment and parts
6	Wheat	6	Goods vehicles
7	Crude petroleum	7	Computers
8	Crude minerals	8	Professional services
9	Beef	9	Crude petroleum
10	Aluminium ores	10	Medicaments (medicines)

Source: DFAT, *Australia's trade in goods and services, 2022*.

It is worth noting that the 2022 trade figures shown in Table 3.2 are reflective of some major changes to the pattern of Australia's international trade. In preceding years, travel-related exports for personal travel services like tourism would have been more highly ranked in the figures (appearing in the top 10), but these were heavily restricted during the COVID-19 pandemic. Following the reopening of the borders, international visitors have been relatively slow to return, compared to the pre-Covid levels. It will be worth paying attention to whether, in coming years, Australia's tourism exports resume their position as one of our most valuable exports. In addition, the role of energy and minerals exports as a major source of export earnings has grown rapidly with rising global demand and prices for these exports.

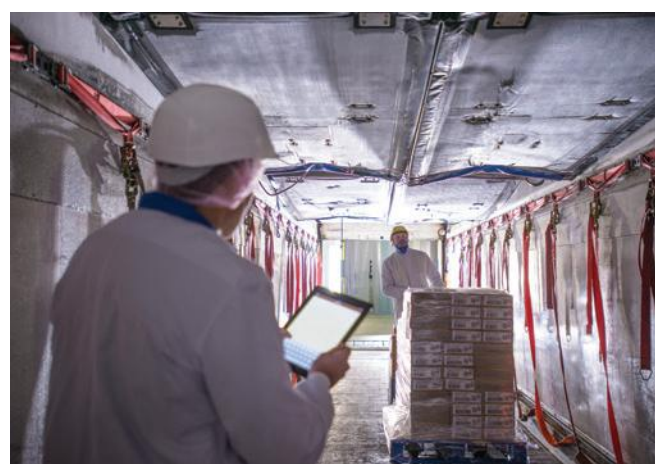


FIGURE 3.6 Advances in shipping containers (especially refrigeration) have dramatically reduced the cost of transport in international trade, including for **perishable products** like food, flowers and vaccines.

TABLE 3.3 Top 10 two-way trading partners, 2022

Ranking	Country	% of Australia's trade	Region
1	China	24.9	
2	Japan	12.3	
3	United States	7.3	
4	Republic of Korea	6.8	
5	Singapore	4.4	
6	India	4.0	
7	Taiwan	3.6	
8	Malaysia	2.8	
9	New Zealand	2.6	
10	Germany	2.4	

Source: DFAT, *Australia's goods and services by top 15 partners, 2022*.

Perishable products
products that have a short lifetime or that deteriorate easily



Activity 3.3

REFLECT

Imports and exports

1. Look at Table 3.3. Complete the final column by identifying the world region of each of Australia's main trading partners.
2. Reflect on what you have learned about Australia's exports and imports. Provide two reasons for the high levels of trade with these countries and regions of the world.



Activity 3.4

CREATE

Trade with other countries

Produce an illustrated poster to explain to your friend (who doesn't study economics) what Australia exports and imports, and why it benefits Australia to trade with other countries.

Australia's trade with Asia

Australia's trade with Asia has been a key factor in our economic prosperity over the last 20 years. In the 21st century, Asia has become not only the world's largest producer of goods and services, but it will become the world's largest consumer of them. It is the world's most populous region, and will soon be home to the majority of the world's middle class. Australia has benefited greatly from its proximity to Asia and the growing Asian demand for our abundance of natural and cultural resources.

Between 2002 and 2012, China's economy grew at an average rate of 10.5 per cent each year. In recent years, it has continued to grow at a rate of between 6 and 7 per cent each year. This growth has involved enormous amounts of building and infrastructure construction, both of which require the iron ore and coal that Australia has in abundance. The speed and scale of construction in China has to be seen to be comprehended. China is Australia's number one trading partner – accounting for more than twice as much trade as our second-largest two-way trading partner, Japan. Australia's top exports to China are all natural resources – iron ore, coal, gold and wool; however, exports of services to China are also important, including tourism, education and health.

FIGURE 3.7

Construction in the Guomao district of China's capital city Beijing



China's rapid growth has also produced a very large population of well-off to extremely wealthy Chinese consumers. Increasingly, these consumers are interested in purchasing high-value items like organic food and overseas holidays, both of which Australia can supply in abundance.

Activity 3.5**RESEARCH****Imports and exports from China**

Table 3.3 shows that China is Australia's most significant trading partner. Investigate further to find out what Australia exports to China and what we import from China. (The DFAT website is a great place to start, under the 'Trade and Investment' tab.) Write an explanation of why Australia's and China's endowments of natural and human resources have influenced how the two countries trade with each other.

Case study 3.2**A2 milk and the Chinese market**

Historically, Australia's trade with China has been characterised by Australia's export of commodities, such as iron ore, coal and gas, to China, and Australia's import of manufactured items from China. Certainly, resources still make up the bulk of Australia's exports to China, but a growing middle class and ageing population, along with moves to free up trade since 2015 through the China–Australia Free Trade Agreement (ChAFTA), has seen a rise in Australia's exports of consumer products and services. For example, Australian medical service providers became the first in the world to be able to operate fully foreign-owned (i.e. Australian) hospitals and aged care facilities in major cities of China because of the ChAFTA.

Australia is China's 6th largest supplier of food, and consumers across China are attracted to Australian food stuffs for reasons including perceptions of food safety and quality, better nutrition, superior freshness and high-quality packaging. In recent years, there's been a growing Chinese market for Australian infant formula (powdered baby milk). In 2008, there was a Chinese baby milk scandal when thousands of infants were poisoned by contaminated local formula. Since then, Chinese '*daigou*' sellers (individuals or consortiums who buy products outside China and deliver directly to Chinese consumers) have accounted for as much as 80–90 per cent of infant formula sales from Australia to China.

Due to the massive increase in demand, Australia and New Zealand based A2 Milk Company Ltd saw its share price, earnings and profit all double over two years. In the 2020–21 financial year, the

Chinese market made up around 32 per cent of A2's revenue, having reached as high as 40 per cent of revenue in previous years. The advent of the COVID-19 pandemic hurt sales in the region, as global supply chain issues and rising costs affected the availability and demand for its products. But the company continues to focus on the growing market, with a plan to grow sales in the region by \$763 million in the next five years.

The CEO states that they are:

doubling down in China ... it's our biggest opportunity by a long, long way.

The company is attempting to grow by focusing on increasing Chinese labelling, investing more in marketing and e-commerce, and distributing more widely in Chinese cities. They are even considering increasing their product range. They currently provide their product in a higher cost, premium market. A2 is also planning to move into markets in other Asian countries, such as Korea, Vietnam and Singapore.

The company acknowledges there are risks in focusing their growth on China, given recent trade and political tensions with Australia, and how highly regulated the Chinese market is. In addition, there have been changing demographic features – China's birth rate has shrunk. The recent tensions between Australia and China already create problems for some exporters. Australian company Treasury Wine Estates was forced to almost entirely give up on the Chinese market when significant tariffs were placed on Australian wines. The banning of imports of Australian seafood into China in 2020 decimated the lobster industry. And, in addition, Australia's

Case study 3.2

continued



FIGURE 3.8 China has been a lucrative market for Australia–NZ dairy producer A2 Milk.

barley exporters were heavily impacted by a decision to introduce restrictions on their product entering China in 2020. It has taken a number of high-level government interventions to resolve these disputes.

1. Why do you think that A2 milk was initially such a successful business venture?
2. Why is A2 focusing on exporting to China? Use the data on China in this chapter and investigate some of the benefits and risks involved in expanding into the Chinese market for Australian exporters. Make a list of pros and cons of expanding into China.
3. The ChAFTA: in 2015, Australia signed an FTA with China. Many businesses are keen to take advantage of the new opportunities it presents. Prepare a brochure for Australian businesses considering moving into the Chinese market. Cover all the important

information about business protocols in the new market. Your brochure should contain information on:

- business hours
- business practices – particularly regarding business card formalities, gifts, lunches, dinner, bribery of officials
- import restrictions and ownership restrictions
- any other relevant information.

Use the DFAT website to help you complete this activity. From the list of FTAs under Trade and Investment, look for info on the ChAFTA.

4. Imagine that you have decided to become a successful food exporter like A2 Milk. This task requires creativity and passion for food, as you aim to create a new food product that you could export overseas.

Use the template below to present information about your product. Each member of the class is required to make their food product and take part in a taste test to judge the best new Master Chef!

Master Chef Challenge: recipe card
Name of Master Chef:

Description of food idea (include a sketch):

Target market (age, gender, income level, countries to be sold in):

List of ingredients:

Description of packaging:

Cooking/storage instructions:

Marketing ideas to promote the product:



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.


Review 3.2

1. Look at Table 3.2. Categorise each export and import according to whether it is a natural resource, a manufactured good or a service.
2. Identify why Australia's trade with Asia has been a key factor in our economic prosperity over the last 20 years.
3. Describe why China's rapid economic growth has led it to increase its imports from Australia.

3.3 Benefits of and impediments to trading with other countries

Following are the main benefits and impediments to trading with other countries.

Benefits of trade

- Trade allows countries to specialise and export goods and services that they produce efficiently. As already noted, Australia exports a large variety of natural resources and imports all its cars from countries that are more efficient producers.
- The ability to produce in large volumes and therefore take advantage of economies of scale has enabled many producers to reduce the cost of producing and therefore reduce the price of their products.
- Trade presents consumers with a wider range of product and service choices.
- Greater global competition has forced businesses to produce more efficiently, reducing the cost of many consumer items and increasing consumers' purchasing power. For example, prior to increased global trade, Australians spent a much larger percentage of their weekly income on clothing and white goods, compared to today. Prices of cars in Australia have actually fallen by 12 per cent since the mid-1990s.

Impediments to trade

- Major events, such as war, terrorist attacks or economic collapse, can make trading with certain 'high-risk' countries difficult and problematic. For example, the COVID-19 pandemic across 2020–21 and the Russian invasion of Ukraine in early 2022 both interrupted and restricted international trade and global **supply chains**, leading to shortages of numerous products in Australia and globally. In 2024, Yemeni Houthi attacks on shipping lanes in the Red Sea (a major freight route between Asia and Europe) disrupted global trade and added to the cost of transporting products between major trading partners.
- Natural disasters can affect the flow of production and availability of certain products that other countries have come to rely upon. For example, major flooding across New Zealand in 2023 saw Australians unable to source tinned beetroot in the first few months of 2024.
- When countries implement protectionist policies, such as tariffs, to look after their own producers, it can lead to inefficiencies, since tariffs make imports more expensive. For example, the impact of high tariffs imposed by China on Australian wine exports have been devastating for some Australian wine producers.
- Fluctuations in the value of the Australian dollar can make importing and exporting more difficult. When high prices for commodity exports drive up the Australian dollar, service exporters, such as tourism and education providers in Australia, struggle to compete as overseas customers have to pay more to come to Australia. The impact of exchange rates on trade is considered in more detail later in this chapter.

Supply chain

the sequence of processes involved in the production and distribution of a product



EXTRA CASE STUDY 3.2 and ROLE PLAY

Why does Australia no longer make cars?

Ethical considerations of global trade

Ethical considerations relate to what people consider is appropriate and morally right behaviour. They relate to questions of how individuals and businesses 'ought' to behave. There are numerous possible ethical issues related to international trade.

As noted earlier in this chapter, some multinational corporations (MNCs) have been accused of not paying their 'fair share' of taxation. In addition, some MNCs are accused of exploiting workers in some jurisdictions. They are accused of operating 'sweatshops' where workers labour in poor conditions for very low pay. The lengthy global supply chains that are integral to global trade makes it hard for consumers to know exactly where and how the products they buy are produced. This has led to increasing concerns about **modern slavery**, where workers can be subject to control such as limitations on their movements and lack of pay for their work or being forced to work in appalling conditions with no ability to leave. The major risk for Australian businesses and consumers in terms of benefiting from modern slavery comes from imported goods. The top five products being imported to Australia that are at risk of modern slavery in their production and supply chain are:

- laptops, computers and mobile phones
- clothing and accessories
- fish (including prawns and other seafood)
- rice
- cocoa (including in chocolate).

In response, many countries, including Australia, have passed legislation to try to expose and stamp out modern slavery.

Another ethical question in relation to global trade is the impact it has on the environment. Integration of the world economy has seen an exponential increase in the volume of goods transported around the globe. There is now increasing distance between the manufacturers of products and the consumers of them. This means that global shipping to transport goods, along with services such as airline flights, have all grown rapidly. Consequently, there has been an enormous increase in the use of carbon-based fuels (petrol, oil and gas) to power transportation. Some critics of global trade focus on the increased carbon emissions resulting from global trade and their contribution to global warming and climate change.

In addition, increased global production to satisfy increased global demand has placed massive pressure on some natural resources, such as land, mineral commodities, water and timber. Critics often highlight the rapid deforestation of the Amazon River basin (the 'lungs of the world') as land clearing accelerates to meet increased global demand for beef. MNCs have been widely criticised for promoting a consumer culture where excessive or unnecessary consumption accelerates depletion of natural resources and deforestation.

Modern slavery

when individuals are exploited by others by being tricked, coerced or forced to lose their freedom, including via forced labour, debt bondage, human trafficking and child labour



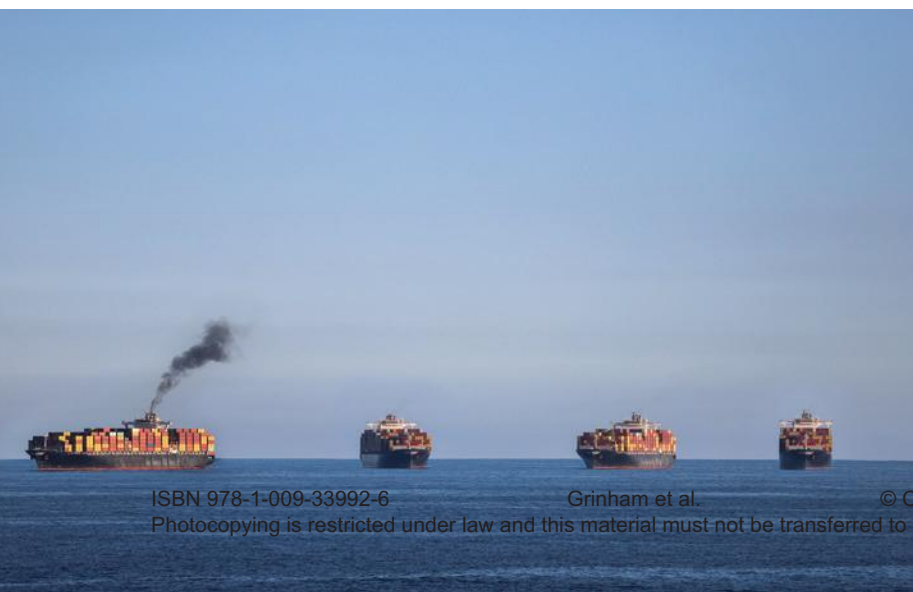
EXTRA

CASE STUDY 3.3

Increasing concerns about Modern Slavery

FIGURE 3.9

Globalisation of production results in increasing distance between manufacturers of product and the consumers who buy them, meaning high volumes of emissions from global transport.



Activity 3.6**RESEARCH****Multinational corporations, global supply chains and ethics**

One criticism of large multinational corporations is that they can exploit workers and damage the environment with their operations. In response, some corporations have taken initiatives to improve the operation of their supply chain by sourcing their inputs from ethical sources or ensuring that their workers are paid well and work in safe conditions.

In this activity, you may choose between investigating an MNC or a particular product produced by an MNC.

Option 1

Choose a multinational corporation to research. You will create a presentation on the corporation's operations. It should include the following:

- a. basic details about the company such as its locations, size and what it sells
- b. any criticisms of the company in relation to how it has operated. This could include concerns over its products, its behaviour in the marketplace, how it treats its workers, how and where it sources its inputs, its impact on the environment or its global supply chain.
- c. how the company has responded to its critics. Has it made changes to its operations or introduced any policies to address the concerns?

To get you started, here are some companies you may wish to consider: Amazon, Toyota, Cadbury, Apple, Google, Microsoft, TikTok, Volkswagen, BP, Meta (the owner of Facebook).

Option 2

Choose a product produced by a multinational corporation (for example, Cadbury Dairy Milk chocolate, an Apple iPhone or a Sherrin football). You will create a presentation on the global supply chain involved in making this product, and consider the ethics of its production. Your report should include the following:

- a. information about the product and who makes it
- b. the global supply chain used to produce the product and get it to market. This includes its main inputs/ingredients, where these are sourced, where the product is made/assembled, how it is packaged and how it is transported to where customers buy it.
- c. any concerns that have been raised about how the product is made, how workers are treated or the impact on the environment
- d. how the producer has responded to the concerns – for example, have they adopted fair trade practices or new rules on how their production facilities operate?

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 3.3**

1. Explain why economies of scale are a benefit of international trade.
2. Outline how increased global competition has resulted in benefits for Australian consumers.
3. Define 'supply chain' and describe how potential supply chain interruptions can be an impediment to trade.
4. Outline how tariffs work as a barrier to international trade.
5. Describe two ethical issues that have been raised about global trade.

3.4 Australia's trade performance

Balance of trade calculated by subtracting the value of imports from the value of exports

Trade surplus when the value of exports is greater than the value of imports

Trade deficit when the value of exports is less than the value of imports

Foreign debt the total amount of borrowings from overseas made by both the government and private sectors

The **balance of trade** is the value of exports minus the value of imports. Countries can have either a **trade surplus** or a **trade deficit**. This means that either the value of imports is more than the value of exports (a deficit) or vice versa. Historically, Australia's balance of trade fluctuated between a trade deficit and a small trade surplus. It is generally better for Australia to have a trade surplus, as this means we are selling a higher value of exports overseas than we import.

On the other hand, when Australia runs a trade deficit, it means Australians have bought imported goods worth more from overseas countries than the country has exported. This is an unfavourable situation – it means that Australian consumers are buying too many imported goods. This can affect the health of the Australian economy as **foreign debt** can become an issue.

As is clear from Figure 3.10 below, since early 2019, Australia has consistently run a trade surplus.

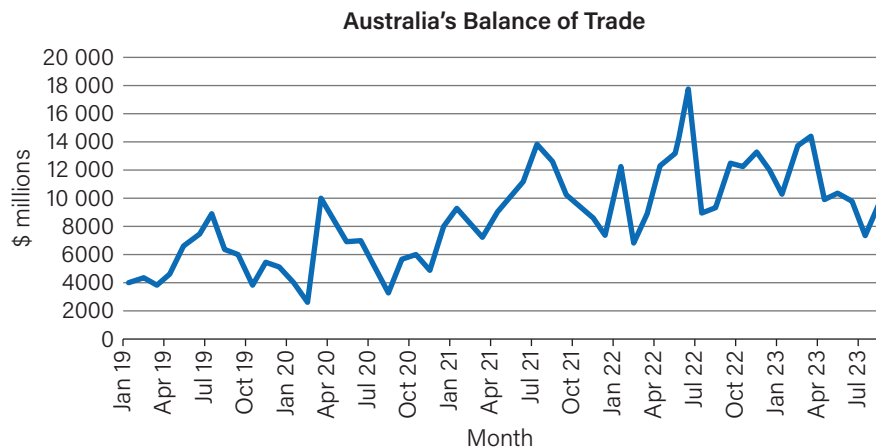


FIGURE 3.10 Australia's trade balance

Source: Parliament of Australia, *Key Economic and Social Indicators*, 6.1: International Trade, February 2024.



FIGURE 3.11 Liquefied natural gas and wheat are just some of Australia's major exports, with both products' quality and abundance desired by international consumers.

Terms of trade

The Australian Bureau of Statistics (ABS) also measures and reports on Australia's **terms of trade**. A value above 100 means prices for exports are comparatively higher than prices for imports, that is, a favourable trading position, and value lower than 100 means the reverse, therefore an unfavourable trading position. Figure 3.12 shows that between 2011 and 2015, export prices generally fell at a much faster rate than import prices. This led to an unfavourable movement in Australia's terms of trade over this five-year period. This was mainly due to a decrease in the global price paid for commodities (Australia's key exports). Since early 2016, the terms of trade have improved as export prices have increased rapidly, mainly due to improving commodity prices.

An improvement in the terms of trade is a little like Australian exporters receiving a 'pay rise', as the following story shows.

Terms of trade calculated by dividing the prices paid for exports by the prices paid for imports; represents the overall trading position of a country

Australia's terms of trade

To put Australia's terms of trade wealth in simple terms: [In 2004], a shipload of iron ore exported to China was worth about the same as 2200 flat-screen televisions imported from China. [In 2014] the same shipload of iron ore is worth 22 000 flat screen televisions! Iron ore has become more expensive as the global demand outstrips global supply, and televisions have become cheaper as China ships them at lower and lower cost. This illustrates how China's rise has improved our standard of living: as a result of changing prices, Australia is now exchanging the things we export for ten times more of the goods we import.

Source: Extract from Andrew Charlton, 'Dragon's Tail: The Lucky Country After the China Boom', *Quarterly Essay*, 54 (2014), p. 33.

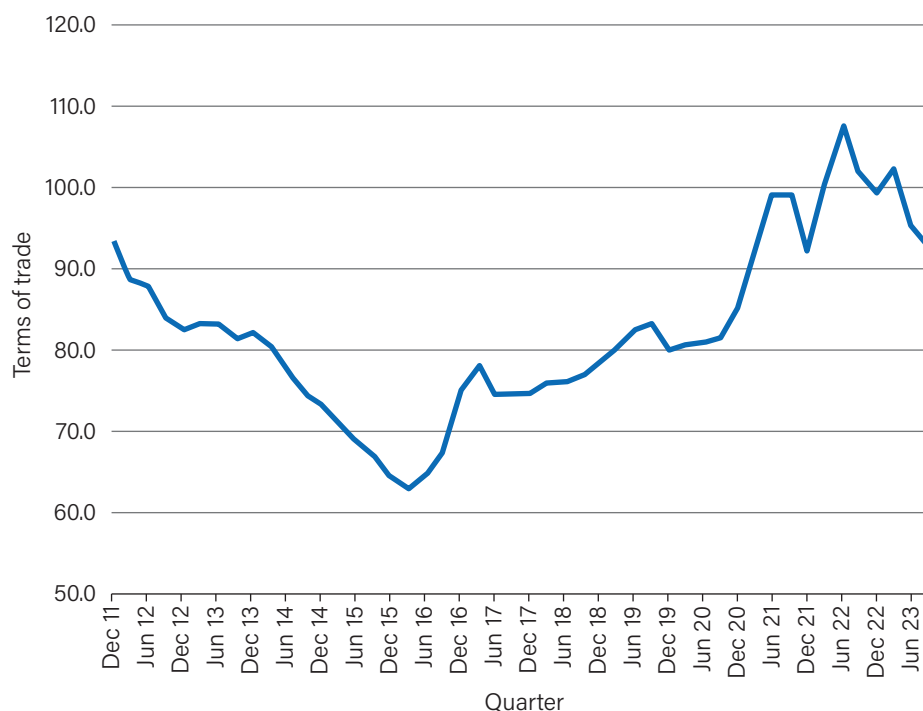


FIGURE 3.12 Terms of trade over the past 12 years in Australia

Source: Parliament of Australia, *Key Economic and Social Indicators*, 6.3: *Terms of trade*, February 2024.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 3.4

1. Explain what the balance of trade measures.
2. Explain the difference between a trade surplus and a trade deficit.
3. Describe the trend in Australia's balance of trade (Figure 3.10) since 2019. Explain what this means about the relationship between the value of exports and the value of imports.
4. Outline why a trade surplus is generally better for Australia than a trade deficit.
5. Explain how an improving (rising) terms of trade was good for both Australian exporters and Australian consumers in the 2000s.
6. Identify what would happen to the terms of trade if the price of imports rose but the price of exports fell.

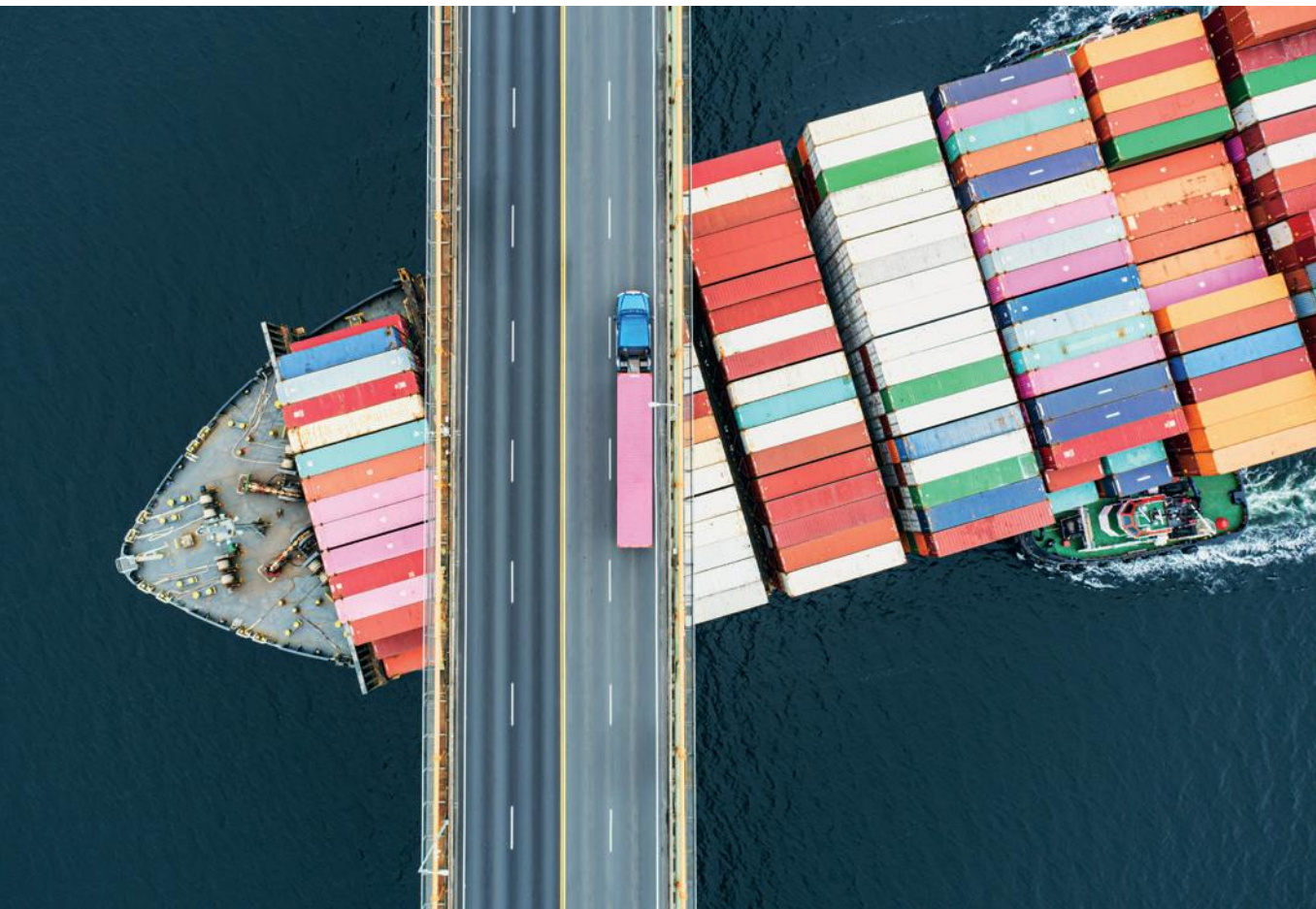


FIGURE 3.13 Australian exports and imports are mostly carried by ships.

3.5 The impact of currency value on trade

Most countries have their own **currency**. The **exchange rate** is the price at which one currency is exchanged for another. The exchange rate is important for importing and exporting. When an Australian buyer wants to purchase a product from overseas, they need to 'buy' the currency of that country, or a currency acceptable to that country such as the US dollar, in order to use it to purchase the product. In practice their bank generally does it for them, so payment and currency conversion happen in one transaction.

Currency the notes and coins accepted as legal tender in a particular country

Exchange rate the price at which one currency is exchanged for another

As the US dollar is the most-used currency in international trade, the most commonly quoted measure of Australia's exchange rate is the A\$ to US\$ exchange rate. If A\$1 (one Australian dollar) buys US\$0.75 (75 US cents) this week and next week buys US\$0.90, Australia's currency is said to have appreciated (increased in value) compared with the US dollar. This is good news for Australian consumers, as it makes imports cheaper. However, it is bad for Australian businesses exporting, as their products become more expensive for buyers in the US market or buyers using US dollars. In contrast, if in the subsequent week A\$1 now buys US\$0.85, Australia's currency is said to have depreciated. This makes it more expensive for Australian consumers. However, it is good news for Australian businesses selling their goods to the United States.

Scenario 3.1

Buying from the United States

If Meghan bought a pair of rollerblades from the United States that cost US\$150, how much would this be in Australian dollars if the exchange rate was A\$1 buys US\$0.75?

The answer would be:

$$(A\$1 \div US\$0.75) \times \$150 = A\$200.$$



FIGURE 3.14 How does the exchange rate affect the cost of imported goods?

Scenario 3.2

Selling to the United States

Riley sells bespoke embroidered denim jackets to customers in the United States via their online store. Last week, they sold one jacket for A\$200 at an exchange rate of A\$1 buys US\$0.80. Riley's customer will need to 'buy' Australian dollars in order to pay for the jacket (in practice their credit card, bank or payment service does it for them as part of the transaction). How much will Riley's US customer need to pay in US dollars? The answer would be:

$$(A\$1 \times US\$0.80) \times \$200 = US\$160.$$

Rising and falling exchange rates, as they are measured daily, can affect Australian consumers and businesses. Australia introduced a floating exchange rate in 1983, which means that Australia's exchange rate is left to the forces of supply and demand to determine its level. If more people demand our currency, then the value of the Australian dollar rises. On the other hand, if there is a drop in demand for the Australian dollar (as occurred in early 2020, as overseas visitors stopped travelling to Australia), then the value of the Australian dollar will fall.



Activity 3.7

RESEARCH

The Australian dollar

- Keep a record over a two-week period that tracks the performance of the Australian dollar against three leading currencies. (This information can be found in the business section of the newspaper, on TV news reports or on the Reserve Bank website.) Use the format shown below to set out your diary.

Currency diary														
	Day													
Currency	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Yen														
US dollar														
Euro														

- How has the Australian dollar performed? Are there economic reasons or other external factors you can suggest for Australia's currency appreciating or depreciating? Explain. (*Hint: Has there been any good or bad economic news that may have led to the currency appreciating or depreciating?*)



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 3.5

- A number of hypothetical situations are presented below. Consider how the exchange rate affects each person's situation. Calculate the amounts involved in each situation.
 - Raheela has seen an amazing leather jacket advertised on eBay. It costs US\$900, so she wants to know how much it will cost her in A\$. The exchange rate is A\$1 buys US\$0.66.
 - Elias recently booked a seven-night holiday at a hotel in Fiji. The cost of each night's accommodation is FJ\$120 and he wants to know how much it will cost him in A\$. The exchange rate is A\$1 buys FJ\$1.60.
 - Shani imports rare and exotic sports cars from all around the world. She recently saw a 1960 Mini Minor for sale in an English car magazine, and she intends to buy it. The price of the Mini is £7000. How much will it cost Shani in A\$? The exchange rate is A\$1 buys £0.56.
- Foreigners buying Australian exports – Calculate the following:
 - Convert A\$100 into US\$ at an exchange rate of A\$1 buys US\$0.76.
 - Convert A\$100 into US\$ at an exchange rate of A\$1 buys US\$0.99.
 - If you were a customer in the United States buying an Australian export for A\$100, which exchange rate would you prefer? Identify why.
- Australians buying foreign imports:
 - Convert US\$100 into A\$ at an exchange rate of A\$1 buys US\$0.76.
 - Convert US\$100 into A\$ at an exchange rate of A\$1 buys US\$0.99.
 - If you were an Australian customer buying an import from the United States for US\$100, which exchange rate would you prefer? Identify why.

3.6 Global living standards

The increasing integration of the world into one globalised economy means we are all much more aware of variations in living standards across the globe. It is impossible for those of us living in affluent, Western, industrialised countries like Australia not to notice the enormous difference between the material comfort (and often luxury) in which we live and the difficult lives of the majority of people around the world.

There are a number of limitations in using GDP to compare living standards between countries, so economists prefer to use **gross national income (GNI) per capita**. Table 3.4 shows the enormous disparity in GNI per capita across the globe.

Gross national income (GNI) per capita the value of all income earned by residents of a country, plus income received from foreign transfers such as aid and remittances from workers resident overseas divided by the population size

TABLE 3.4 GNI per capita, annual, selected countries, 2020

Country	GNI per capita (PPP) \$	Country	GNI per capita (PPP) \$
Australia	60 350	Lao PDR	8 810
Argentina	26 030	Mexico	21 060
Bangladesh	7 690	Nepal	4 750
Benin	4 020	Niger	1 510
Bhutan	11 300	Pakistan	6 350
Bolivia	9 400	Philippines	10 730
Brazil	17 260	Qatar	110 640
Burkina Faso	2 400	Russian Federation	35 770
Cambodia	5 080	Rwanda	2 730
Cameroon	4 350	Sierra Leone	1 900
Chile	28 550	South Africa	15 570
China	21 250	Sri Lanka	14 030
Denmark	76 810	Turkey	36 920
Haiti	3 310	United Kingdom	54 920
Indonesia	14 250	United States	77 530

Source: World Bank, DataBank, *World Development*, 2020.

Why are there such large global variations in standard of living?

There are a large number of reasons why the standard of living – material and non-material – varies so widely across countries. These include the following:

- **Wide variations in resource endowments.** Some countries have large quantities of natural resources, well-educated and highly skilled labour, and significant capital resources and infrastructure. Other countries have fewer natural and capital resources, and their labour resources may not have the same level of education and skills. This means they are unable to produce as much output, and therefore their level of income per capita will be lower.



FIGURE 3.15 Education for girls is crucial for economic development as lack of education and exclusion of women from full social and economic participation contributes to lower living standards.

Indebtedness the amount of money owed by someone



VIDEO 3.1

Why some countries are poor and others rich (08:47)

- **Historical and social factors.** Many countries with very low standards of living are former colonies. Enormous economic benefits were gained by the European powers, but these same powers set in place structures and economic systems that continue to make their former colonies the world's poorest countries. There is also a correlation between low levels of development and exclusion of women from full participation in the government, society and economy.
- **High levels of indebtedness.** Many of the poorest countries in the world have large amounts of debt.

These countries borrowed to improve capital and labour resources but, due to mismanagement and corruption, sometimes the borrowing simply contributed to the amount of debt owed by the countries. Large amounts of income have had to be diverted to repay the debt, rather than being spent on the wellbeing of the local populations.



Activity 3.8

RESEARCH

Rich and poor

1. Does everyone agree on what causes differences in standards of living?
2. Scan the QR code to watch Video 3.1.
 - a. What are the three factors that the film claims will determine whether a country is rich or poor?
 - b. Do you agree or disagree with the film's contention? Explain your response based on evidence presented and what you have learned in your own investigations.



EXTRA ACTIVITY 3.4

Research –
Gapminder



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 3.6

1. Explain what is measured by GNI per capita.
2. Look at Table 3.4 and complete the following questions.
 - a. Identify the country with the lowest GNI per capita and the highest GNI per capita.
 - b. Calculate how many times larger the GNI per capita is for the country with the highest GNI per capita compared with the country with the lowest GNI per capita.
 - c. Work out the average **weekly** income of the following people using the annual GNI of the country:
 - i. someone living in Australia who receives the average income
 - ii. someone living in Rwanda who receives the average income
 - iii. someone living in Cambodia who receives the average income.
3. Outline why low levels of resource endowment and poor education leads to lower GNI per capita.
4. Explain how high levels of indebtedness have led to inequality in global income distribution.

3.7 Comparing wellbeing between countries

Access to income is not the only measure we can use to compare the quality of life of people in different countries. There are also a number of indices that use a broader measure of human wellbeing to indicate people's quality of life.

Human Development Index

The Human Development Index (HDI) is a United Nations (UN) measure of performance on three key dimensions of development: living standards, health and longevity, and education. According to Amartya Sen, an economist who helped create it, the HDI was designed for measuring 'the richness of human life rather than the richness of the economy'.



VIDEO 3.2
Human Development
Index (00:53)

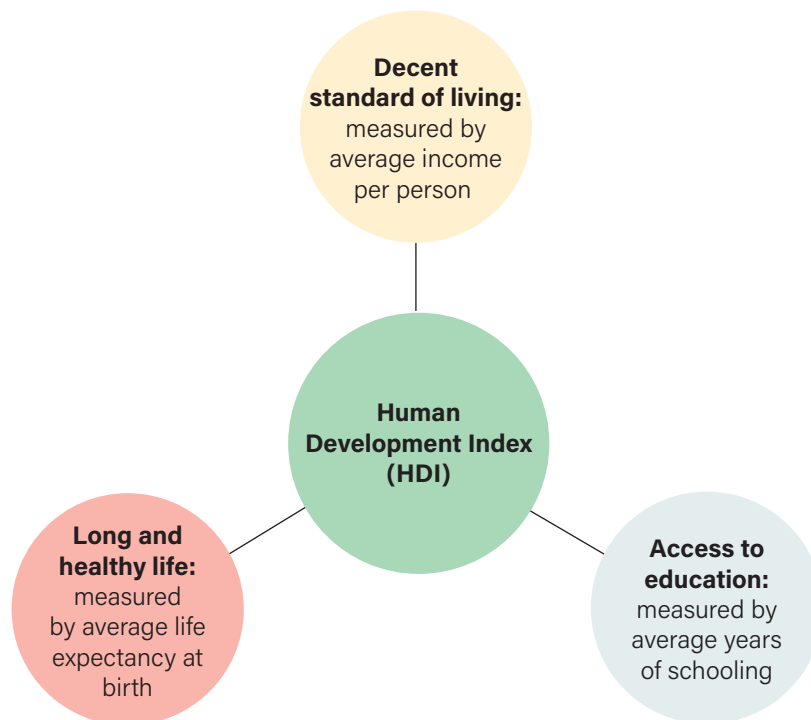


FIGURE 3.16 Human Development Index

The UN collects the data on the performance of each of these areas for countries throughout the world. It then assigns each country a score between 0 and 1, where a higher score indicates a higher level of human development and an HDI closer to 0 indicates a lower level of human development, such as high mortality rates, low levels of education on average, and low average income. The HDI can therefore be used to compare the overall standard of living available in different countries. Countries can be classified according to whether their populations experience a very high, high, medium or low level of human development on average. The UN provides an annual ranking of countries according to their HDI. In the most recent HDI (2023), Australia was ranked equal 10th with an HDI of 0.946 having fallen 5 places in 2 years, and the lowest ranked country was the eastern African nation of Somalia located in the Horn of Africa, with an HDI of 0.380 indicating high mortality rates, relatively low levels of education on average, and very low average income.

TABLE 3.5 HDI rankings of selected countries, 2023–24

Ranking	Country	HDI value
1	Switzerland	0.967
2	Iceland	0.959
7	Germany	0.950
10	Australia	0.946
15	United Kingdom	0.940
20	United States of America	0.921
40	Qatar	0.875
48	Argentina	0.849
63	Malaysia	0.807
112	Indonesia	0.713
146	Kenya	0.601
176	Ethiopia	0.492

Source: UNDP, *Human Development Report 2021/22 – Uncertain Times, Unsettled Lives: Shaping our Future in a Transforming World*.



EXTRA ACTIVITY 3.5

Research – Human
Development
Report

World Happiness Report

Governments around the world are increasingly finding that people's happiness and wellbeing are extremely important, and must be factored in when governments are developing policies.

The World Happiness Report (WHR) began in 2012. It ranks 146 countries by their happiness levels to provide an indication of the state of global happiness. According to the Report's authors, 'The true measure of progress is the happiness of the people; that happiness can be measured; and ... we know a lot about what causes it.' In the 2023 WHR, Finland was ranked 1st, and Afghanistan and Lebanon ranked at the bottom.



FIGURE 3.17 According to the World Happiness Report 2022 authors, the most remarkable change seen during the COVID-19 pandemic was a global upsurge in benevolence – being kind to others – such as these volunteers providing free meals.

Activity 3.9

RESEARCH



World Happiness Report

The World Happiness Report uses six key factors to measure peoples' happiness: levels of GDP, social support, healthy life expectancy, freedom to make life choices, generosity and perceptions of corruption.

1. Why do you think each of those measures was chosen to contribute to a measure of happiness?
2. Explain why countries can fall down the rankings in the World Happiness Report even though they have high incomes (a high material standard of living).
3. Locate the World Happiness Report website and download the World Happiness Report document. Find the diagram in the 'Rankings of happiness' section and draw a table similar to the one below, with 10 rows. Choose 10 countries with different levels of happiness. Record their ranking in the World Happiness Report and provide a brief explanation of what factors have contributed to their ranking. The example of Norway has been done for you.

Country	Ranking	Factors contributing to ranking
Norway	7	Invested its abundant natural resources in long-term sustainable growth; rich country; high levels of social support.

4. Compare Australia's ranking on the World Happiness Report and the Human Development Index. Suggest some reasons for the difference in rankings between the two measures.
5. Explain how the World Happiness Report measures are similar to and different from the HDI measure of wellbeing. Which measure do you think provides a better indicator of people's overall wellbeing? Justify your answer.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 3.7



1. Describe how the HDI measures standard of living, referring to the three dimensions.
2. Rank the following countries according to their HDI scores from the highest level of human development to the lowest level of human development:
 - country A with an HDI of 0.45
 - country B with an HDI of 0.39
 - country C with an HDI of 0.94
 - country D with an HDI of 0.75.
3. Explain why the HDI might provide more information about the standard of living in a country than just measuring average income.

3.8 Policy options for improving living standards

Governments have many policy options for improving living standards within Australia. These include spending on education, training, health and infrastructure. They can also introduce environmental policies. As well as focusing on improving living standards in Australia, the Australian Government chooses to provide foreign aid, on behalf of the Australian people, to help improve living standards in other countries.



FIGURE 3.18 Ongoing education fosters personal growth and self-development.

Education and training

Spending on education is a priority for both Federal and State governments in Australia. In the 2023–24 Budget, the Federal Government estimated it would spend over \$48 billion on education across school and university sectors over the year. They also announced more funding to build the skills of early childhood educators, and increased free TAFE and vocational education training places. These free places will be focused on critical and emerging industries like care, clean

energy and digital industries. They announced more support for improvements in the apprenticeship system, and for delivering training to First Nations peoples and women.

The following are some economic and social benefits of spending on education and training:

- People who receive a quality education throughout their schooling are more likely to find good employment and improve their material living standards over time.
- An educated population means citizens are more likely to be actively involved in decision-making and more able to contribute to their community.
- Because education improves employment prospects, a more educated population reduces the demand on **welfare assistance** programs.
- Improved education improves health outcomes for individuals and the community.
- Improved training helps people to adapt to the changing workplace (for example, the rise of automation and increased demand for services), ensuring that they remain employable.

Welfare assistance refers to government support for those in need, or who are unable to support themselves, including unemployment benefits and pensions

Health

Spending on health is also a priority for both Federal and State governments in Australia. In the 2023–24 Budget, the Federal Government announced that it would spend over \$106 billion on health. This includes the provision of Medicare, where all Australian citizens and residents can receive free healthcare in public hospitals and subsidised visits to the doctor.

The following are some economic and social benefits of spending on health:

- Free healthcare reduces inequality in access to goods and services, ensuring all Australians are able to receive quality healthcare, regardless of their ability to pay.
- Healthier individuals are more productive and more able to contribute to both the economy and the community.
- Free vaccinations produce herd immunity and reduce the spread of communicable diseases to the broader community. Widespread vaccination against COVID-19 formed the main plank of the Australian Government's capacity to contain the pandemic and reopen the economy. In order to ensure everyone could be vaccinated, the government provided the vaccinations free of charge.

Infrastructure

The Federal Government has focused on spending on **infrastructure** in recent Budgets. Projects such as building new road networks, improving energy systems and improving rail networks have been announced. In the 2023–24 Budget, the government had a particular focus on green energy infrastructure – committing \$10 billion to improving Australia's energy grid and growing our green energy capacity, and \$4 billion to transform Australia into a 'renewable energy superpower' with a focus on becoming a global leader in producing hydrogen. In previous years, governments had been very focused on improving road, rail and internet infrastructure, to improve the efficiency of the economy.

The following are some economic and social benefits of spending on infrastructure:

- Improved transport infrastructure reduces travel time, and therefore the cost of producing goods and services and getting them to market. This allows producers to keep their prices down, and improves living standards more generally.
- Improved and more sustainable energy infrastructure makes energy more reliable and (possibly) cheaper, which reduces costs for businesses and consumers.
- Improved transport systems reduce stress by reducing congestion and pollution, improving non-material living standards.
- Improved telecommunications and internet infrastructure allows Australians to engage in growing e-commerce and digital futures.

Infrastructure the basic physical facilities required for an economy or society to operate; includes roads, buildings, internet and power supplies



FIGURE 3.19 Green energy generates energy that produces no greenhouse gas emissions from fossil fuels and reduces some types of air pollution.



Activity 3.10

RESEARCH

Government infrastructure projects

1. Investigate one recent infrastructure project announced by the Federal or State government.
2. Explain the nature and cost of the project and how it is expected to improve living standards in Australia.
3. Research to find any criticisms of the project, and record the key points made.
4. Based on your research, do you consider the infrastructure spending to be a good use of resources? Explain your answer.

Examples of recent major projects you could investigate are the Household Energy Upgrades Fund, the Hydrogen Headstart program, Metro Tunnel (Melbourne), the new Western Sydney Airport, the Tasmanian Battery of the Nation project, the Melbourne Intermodal Terminals, the Brisbane-to-Sunshine Coast Faster Rail Project and the Snowy Hydro 2.0 project.



FIGURE 3.20 Vaccines arriving as part of the global COVAX initiative, a global aid initiative.

Australia's role in foreign aid

Australians are involved in giving to a number of different **foreign aid** programs. For example, the public donates to organisations such as Oxfam Australia (which assists in helping some of the poorest people in the world to become self-sufficient), as well as other organisations like Médecins Sans Frontières (MSF or Doctors Without Borders), which provides medical assistance to people affected by conflict, epidemics, disasters or exclusion from healthcare, often in developing countries.

Oxfam Australia is an independent, not-for-profit community-based

Foreign aid providing financial and other resources to assist overseas programs to help the poor

aid organisation that has developed partnerships across more than 30 countries. Oxfam believes that simply giving handouts will not alleviate poverty. Its preferred approach is to provide people and communities with the skills and resources to help them create their own solutions to alleviating poverty.

The Australian Government also contributes resources to overseas aid as a way of reducing poverty in developing countries. In the 2023–24 Budget, the government allocated \$4.77 billion to overseas development assistance (ODA). This represents around 0.2 per cent of Australia's GNI. Australia focuses its ODA on the Indo-Pacific region – the area geographically closest to Australia, which is also one of the neediest regions in the world. The latest figure is slightly higher than the 2022–23 Budget for overseas aid, but still represents a significant cut to foreign aid – both in monetary terms and as a proportion of our national income, over the longer term. For example, in 2009–10, Australia's ODA represented 0.34 per cent of GNI.

Three decades ago, richer countries promised to commit a minimum of 0.7 per cent of their GNI to foreign aid. Several countries, including the United Kingdom, have met that commitment, arguing that raising aid to this level will substantially help to reduce poverty around the world. They argue that it is affordable and also the right thing to do.

While aid groups such as MSF and Oxfam Australia argue for more resources for various foreign aid programs, there are others who believe that such programs are not the most efficient use of resources. Table 3.6 presents a summary of arguments both for and against Australia providing foreign aid.



FIGURE 3.21 Oxfam works with disadvantaged communities throughout the world, including through improving education.

TABLE 3.6 Pros and cons of spending more on foreign aid programs

Arguments for	Arguments against
- Spending more will lead to a reduction in deaths from diseases such as COVID-19, malaria and tuberculosis, and provide a better quality of life. - Aid can help promote economic growth by improving essential services such as schools, hospitals and clean, fresh water supplies. - Aid will lead to a healthier and better educated population, helping the country to become self-sufficient. - An expansion of foreign aid can open up new markets for Australian exporters. - Aid to the Asia-Pacific region helps to improve stability in those countries, and make the region safer.	- Large amounts of money for aid are wasted on administration costs, misused or spent on wasteful projects that don't provide long-term economic benefits to the countries involved, particularly if the governments are corrupt. - Some poorer countries become too reliant on aid, so the cycle of poverty continues. - Foreign aid won't solve the problem of poverty until there are better economic policies in some developing countries. - Foreign aid won't help the world's poorest countries until trade barriers and debts are reduced so that poor countries can receive fair prices for their exports.

Activity 3.11

RESEARCH



Foreign aid

- Describe the forms of foreign aid provided to overseas countries.
- Select one of the 'for' and one of the 'against' arguments listed in Table 3.6 and research it further to find at least one example that supports the argument.



FIGURE 3.22 Foreign aid aims to promote economic and social development in recipient countries.



**EXTRA
ACTIVITY 3.6**

Research –
extension activity:
cost–benefit
analysis



Activity 3.12

CREATE

Australian aid overseas

Prepare a set of three postcards to highlight the importance of Australia providing aid to poorer nations. To ensure your postcard series communicates the message effectively to its audience, you need to ensure you select appropriate images and words that convey the point you are trying to get across.



*Complete the automarked quiz in the Interactive Textbook,
and answer the Review questions on paper or in the Interactive Textbook.*



Review 3.8

1. Explain how government spending on health produces both social and economic benefits.
2. Explain how government spending on education produces both social and economic benefits.
3. Define infrastructure and outline how government spending on transport infrastructure can reduce the cost of goods and services and also improve non-material living standards.
4. Define foreign aid and identify how the Australian Government's spending on foreign aid has changed since 2009–10.
5. Explain why aid agency Oxfam does not believe that it is useful to focus on giving handouts as part of foreign aid.
6. Identify the area of the world where the Australian Government focuses most of its foreign aid.



Consolidate your learning

1. Write a newspaper article that reports on the growth of multinational companies around the world. In your article, take a position on whether you see this as being a positive or negative trend. Include photos in your article that highlight successful multinational companies.
2. Debate foreign aid: further investigate foreign aid and respond to the statement 'Australia should reduce its foreign aid commitments.' You can support or refute the statement. In your response, ensure you provide evidence to back up your claims and conclusions. Conduct a class debate on the topic.
3. Read the following scenario and complete the activities as required.

Yoyo is 23 years old, loves gaming and anime and regularly travels to the United States, South Korea and Japan to compete in gaming conventions and competitions. She always attends the Penny Arcade Expo (PAX) when it comes to Australia.

Yoyo also has a passion for creating new games and has recently completed a Bachelor of Design (Games) at university. Two nights a week, Yoyo has also been studying marketing at her local TAFE.

Yoyo has recently designed a new game called *Kingdom of Yo*. At the recent PAX convention in Australia, she saw a lot of other Australian game designers who are now exporting their products. She plans to market her game online in Australia, but also wants to start exporting disks directly to China, as she knows there are a lot of really keen gamers there and they like to be able to purchase the games in store for use on their Xbox or PlayStation consoles.

Yoyo needs your advice:

- a. Does Australia have a free trade agreement with China?
- b. What currency is used in China and what effect could the exchange rate have on Yoyo's business?
- c. What expert assistance can DFAT provide for Yoyo?
- d. How will exporting help Australia's economy?
- e. How has globalisation affected the Australian gaming industry?
- f. Yoyo is also considering targeting her products to the South Korean market as she knows many South Koreans are also keen gamers. Are there any customs she needs to know about when dealing with South Korean businesspeople?

Present your responses in a professional-looking report. It should also include appropriate visuals. Use the DFAT website in your research, and also research Australia's gaming industry.



FIGURE 3.23 Yoyo plans to expand sales of her game through exporting.

Part B

Business and entrepreneurship

Knowledge and understanding

From Levels 7 and 8, students revise:

- Entrepreneurship and the link to business success, including Aboriginal and/or Torres Strait Islander-owned businesses and entrepreneurs [*Chapter 4, sections 4.1 and 4.2*]

For Levels 9 and 10, students learn about:

- The strategies and tactics used by businesses to create and maintain a competitive advantage, including entrepreneurship, marketing and public relations [*Chapter 4, sections 4.3 and 4.4, and Chapter 5*]

Key questions

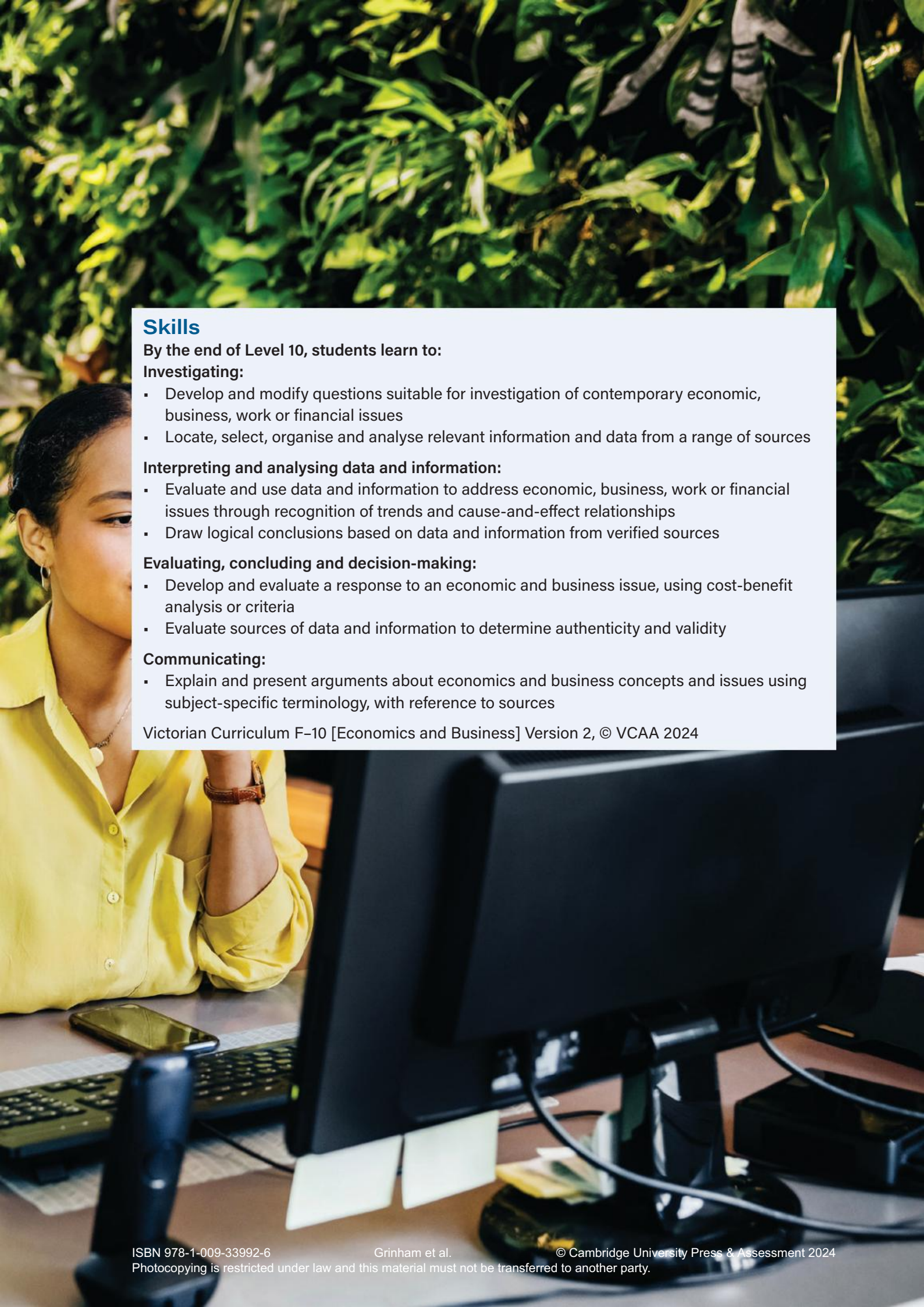
Key questions provide a framework for developing students' knowledge, understanding and skills. The following are examples only and may be used or adapted to suit local contexts:

- How can a business create and maintain a competitive advantage?

Achievement standards

By the end of Level 10, students can:

- Explain how and why businesses can seek to create and maintain a competitive advantage, and the role of entrepreneurship, marketing and public relations strategies in doing this



Skills

By the end of Level 10, students learn to:

Investigating:

- Develop and modify questions suitable for investigation of contemporary economic, business, work or financial issues
- Locate, select, organise and analyse relevant information and data from a range of sources

Interpreting and analysing data and information:

- Evaluate and use data and information to address economic, business, work or financial issues through recognition of trends and cause-and-effect relationships
- Draw logical conclusions based on data and information from verified sources

Evaluating, concluding and decision-making:

- Develop and evaluate a response to an economic and business issue, using cost-benefit analysis or criteria
- Evaluate sources of data and information to determine authenticity and validity

Communicating:

- Explain and present arguments about economics and business concepts and issues using subject-specific terminology, with reference to sources

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Chapter 4

Being an entrepreneur

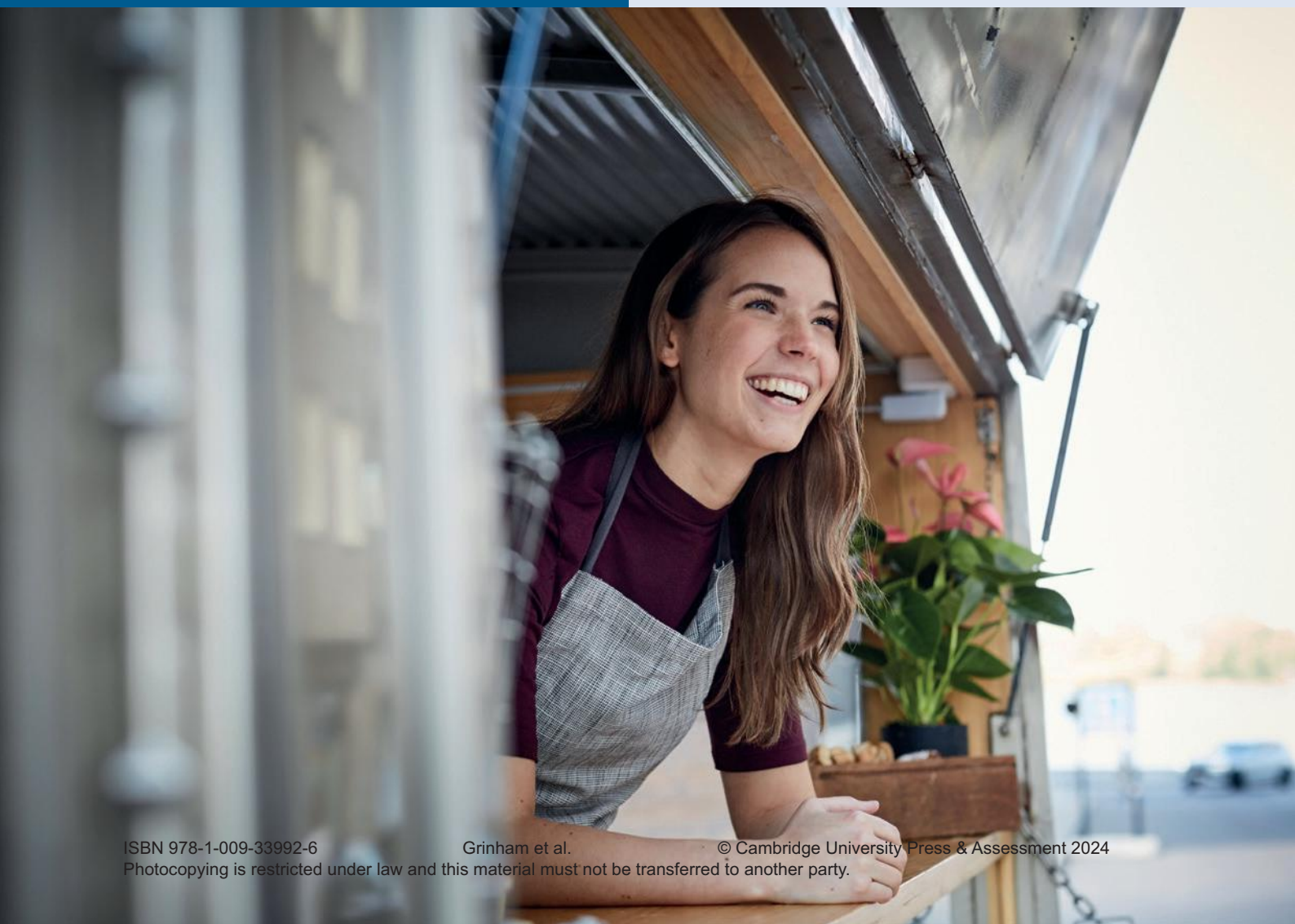
Australia is a fortunate country, in which its citizens enjoy a high standard of living. If Australia is to enjoy continuing strong economic conditions, then the importance of innovation and enterprise cannot be overlooked.

This chapter investigates the concept of enterprise and what it means to be an entrepreneur. It highlights some of our leading Australian entrepreneurs and investigates the ways in which enterprising behaviours and capabilities can be developed within all of us to improve life for the individual, the business and the Australian economy.



This chapter contains some content applicable to levels 7&8. The relevant sections are marked with an icon and can be used if the material was not studied in levels 7&8 or as background for levels 9&10.

FIGURE 4.1 An entrepreneur





4.1 What is an entrepreneur?

Entrepreneurs are people willing to take risks and start new business ventures with the intention of making money. An enterprising person is someone who comes up with original and creative business ideas, then puts them into action. This means identifying unique business opportunities and getting the money together to finance these ideas. The COVID-19 pandemic created such an opportunity for businesses like gin distilleries, which converted their production lines to produce hand sanitiser to meet society's need for this product.

Entrepreneurs are not afraid to take risks and will work hard to achieve their goals and objectives. This can help them create and maintain a competitive advantage in the market.

Social enterprise

a business that exists to reinvest the money it makes back into the business or local community to tackle unemployment, environmental issues or social challenges

Case study 4.1



Who Gives A Crap

Ever since his school days in Perth, Simon Griffiths has been involved in a range of enterprises, including pet-sitting and selling surfboards. Between high school and university, he spent a year in London, and his natural entrepreneurial spirit connected with the world's growing use of social media. He taught himself to build websites first for a mate's tennis club and then a real estate business as a way to pay for his travels. After finishing university, he then was involved in a number of **social enterprises**, including a not-for-profit bar, but none of these were successful.

When he learned that roughly 40 per cent of the global population don't have access to a toilet, and that as a result every year nearly 290 000 children under the age of five die from illnesses caused by poor water and sanitation (that is, one child every two minutes), he decided something needed to be done.

In July 2012, Simon joined with Danny Alexander and Jehan Ratnatunga to found toilet paper

company Who Gives A Crap, with the plan that half of its profits would be donated to help improve sanitation (including building toilets) in the developing world. They launched the business via a crowdfunding campaign on IndieGoGo. The brand name, and the campaign approach, used deliberately tongue-in-cheek humour, designed to create a unique selling point and connect with its younger socially and environmentally aware target market.

The company grew via social media and word of mouth nicely over the seven years after 2013, but it was the COVID-19 panic buying of toilet paper in 2020 that really sent sales soaring.

In December 2020, *The Australian Financial Review* interviewed Simon about the success of his enterprise.



VIDEO 4.1

The Who Gives A Crap crowdfunding video on IndieGoGo (02:54)

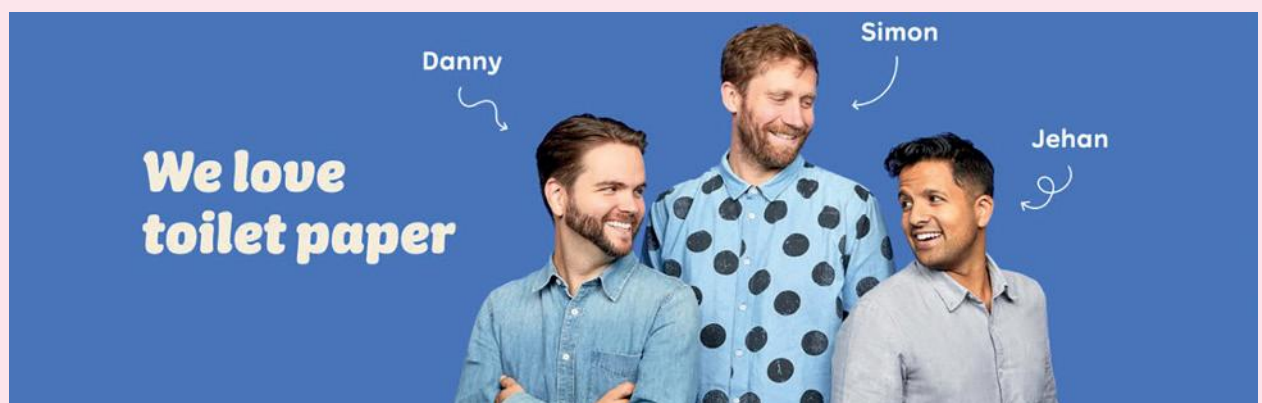


FIGURE 4.2 Who Gives A Crap: Simon Griffiths and his co-founders Danny Alexander and Jehan Ratnatunga

Case study 4.1 *continued***'I never wanted to be a toilet paper mogul as a kid'**

Natasha Boddy, *The Australian Financial Review*, 29 December 2020

Who Gives A Crap is a profit-for-purpose privately-held toilet paper company that employs about 100 staff globally and has warehouses in Australia, the United States, the United Kingdom and the Netherlands, and ships to 36 countries including Canada and across Europe. The social enterprise, which doesn't disclose its revenue, donates 50 per cent of its profits to charity partners and the rest is reinvested in the company. ...

Griffiths admits his company wasn't prepared for those early few days as hysteria about the coronavirus pandemic gripped Australia. It was late February when he first began to notice the photos filtering through on social media of empty supermarket shelves stripped bare of toilet paper.

Around that time, social media mentions about the company swelled from a trickle into a flood. ... 'Our customers essentially sent us viral when people were sharing photos of empty supermarket shelves and they were saying, "Why are you buying from the supermarket? You should be buying from Who Gives A Crap, they do great things for the environment and donate 50 per cent of their profits".'

Within 24 hours, Who Gives A Crap's sales had doubled. The next day, they were up five-fold and then 12-fold. By day four, that figure was nearly 40 times higher than the company's typical daily sales. ...

Spurred on by what was happening in Australia, the panic-buying contagion spread to the UK and the US, and Who Gives A Crap sold out globally. Within days, the toilet paper supplier's waitlist had ballooned to more than half a million people. ...

By July, the toilet paper '*hamsterkauf*' – the German word for panic hoarding – meant Who Gives A Crap was able to make its largest charitable donation to date: \$5.9 million from global profits to six charities around the world. That was five times larger than last year and more than double the company's total donations to date.

1. After reading the case study, explain the positive effect that the Coronavirus epidemic had on the expansion of the Who Gives A Crap business.
2. After watching the video, identify and explain the characteristics that identify Simon Griffiths as an entrepreneur.
3. Explain why Who Gives A Crap is identified as a 'social enterprise' rather than a standard partnership business.

**Activity 4.1****REFLECT****Characteristics of entrepreneurs**

1. Identify another entrepreneur who you know among your family and friends or among your local community.
2. From the case study, the text and your own general knowledge, suggest five characteristics that you think an entrepreneur needs.
3. Rate yourself against these five characteristics and identify where your strengths are and where you could still develop.
4. Discuss whether you believe entrepreneurial skills and characteristics naturally exist in certain people, or whether they can be learned; and if so what's the best way to do this?

Example**Janine Allis: Boost Juice and Retail Zoo**

Janine Allis opened her first Boost Juice bar in Adelaide in 2000. She started working at 17 years of age as a media assistant at the advertising agency McCann-Erikson, and travelled the world as an Aussie backpacker with holiday jobs as an American camp counsellor in the United States and a nanny in France, and even a stewardess on David Bowie's yacht. After a trip to the United States in 1999, where she watched the emerging juice and smoothie business growing, she came back home to start the Boost Juice brand in 2000 from a kitchen table in the suburbs of Melbourne. Her business empire now includes Salsa's Fresh Mex Grill, Cibo Espresso and Hatch, as well as Boost Juice. Her franchises of over 500 stores now operate in 15 countries, with the BRW Rich List (2016) putting her personal fortune at \$66 million. As an entrepreneur, she sees business opportunities, analyses the situation, weighs up the risks and then makes confident, decisive decisions about how to progress. Janine also stars as one of the 'sharks' on TEN's reality show 'Shark Tank', where she assesses other people's entrepreneurial flair and can then choose whether to invest in their concept with financial support and business acumen.



FIGURE 4.3 Entrepreneur Janine Allis

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 4.1**

1. What is an entrepreneur?
2. Explain an entrepreneur's attitude towards risk.
3. Define the term 'social enterprise'.



4.2 Enterprising skills, behaviours and capabilities

An enterprising person is someone who comes up with original and creative business ideas and then puts them into action. This means identifying unique business opportunities and then getting the money together to finance them. Developing a product or service that meets a gap in the market – something that people want, but nobody else is offering – can provide a strong competitive advantage.

Individuals who possess the behaviours and characteristics of an enterprising person are often referred to as entrepreneurs. Entrepreneurs are not afraid to take risks and will work hard to achieve their goals and objectives. But what skills, behaviours and characteristics does an entrepreneur need?

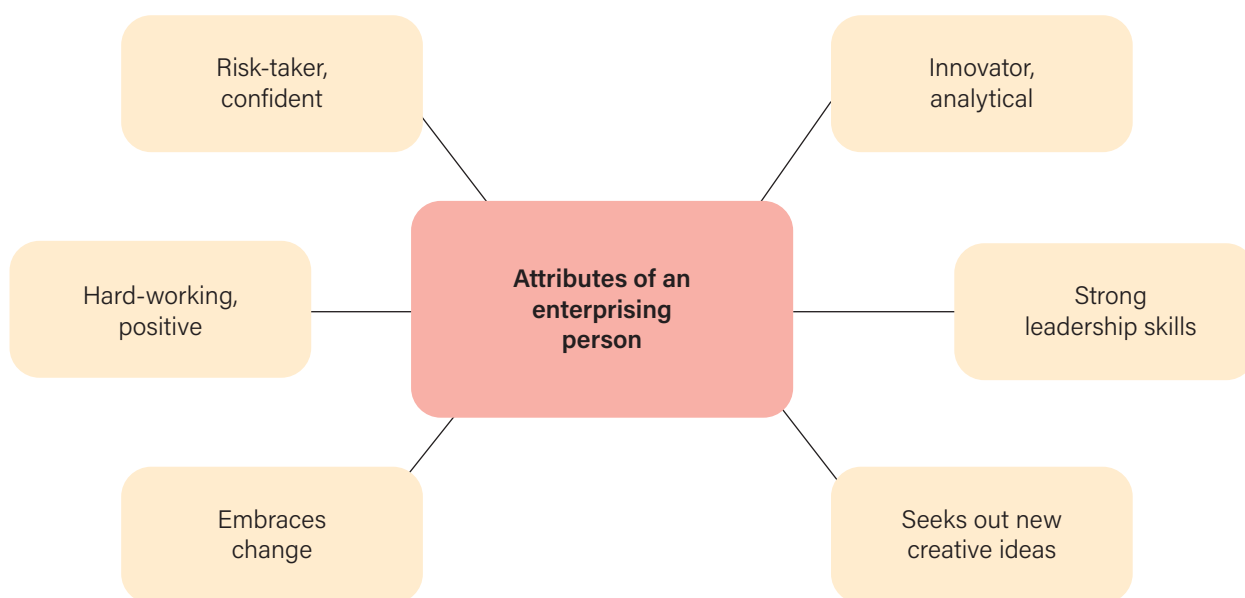


FIGURE 4.4 An enterprising person must possess certain characteristics and attributes to be successful.



Activity 4.2

COLLABORATE

Famous entrepreneurs

The following individuals have been nominated as some of the most influential entrepreneurs in the world. As a class, work in pairs and select one of the following entrepreneurs on whom to do some background research. After 15 minutes, come together as a class to share these profiles. Nominate someone as a class scribe and see whether the class can identify the skills and behaviours they all seem to share.

- Mark Zuckerberg – Facebook
- Steve Jobs – Apple
- Jeff Bezos – Amazon
- Richard Branson – Virgin
- Ben Silbermann and Evan Sharp – created Pinterest
- Sarah Blakely – founder of fashion trend Spanx
- Mike Krieger and Kevin Systrom – Instagram
- Travis Kalanick – founder of Uber
- Daniel Ek – one of the founders of Spotify
- Oprah Winfrey – talk show host, producer and media proprietor

Activity 4.3

CREATE

**Profile of an Australian entrepreneur**

Imagine that the editor of an entrepreneurial magazine has approached you to write a feature article for its online newsletter. Your task is to write a detailed profile of an Australian entrepreneur who interests you.

You could start by looking at how online magazines write profiles of people – for example, *teenblurb* often has lists and profiles of innovative entrepreneurs – and then use their template to write your own article on one of the following:

- Daniel Flynn – co-founder of Thankyou
- Kayla Itsines – Sweat App personal trainer
- Naomi Simson – RedBalloon
- Melanie Perkins – Canva
- Nick Molnar – Afterpay

Important enterprising behaviours and capabilities

Enterprising people are important to the success of a business as well as to the wider community. Enterprising people are not afraid to use their initiative to assess and identify new opportunities and to find new ways of doing things. They are resourceful people who adopt a determined and flexible approach to new opportunities when they are confronted with them.

Enterprising people must also possess a range of important behaviours and skills if they are to capitalise on new opportunities or business ventures, and adapt to changing circumstances as they present themselves.

Enterprise skills are transferable skills that enable young people to engage with a complex world and navigate the challenges they will inherit. For example...

Problem solving

Communication

Digital literacy

Teamwork

Presentation

Critical thinking

Financial literacy

Creativity



FIGURE 4.5 Key enterprise skills



Activity 4.4

REFLECT

Skills and behaviours to become an enterprising person

This quiz looks at some of the skills and behaviours needed to become an enterprising person. Read each statement carefully and circle the response that relates most to you. Make sure you are honest with your responses.

Quiz: Are you an enterprising person?

	Statement	A (Always)	B (Sometimes)	C (Never)
1	When making plans and decisions, I enjoy taking risks and seeking new adventures.			
2	I am positive in my approach to life and I like to think on the bright side wherever possible.			
3	I am a goal-oriented person and set high standards for myself with school work and outside activities.			
4	I am not afraid to express my opinion and have confidence in what I do.			
5	When faced with challenges, I'm determined and don't give up easily.			
6	I sometimes come up with thoughtful and unique solutions to resolve any problems I come across.			
7	I enthusiastically approach everyday work tasks and don't tire easily.			
8	When I communicate my ideas to others, people usually seem interested in my thoughts and opinions.			

Guide to scoring

- **Mostly As (always):** You have many of the skills and attributes necessary to become an enterprising person. You don't give up easily and are ambitious and confident in your ability to get things done. You are enthusiastic in your approach to life and are a good problem-solver.
- **Mostly Bs (sometimes):** You have some of the attributes required to become an enterprising person. You are mostly positive and are improving in your ability to communicate your ideas to others. Remember to show confidence in your skills and don't be afraid to take risks if you believe you are on to a winning idea.
- **Mostly Cs (never):** To develop the necessary attributes to be an enterprising person, you need to start setting goals, taking a positive approach to problem-solving and being brave about expressing your ideas and opinions to others. Try not to give up if faced with a challenge. It is never too late to learn.

Examples of enterprising skills

Motivation, passion and goal orientation

Enterprising people must be highly motivated to achieve their goals despite all the hurdles and resistance they will face. They may be told, 'It's not going to work' hundreds of times and they must have the determination and persistence to break through this. To help them achieve this, they often have a very clear goal for where they want to be in the future and are highly driven to achieve this.

Creativity and problem-solving

Enterprising people must be creative and look for innovative means to solve their problems. They don't always have to be creative themselves, but they do need to know people who can contribute this aspect of the business.

Inevitably, problems will be encountered in a business; it is what happens next that determines the level of success. If the individual can stay calm, concentrate on the ultimate objective, think broadly and draw on past experiences and knowledgeable colleagues and contacts, then the problem needn't freeze the business but rather can be seen as a positive opportunity to make the most of.

Financial literacy

Financial literacy is about understanding money: where you can get it, what it will cost you to use it, what you can do with it and how it can affect both you individually and the business you own. Financial literacy is of fundamental importance to you and your business idea. Terms like 'interest', 'credit', 'debit' and 'inflation' need to be part of your vocabulary.

Digital literacy

Being familiar with and confident about using technology, social media, internet research and computer-based presentation tools to develop your business interests is increasingly important in the modern world.

Critical thinking

The objective analysis and evaluation of an issue in order to form a judgement – to break down an issue into all its parts and logically and calmly work through these to determine the best path to follow in the future – is a central part of developing and growing a business.

Communication

This skill relates to how well a person is able to express their ideas and relate to others. Communication can take many forms – it can be written (email or letter), verbal (business presentation, teleconference or interview) or non-verbal (body language or dress).

Figure out what it is you stand for, go and stand up for it.

Karen Stocks, vice-president at Google

Goals without routines are wishes; routines without goals are aimless.

Naomi Simson, founder and CEO of Red Balloon

Get really good at learning.

Mitch Harper, co-founder of Bigcommerce

Financial literacy understanding how money is made, spent and saved

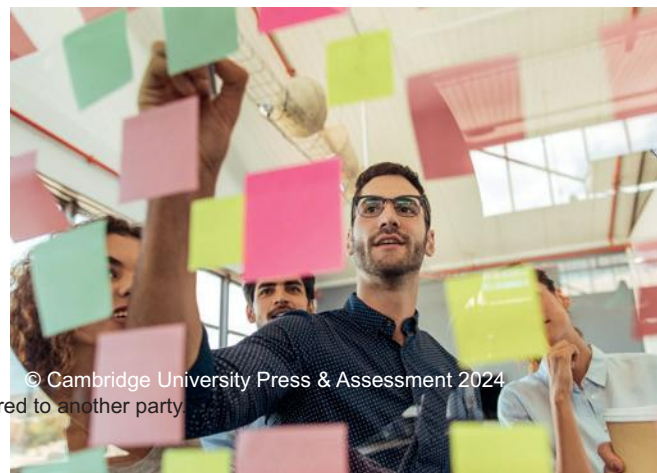
FIGURE 4.6 Digital literacy does not equal loss in creativity, but uses technology to bring new creative ideas forth.



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Griffin et al.

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Networking interacting with other people within a professional or social setting to exchange information or ideas

Listen more
than talk.

Janine Allis, founder
of Boost Juice

You can be
whatever it is
that you want
to be.

Jodie Fox,
co-founder of Shoes
of Prey

In order to
become a
genius, you
must first risk
being seen as a
fool.

David Rohrsheim,
General Manager
of Uber Australia &
New Zealand

Focus on the
one thing that
you can be
the best in the
world at and
just do that over
and over again.

Fred Schebesta,
co-founder of
Finder.com.au

Leadership is
learning, just in
front of more
people.

Daniel Flynn,
co-founder and
managing director
of Thankyou

Good communicators will be able to express their views and visions to others in an easy-to-understand way, and in a style that motivates those around them to work towards their goals. They understand how **networking** effectively and initiating contact with others can help their ideas to be successful.

Presentation skills

You can have the best idea in the world, but if you can't convince anyone else of its importance, then it is just a wasted opportunity. The ability to stand in front of people and communicate, convince, inspire or persuade them to believe in you, your idea or what you would like them to do to help you is really important.

Risk taking, self-belief and confidence

Enterprising people must be willing to take a risk and have the self-confidence and self-belief in themselves to carry it through. The fact that no one else has established this business idea means entrepreneurs are travelling in uncharted waters, and this inherently comes with a degree of risk. Statistics suggest that many new business ideas fail, so it takes a lot of inner belief to push through each day and make it a success.

Decision-making

Enterprising people regularly identify, assess and make decisions about new and emerging opportunities as they arise. They need to use all the traits of an enterprising person, such as creativity, embracing change and risk-taking, to assess new opportunities. Calculated risk-taking is something enterprising people are willing to do to meet their goals. This means maintaining an open mind about potential business opportunities and being able to critically analyse new opportunities to determine whether there is a potential market for the new idea. Enterprising people will be prepared to take an informed risk if they believe it makes good business sense and they can create value. Enterprising people are also not afraid to ask for help, and will seek out expert advice where required – such as consulting their lawyer about the legal aspects of any new opportunity before proceeding.

Planning

Once an opportunity has been identified, an enterprising person will then plan in detail all the decisions that need to be taken to make this idea a success. Planning may be long term (referred to as strategic planning), but it is also necessary to undertake short-term planning, which covers all the immediate decisions that need to be made.

For example, an enterprising person starting up a new business venture would plan exactly what the business will sell, where it will be located to maximise sales and who will be consulted to make sure all the right decisions are made.

Leadership

Leadership refers to the ability to influence, lead and motivate others. Leaders are people who possess strong organisational skills and are able to confidently direct others in the day-to-day activities on which they may be working.

Enterprising people know how to manage the financial and physical resources needed to bring their idea to life. They are able to adopt a leadership style to meet the situation at hand (for example, by using a consultative style where workers are encouraged to express their opinions about the best ways of doing things). Leaders also know how to negotiate effectively and realise that compromises may sometimes be needed to work towards any goals that have been set.

The demand for enterprise skills is on the rise

Enterprise skills are transferable skills that enable everyone to engage with a complex and ever-changing world and navigate the challenges we will all face in our lives. Importantly, enterprise skills are not just for entrepreneurs; they are skills that are required in many jobs, and indeed for society as a whole. So, developing enterprise skills will not only benefit you and your own pay packet in the future, but will also have a major impact on where Australia is positioned in the years to come.

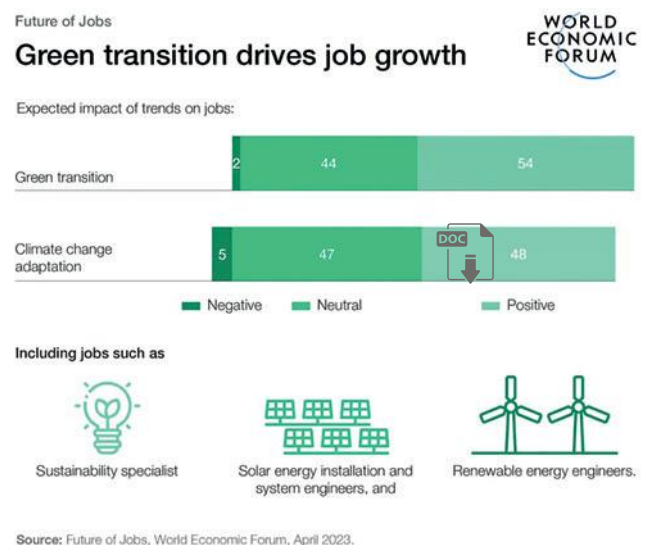
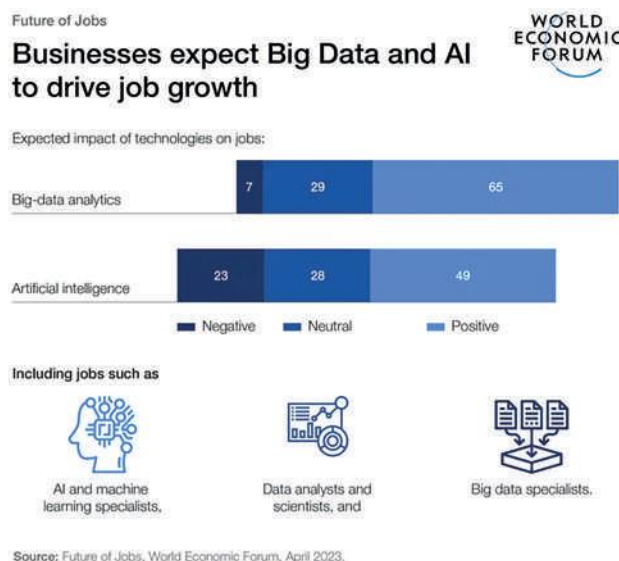


FIGURE 4.7 Infographics from the World Economic Forum, *Future of Jobs Report 2023*.

Complete the automarked quiz in the *Interactive Textbook*, and answer the Review questions on paper or in the *Interactive Textbook*.



Review 4.2

- Summarise in your own words what five of the enterprise skills mean and why they are likely to be important to you in your future career.
- Describe what you consider to be the three most important enterprising behaviours and capabilities for entrepreneurs.

4.3 How enterprising behaviours can be developed

Some people believe that we are all born with the characteristics of an enterprising person, while others believe that these enterprising attributes can be learned. Practising your enterprise skills can fine-tune and develop those you already have, and the experience can add to the pool of knowledge on which you can draw for the next time you need to be enterprising. Learning to be enterprising can help you achieve in all areas of your life, from school through to sporting activities, as well as in your later working life.

Case study 4.2



Seb Stritt, Intrapreneur of the Year 2022 Winner

Seb Stritt started his first business as a tween, and in 2022 won the Intrapreneur of the Year at the Teens in Business Awards 2022. Watch Video 4.2 and answer the following questions.

1. Summarise Seb Stritt's story as a developing entrepreneur.
2. Identify and explain the characteristics that make Seb successful as an entrepreneur.
3. Explain whether you think you have similar characteristics to Seb and what you could do to develop these further.



VIDEO 4.2 18-year-old Seb Stritt talks about his development as an entrepreneur. (04:59) Scan the QR code to watch the video.

At school

Activities 4.5 to 4.8 can help you develop enterprising skills. Choose the Activity, or Activities, that you think will work best for your class.



Activity 4.5

COLLABORATE

How to become more enterprising

You'll need one tennis ball and an area with plenty of space for this activity. You can either go outside or rearrange the classroom.

1. The teacher will arrange the class in a circle standing side by side. The first student throws the ball to another person in the class across the circle. The thrower can now take a step back, remembering who they threw the ball to. The receiver can now throw the ball to another random person, and they can again take a step back, remembering who they threw the ball to. The sequence continues until everyone has received the ball and the final person then throws the ball back to the original student who began the whole chain.
2. To ensure that everyone is aware of who they threw the ball to, everyone should point at this person, then afterwards point at who they received the ball from.



Activity 4.5 *continued*

3. You are now ready to face the challenge. Throw the ball around the circle again in sequence, but this time you are going to time yourselves from the time the ball first leaves the original student to the time it returns to that same student's hands, having passed around the circle in the same order. Note the time.
4. Take a vote as to whether the class believes they can beat this time, and a prediction of what each person believes is the fastest time in which the challenge can be completed and note down these results.
5. Repeat the challenge and try to get quicker and quicker, bearing in mind that the only rules are that 'the ball must pass from person to person in exactly the same order as the first sequence' and that 'the time is taken from the time the ball leaves the original student's hands until it returns to that person'. Discuss whether there is any better way to complete this task while staying within these two rules.
6. Now return to the classroom and as a group discuss the following questions.

Sample discussion questions

- a. How much quicker was the final time than your predictions?
- b. Who was right with their predictions?
- c. Who was amazed at how quick the group could become?
- d. What group ideas did you have to solve the problem?
- e. Which group ideas did you listen to? Which did you discard? Why?
- f. How did you make your decisions? Did everyone agree?
- g. What things did you do well? What things could you do better next time?
- h. What enterprise skills did you identify that were used within the group?

Activity 4.6**COLLABORATE****Recipe for disaster**

This short activity is designed to give you an understanding of what makes a good idea and where such ideas come from.

You'll need a pad of Post-it notes and a box or a waste paper bin.

1. A Post-it note is handed out to each member of the class
2. Each person writes down a 'bad idea for a product' on a sheet of paper.
3. Each person then screws the paper up and puts it in the box in the centre of the class.
4. Each class member takes an idea out of the box. They tell the class about it, present a case for why it is a bad idea and propose an alternative – how they might turn it into a good idea.





Activity 4.7

COLLABORATE

School heroes

This activity can be a natural extension of the previous warm-up exercise.

1. Once again, a Post-it note is handed out to each member of the class.
2. This time each person writes on it one thing they would like to improve at school – for example, more things to do at lunchtime, more play equipment, less litter around the school, raising money for a special cause. Each note is put into a box in the middle of the classroom.
3. Ideas should then be drawn from the box. As a class, decide which one you think should be given the highest priority.
4. You then have the challenge of solving this within four weeks.
5. Your teacher will assist you, but consider some of these thoughts:
 - surveying wider community feelings on this issue – for example, fellow students in other classes, year levels, teachers, parents – using a digital online survey technique
 - brainstorming a range of ways to solve this issue
 - constructing a formal presentation with solution to the principal to outline your ideas and gain their commitment
 - considering the financial requirements to solve this problem and where you could access this money
 - listing the resources you require and identifying supporters who can help you locate and access them.

Case study 4.3



\$20 Boss challenge: Sticky Pronk

The Young Change Agents/ Foundation for Young Australians runs a \$20 Boss challenge for schools. Teachers run an internal challenge for the school, giving students \$20 to create their own business.

In 2018, as part of the \$20 Boss program, Year 6 student Noah created Sticky Pronk, a surf wax that won't hurt the environment.

More information about this program and other Young Change Agents entrepreneurial programs is available from the Young Change Agents \$20 Boss website:

<https://cambridge.edu.au/redirect/10442>.

1. Describe the product that Noah has created.
2. What was the inspiration and motivation about his unique approach to the product?
3. Who were Noah's supporters in the early stages of the development process?

4. What were the benefits of using the \$20 boss program?
5. What are the challenges to running his business from home?
6. What has Noah learned from the experience?



VIDEO 4.3 Noah talks about Sticky Pronk. (03:07) Scan the QR code to watch the video.

Activity 4.8**COLLABORATE****Be your own boss**

Plan to run a school market day for students or a night market after school for the wider community, where the key rules are that you must make the goods or services yourselves and you are limited to a maximum of \$20 **seed funding**, which needs to be repaid to the investor at the end of the program.

You will have to think creatively, like using recycled goods or materials and turning them into new products. Internet sites like Pinterest can help here, and you will also need to consider the occupational health and safety and legal requirements at your school before embarking on any project.



Seed funding when a business owner receives money in exchange for a small amount of equity in the company

Post school

Relevant studies can also enhance your skill base and help make you more enterprising. A number of universities offer combined business and enterprise degrees that are designed to help graduates develop enterprising attributes and to launch their own business ventures at the same time. By the end of these degrees, it is expected that each student will have the ability and confidence to be able to identify potential business opportunities to enable them to start their own business ventures.



FIGURE 4.8 Business degrees can help you develop and practise needed skills.

Government support

The government also offers budding young entrepreneurs advice and assistance from a number of sources.

- The business.gov.au website gives information on all aspects of starting a business, including preparation and planning.
- There is a National Small Business Support phone line available to small business owners: 13 28 46 (option 1)
- The ACCC offers a free online education program about the rights and obligations of small business owners.

A useful starting point is the website 'Starting a small business' at <https://cambridge.edu.au/redirect/10443>.

Business support

Businesses also need to investigate ways of improving their enterprising behaviours – and to develop a plan to assist with this implementation. This involves being reactive, by identifying areas where the business is lacking in these skill areas and responding to them; and also proactive, by recruiting individuals with these skills so that as opportunities arise in the future, they will be able to apply their enterprise skills to them.

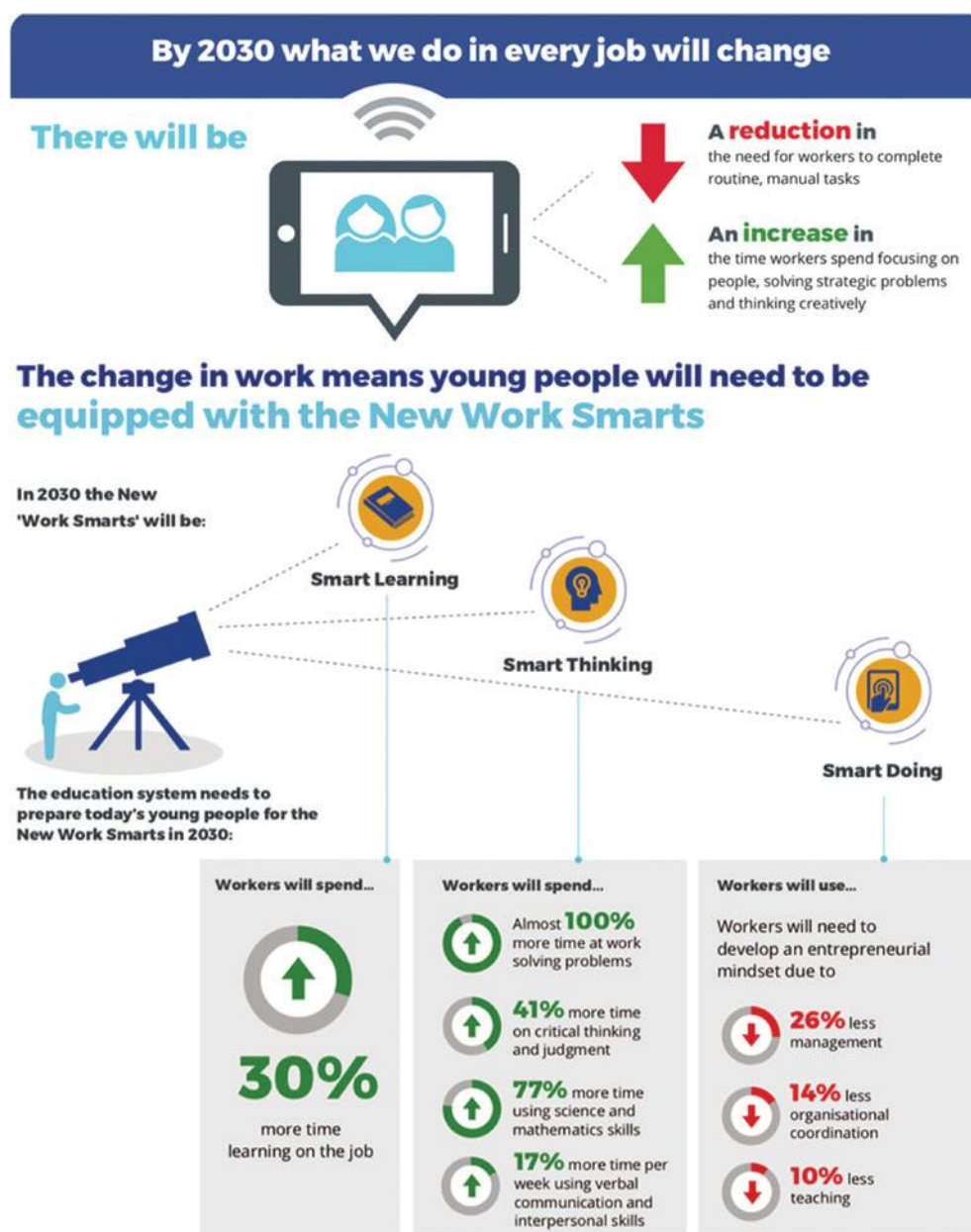


FIGURE 4.9 Jobs of the future: Diagram from the Foundation for Young Australians (FYA)'s 2017 report *New Work Smarts: Thriving in the New Work Order*.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 4.3

- Describe in your own words each of the following enterprise skills:
 - problem solving
 - creativity
 - financial literacy
 - digital literacy
 - critical thinking
 - presentation skills.
- Describe how school programs can develop enterprise skills.
- Describe how the government can help develop enterprise skills in society.
- Explain the difference between businesses being reactive and proactive. Suggest why both are important for planning and development.

4.4 The benefits to businesses and the economy of being enterprising

Enterprising skills and behaviour benefit the individual, the community, society and the economy, whether or not they are converted into financial business models. By being enterprising, individuals can solve problems in their own lives – from creating their own fancy dress outfit for a party rather than going out and buying one through to helping their local community by organising a fundraising event for a charity or local community organisation. Then, if the enterprising idea is turned into a commercial reality and experiences business success as a result of providing a competitive advantage in the market, it is likely to expand. Thus, generating revenue that will be shared among the economy through the owner's purchases, and lead to an increase in employment. Therefore, generating income for more Australians and through the business profits being taxed, with a percentage of the income being reinvested into the Australian economy and society.

As we will explore in Chapter 6, enterprise skills are a vital component of all Australians enjoying the lifestyle to which we have all become accustomed. Improving all our enterprise skills is essential, not a choice.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 4.4



1. Identify the benefits a more enterprising society has for:
 - a. individuals
 - b. community
 - c. the economy.



FIGURE 4.10 Local community fundraisers benefit the economy.



Consolidate your learning

The Enterprising Shark Tank: do you have what it takes?

This activity is a hands-on team game that will pit team against team in your class to see who is the most entrepreneurial. It brings together the concepts covered in this chapter. It requires you to be entrepreneurial, think creatively and use your business sense to come up with a winning enterprising idea.

1. Divide the class into groups of three or four students. Each team must appoint a project manager whose job it is to allocate duties among their team members as well as encourage and manage their individual team during the task.
2. The class needs to vote on an activity that can be planned and marketed in advance and completed during a school lunchtime. Each team must be competing in the same business. Possible suggestions for business activities are a cake stall, a car wash for teachers' cars, takeaway food stalls or any other business enterprise you think is appropriate and that complies with the school regulations.
3. Your team is required to submit a formal business report at the end of the activity and present this to your teacher in a Shark Tank presentation format, as if you wanted to seek teacher finance to take your pilot business to full commercial scale. Your business report must be professionally presented. You should include the following items within your business report:

- a. A description of your target market (including age, gender, income levels, geographic location and occupation type of your customers)
- b. A marketing strategy that will maximise sales and your group's chance of winning this activity. Your marketing strategy should include a description of each of the following:
 - product: the goods and/or services you will be selling to the public. You must make your product appealing or desirable to potential buyers.
 - price: a pricing strategy that will enable you to make a profit while at the same time being competitive
 - place: the best location to operate your business venture
 - promotion: the promotional strategies that you would use to generate publicity/sales – for example, flyers and posters.
- c. Financial results – list all revenues received and all expenses incurred in running your business, and then calculate your **net profit** figure.
- d. Reflection – each member of the group is required to write a half-page personal reflection on how they thought the team worked together. In your reflection, include comments on the strengths and weaknesses of the team as well as whether you would do anything differently next time. Also include a comment on your own contribution to the group.
- e. Include photos of the business enterprise, representing the product or services you offer.
- f. Attach any promotional materials that were used by your group to attract customers.

4. Your teacher will closely follow the progress of each team, both leading up to and during the business enterprise. Ultimately, the team that makes the most compelling presentation, showing that they could take their pilot business enterprise to full-scale commercial success, will be crowned the winning school enterprise and Shark Tank winner.

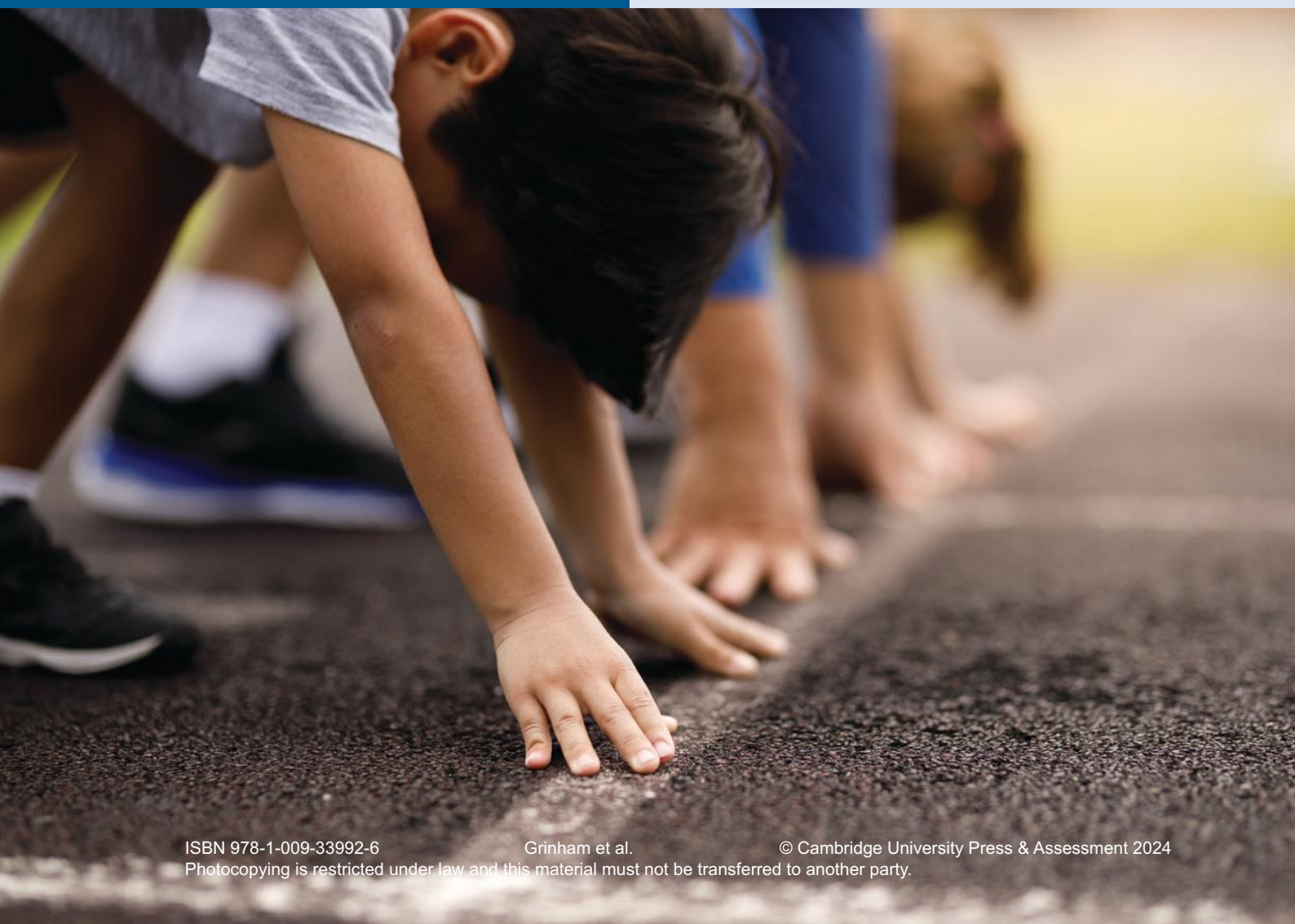
Net profit the difference between the revenue earned by a business and the costs incurred in earning that revenue; where there is more revenue than expenses, the business is deemed to have made a net profit; if expenses exceed revenue, the business will have made a net loss

Chapter 5

Innovation: gaining a competitive advantage

This chapter explores the importance of innovation and its link to enterprising behaviours. It investigates practical examples of innovation in business and looks at how innovation can help give businesses a competitive advantage over their competitors, both domestically and globally. The chapter looks at emerging techniques in both product and service innovations and explores the role government can play in promoting innovation in the Australian economy.

FIGURE 5.1 Start with all the tools you need.



5.1 Innovation: what is it? The link between enterprising behaviours and innovation

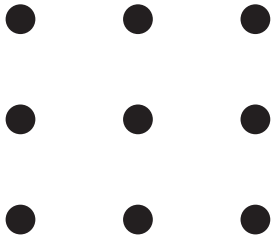


FIGURE 5.2 Draw these dots yourself and join them using four straight lines without taking the pencil off the paper.

Before we begin this chapter, let's have a little challenge!

To the left you will see nine dots laid out in three separate rows. Your task is to draw four sequential lines that touch the middle of all nine dots without taking the pencil from the paper. Each line should start where the last line ended.

If you are struggling, there is a clue that links the solution to this puzzle and this chapter on innovation. You need to THINK OUTSIDE THE SQUARE. (Once you have finished, go to Figure 5.19 at the end of this chapter to see the solution.)

How did you solve the puzzle?

Did you practise a number of times over, did it just come to you or were you frustrated as you kept using the same strategy to solve it? The real key to the nine-dot puzzle is that you literally have to 'think outside the square' in order to solve it.

The approach most people take is to try to draw all the lines within the dots.

This is a result of the fact that:

- There seems to be nothing beyond the dots that can be 'joined up'. There is nothing to join a line with around the edges of the nine-dot puzzle, so most assume a boundary exists.
- It seems that drawing lines beyond the dots is outside the scope of the problem.
- The puzzle demonstrates the need to look beyond the 'normal' rules of the problem:
 - Analyse the rules to find out what is allowed and what is not.
 - Do not accept other people's definitions of problems.
 - To complete such puzzles, it is important to investigate the 'boundaries':
 - What are the boundaries into which the solution must fit?
 - Are the boundaries real, or did you create them?
 - If you break these boundaries, what possibilities open up?

Innovation an idea, a thought, an invention, a system or a process that is completely new

Innovation is much the same. Innovation is an idea, a thought, an invention, a system or a process that is completely new. Innovators are not just inventors; they are observers, listeners, thinkers and doers. In business, innovators are people who come up with ideas that can translate into new products or services for business application. Everyone can innovate. We do it every day with a whole range of tasks. To be innovative, you need to believe in yourself and feel that your ideas are important. An innovator needs to be optimistic, resilient, persistent and curious.

Activity 5.1

REFLECT



Further innovative lateral thinking puzzles pushing the boundaries

Lateral thinking is a concept attributed to Edward de Bono in 1967. Essentially, it is a way of looking at things from other angles as opposed to the more traditional ways. It can foster different approaches to seeing something or linking thoughts, and it can lead to new, original and innovative ideas.

Read the following and provide a response:

- 1. The coin.** Patrick and Julian are adrift on a raft in the ocean with a few other shipwreck survivors. They are the only two who can swim, so one of them will need to swim and seek assistance from a nearby island. There are sharks in the water, so whoever swims probably won't make it, but there are no other options. Julian takes two coins from his pocket and puts them both in a bucket. He says that one coin is from 2016 and the other from 2009, and asks Patrick to draw one out and leave the other for him. If Patrick gets the 2016 coin, he will make the swim; if he has the 2009 coin, Julian will do it. Before Julian put the coins in the bucket, Patrick notices that they are both dated 2016. He doesn't want to make the swim, but he also doesn't want to expose Julian as a fraud. How can he make sure Julian has to swim?
- 2. Switching on.** Outside a closed room, there are three switches on the wall. Imagine that inside the room there are three lamps. You are given the opportunity to flip each switch as much as you want while the room is closed, but after this you should enter the room and decide which switch is connected to the corresponding lamp. How would you solve this?
- 3. TV deaths.** A man is sitting at home one night watching TV. At one stage he gets up and turns off the lights. He later goes outside and finds hundreds of people lying dead around his house. Why did the people die?
- 4. Pipe dreams.** A pipe, a carrot and a couple of sticks are found lying together in a paddock. Explain why.
- 5. That's torn it.** A man is doing his job when his suit is torn. He dies three minutes later. Explain why.

(Solutions to these puzzles can be found at the end of the chapter.)

Activity 5.2

COLLABORATE



Group lateral thinking puzzle

Tackle this final puzzle in small groups.

Imagine some keys in the bottom of a 1-metre-deep bucket of water. You want to retrieve them without getting your hands wet. If you have only a cardboard box, a piece of plastic and a box of matches, how many ways can you think of to get the keys out of the bucket?

Are you more innovative when others are there to help?



FIGURE 5.3 Did you manage to retrieve the keys?

This approach of lateral thinking and innovative thought can also translate into business applications. In business, innovations are ideas that can lead to new products and services. Businesses need individuals who are innovative to help them grow. Innovation is about constant change.

Innovation has positive benefits for the wider community as well as the original creator or business that came up with the new idea. Australia has been known for its culture of innovation over the last century, with a wide range of inventions and ideas contributing economic benefits as well as making life easier for members of the community. Australians have always been innovative. Over thousands of years, First Nations peoples created numerous processes and tools to make their lives easier, such as boomerangs to hunt with. More recently, Australian innovations include such diverse items as the Granny Smith apple, the Royal Flying Doctor Service, zinc cream, polymer bank notes, picnic eskys, Cochlear implants, nanotechnology and the Hill's Hoist. These innovations have revolutionised our lives and been sources of employment and income for society. They have also contributed to our high standard of living.

For an innovation to be a commercial success, there needs to be a market for the idea. Coming up with an innovation that will appeal to a large number of buyers will offer the creator the opportunity for financial success. Innovations also benefit the community by providing a new product or service, or improving an existing product to help enhance our lives and make things easier. An innovation can also boost the economy as more jobs are created, and new techniques and better ways of doing things are found.

Linking enterprise and innovation

There is a very important link between enterprise and innovation. Enterprising people possess a range of important attributes, such as being risk-takers, being confident and creative, and embracing change. Encouraging a culture of enterprise in Australia, where people embrace change, and where they possess a positive 'can do' attitude and are open to new possibilities, will promote greater innovation. Therefore, people who have enterprising characteristics will often think innovatively to seek out new opportunities, products and processes. But even if they are not innovative themselves, entrepreneurial people will often search out innovative people, so that they can tap into their new ideas, products and services, then seek to apply them to a business.

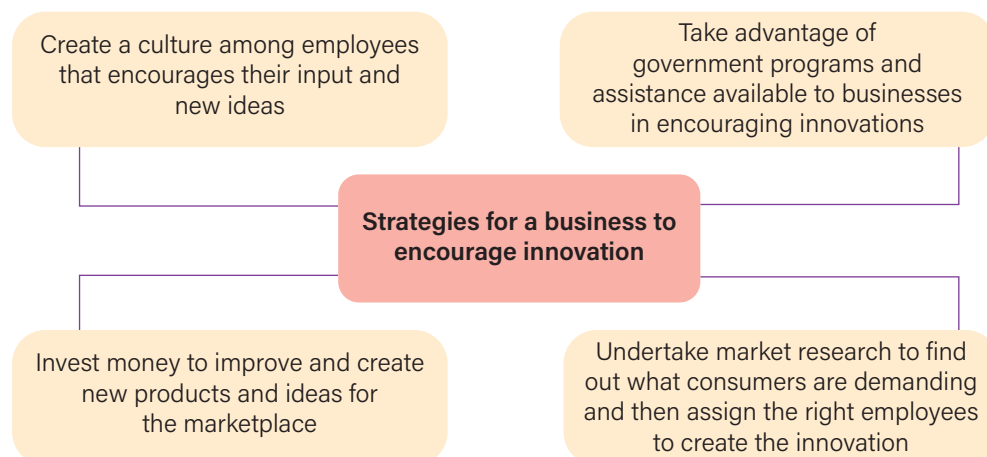


FIGURE 5.4 Encouraging the culture of innovation

Innovation in business

The following examples show some major Australian and global innovations that have occurred during the past century. These items have all been highly successful and have had an important impact on society.

Classic Australian examples

Example

The bionic ear

The introduction of the bionic ear in 1979 by the company Cochlear was considered an innovation that has improved the hearing and quality of life for many hearing-impaired people around the world.



FIGURE 5.5 Inventor Dr Graeme Clark's Cochlear implant

Example

The Black Box flight recorder

The Black Box flight recorder was invented in 1958 by Melbourne resident Dr David Warren. It records the conversations of airline pilots and is used if an aircraft crashes to find out what happened in the last minutes of the flight. This innovation is used by airlines all over the world.



FIGURE 5.6 The Black Box flight recorder

Contemporary Australian example

Example

Google Maps

Before the invention of Google Maps, people relied on hardcopy maps that they needed to carry with them, and buy new versions for each new destination they headed to, as well as replacements when the maps went out of date. But in the early 2000s, two Sydney brothers, Lars and Jens Rasmussen, came up with the concept that would become Google Maps. They worked with two other Australians, Neil Gordon and Stephen Ma, to develop the idea and the original company, which was then later sold to Google. Google Maps usage grows every year and now more than a billion people use it around the world every month.

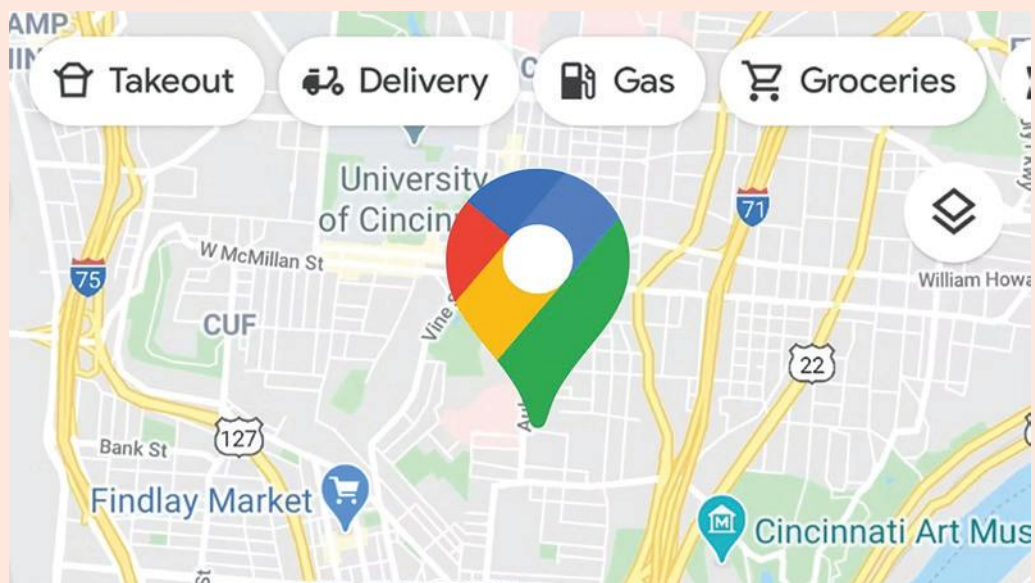


FIGURE 5.7 Inventors Lars and Jens Rasmussen developed the software that later became Google Maps

Contemporary global example

Example

Streaming entertainment: Netflix

The founders of Netflix, Californians Reed Hastings and Marc Randolph, originally set it up in 1997 as a service that enabled people to rent and return DVDs by mail. This was a pioneering concept for its time. Initially, they charged a fee for every DVD rented, and then in 1999 introduced a subscription model. However, the real innovation came in 2007, when instead of distributing hardcopies, it introduced a streaming service, with video on demand. As of October 2023, Netflix has more than 247 million subscribers worldwide, and operates in over 190 countries. In addition to distributing entertainment content, it is now also a powerful and growing original content producer.

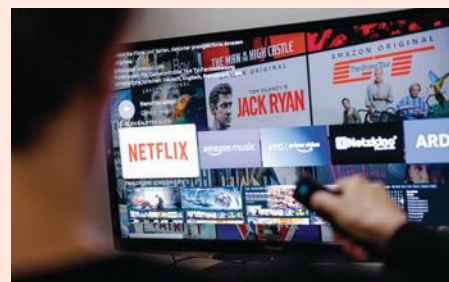


FIGURE 5.8 Netflix

Activity 5.3**CREATE****Innovations that could change the world**

Consider three innovations that you think could change the world, but have not yet been developed. Draw a rough sketch of what you think each of these innovations would look like as well as the features of the idea. Why do you think each idea could be a success?

Activity 5.4**RESEARCH****Successful Australian innovation**

Identify an Australian innovation that has been commercially successful and has benefited a large number of people. Prepare a presentation to the class on this innovation, which explains:

- the name of the innovation and who came up with the idea
- who developed the innovation into a commercial success
- a timeline of how the idea developed into a commercial success
- any issues they encountered (positive or negative) on the journey to commercial success and how they overcame or developed from them.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 5.1**

1. Explain what is meant by the term 'innovation'.
2. Explain how innovation is linked to enterprise and entrepreneurs.
3. Describe why having an innovative society benefits the Australian economy.
4. Identify and explain two strategies a business may use to encourage innovation.
5. Describe some personal characteristics of an innovative person.
6. Very few new innovations get off the ground and become commercial successes. What reasons can you give for the high failure rate of new innovations?



FIGURE 5.9 From virtual concerts and art galleries to hyper-realistic video games, Virtual Reality is an innovative technology that is revolutionising the way we consume entertainment.

5.2 Why seek to gain a competitive advantage?

Competitive advantage

the ability to beat your competitors in terms of price or quality, translating into greater sales and profits

Market share the percentage of a total industry's sales that a company controls

Revenue money earned from selling products or services

Bankrupt being unable to pay bills, leading to the closure of a business

Price conscious consumers who are looking for low-priced items and place this feature very high on their list of priorities when making purchasing decisions

Expenses costs of producing a product

In a globalised world where ideas can be shared quickly and products copied very easily, it is very rare for a business to be the sole producer of a good or service for very long, if at all. Just about all businesses will have to face competitors, and if they fail in this task, they will lose sales and revenue and eventually be forced out of business.

Businesses therefore need to strive to attain a **competitive advantage** over their rivals – something that sets them apart and makes consumers want to choose their products or services over the others in the same market. If all of the competitors are bringing out new products, which better meet customer needs on price, quality or customer-need criteria, then customers are going to divert their purchases to these other companies. This leads to falling **market share** and falling sales, and eventually the business doesn't earn enough **revenue** to match its expenses and it goes out of business – it is **bankrupt**.

Added to this is the need to meet the changing demands of a competitive global market. With the advances occurring in globalisation and technology, consumers can buy products online from anywhere in the world and therefore nearly all businesses now need to compete globally and respond to customer needs in a variety of countries.

Methods of gaining a competitive advantage include:

- **Achieve efficiencies.** As businesses become larger, they are sometimes able to negotiate cheaper deals with manufacturers of their components – for example, buying in bulk. This can lead to reduced costs per unit (economies of scale), which can translate into lower prices and therefore a bigger market share, which allows a business to operate more efficiently than its rivals.
- **Lower costs.** Many consumers are very **price conscious** – in other words, they compare products on price and are constantly looking to save money and buy the cheapest items. Therefore, a business may need to seek to lower costs to remain competitive in an industry.
- **Improve profit margins.** Businesses have the objective of trying to make a profit from the money that has been invested into the business. To increase profits, we need to increase revenue or reduce **expenses**, or both.
- **Fulfil a social need.** Some businesses gain a competitive advantage by offering something that meets a social objective, so consumers are keen to support this initiative. For example, Thankyou uses the profits from selling bottled water to fund water security measures in developing countries.
- **Fulfil a market need.** For example, remote control devices save an individual from getting up to change the television channel, and allow them more time to relax and watch their favourite shows.



FIGURE 5.10 Coca-Cola and Pepsi share a long history of brand competition, with each trying to secure a competitive advantage over the other.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 5.2

1. Outline the risks of not maintaining a competitive advantage.
2. Identify three methods of gaining a competitive advantage.

5.3 How to create a competitive advantage

The following are some of the most common methods of seeking a competitive advantage:

- **Innovation.** One of the best ways of creating a competitive advantage is through new innovations in ideas, thoughts, practices and products. Creating something new means other companies will not have the product or service, therefore giving you a very clear point of difference over your rivals.
- **Innovative ways of managing the workforce.** By allowing workers to have flexible work practices built into their schedules so that they can come and go around family requirements – allowing them to work from home, use teleconferencing rather than coming in for meetings and so on – you are hoping to raise the level of worker satisfaction and therefore increase motivation. More motivated and innovative employees will be more likely to come up with the next big idea to give the business a competitive advantage. Employee-focused strategies are also likely to encourage the best workers in the industry to seek employment with your business, making the company an **employer of choice**.
- **Increased productivity.** By increasing **productivity** levels (greater output from the same amount of input), you are effectively spreading the total costs of manufacture over more products, which therefore allows you to reduce the cost per unit. This translates into the potential to reduce your prices while still retaining the same profit margin, which gives you a cost advantage over your competitors.
- **Research and development.** By investing money in researching and developing new products, you are able to bring new products to the market ahead of your competitors, giving you an advantage over them.
- **Advertising and marketing.** Effective marketing strategies can create huge consumer demand despite there being relatively few practical differences between products. Sports shoe manufacturers and youth fashion both experience the desire to be ‘the’ brand with which customers identify. This creates the consumer ‘must have’ philosophy that can give you a huge competitive advantage over your rivals.
- **Offering low-cost products.** Many consumers are very price conscious: they compare products on the basis of price, and are constantly looking to save money and buy the cheapest items. To try to meet these customer demands, the company needs to lower its prices, and one way to do this is to lower the company’s costs. But this low-cost route to competitive advantage tends to lead to reducing the number of paid employees and replacing them with technology and robotics, or moving production overseas to take advantage of cheaper labour rates.

Employer of choice

being seen as a highly attractive company for which to work, due to work conditions, entitlements and reputation

Productivity how much output is produced per unit of input



FIGURE 5.11 Brisbane Airport Corporation was one of the 2023 award winners in the Australian Business Award's annual Employer of Choice category.



Activity 5.5

COLLABORATE

Market a mystery item

Work in groups of two or three. Each group will be given a mystery item by the teacher.

Your group has three lessons to work out how you are going to create and market an innovative use for your mystery item. You are to build a prototype of your product from the mystery item you have been given and then create a presentation (PowerPoint, multimedia or speech) to convince the rest of the class to buy your innovation.

In your presentation, you must:

- establish a brand name and design for your product
- identify the target market
- identify the key innovative features of your product
- explain factors that will affect the pricing of the product – for example, special deals or promotions
- select any two key promotional activities (personal selling, advertising, sales promotion, direct marketing, social media, public relations) and explain how these will be used in the marketing of your innovation.

After creating a working prototype of your product, you are to display this in your classroom. The intention of the presentations is to convince the buyers that your product/service is the one to buy. Each student in the class (prospective buyers) has a fictitious \$50 to spend. After listening to all the presentations, each prospective buyer is to place their \$50 behind the most innovative product that they feel is most likely to be a commercial success. A buyer cannot purchase their own product.



FIGURE 5.12 What type of product will your group design?



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 5.3

1. Define the term 'competitive advantage.'
2. Suggest and explain four methods a business might use to gain a competitive advantage.
3. List five examples of companies which have traditionally competed with each other for a greater market share.

5.4 Emerging techniques

As well as the development of innovative products and services, innovative techniques have been applied to the production of these products and how they are marketed to consumers. Following are some examples of new innovative techniques being employed by businesses.

Digital technologies, social media and blended marketing

With the emergence of social media, some businesses have taken advantage of the **blended marketing** opportunities offered by Facebook, Instagram, YouTube, TikTok and LinkedIn, for example, to reach a range of different audiences – in particular, younger people who are already using these spaces. An example of one such company is GoPro: in 2009 they uploaded a base jump movie, recorded with a GoPro, to YouTube. They now have over 2500 YouTube videos, demonstrating every conceivable situation in which to use one, from base jumping to surfing to motorbikes to parachute jumps to close encounters with lions. As other platforms became popular, GoPro took advantage of them, and to their 11.1 million YouTube subscribers, they have added over 20 million Instagram followers, and 3 million TikTok followers.

Blended marketing the seamless integration of digital and traditional marketing techniques



FIGURE 5.13 A surfer holding a GoPro camera in his mouth to record his ride.

As online shopping becomes increasingly popular, fewer shoppers are visiting retail stores. The trick for businesses now is how to create a consistent message in both digital marketing and traditional media (blended marketing), which creates a harmonious message but takes advantage of the benefits of both approaches. For example, as Case study 5.1 shows, Red Bull Media has managed to create engaging content on social media that is clearly tied to real venues.

Case study 5.1



Red Bull

The energy drink Red Bull gets fairly negative feedback in taste tests. But despite this considerable drawback, it has managed to gain a serious foothold over the past 15 years. As at November 2023, it was the world's second most popular energy drink brand, in a market that is becoming increasingly crowded.

Red Bull's founder Dietrich Mateschitz points out that the company created a market which did not previously exist. The company's \$1.6 billion worth can be credited to its 'buzz-marketing' strategy. By supporting highly publicised and exciting events, Mateschitz says the focus is on bringing consumers to Red Bull, rather than taking Red Bull to consumers. By supporting almost 500 extreme sports athletes in the top of their field, viewers are exposed to Red Bull brand even if they are unaware of it.

1. Investigate Red Bull's web page and identify and describe three events sponsored by the company.
2. Describe the benefits to a business of using social media and blended marketing to get a message to consumers.

3. Some of the events that Red Bull run cost hundreds of thousands of dollars. Discuss in detail whether you think the cost is worthwhile.
4. Explain the potential issues or concerns that can also accompany using social media as your marketing strategy, as opposed to traditional television or magazine advertising.



FIGURE 5.14 Red Bull's strategy of mixing their advertising model with extreme sports sponsorship brings consumers to them.

Social responsibility and ecological sustainability

Corporate social responsibility an approach to measuring business performance that considers the social and environmental impact of a corporation, in addition to its economic performance

Much media attention in recent years has been given to **corporate social responsibility**. This is the result of a number of high-profile individuals and businesses acting in an unethical and dishonest manner. This has not only harmed the reputation of the people involved, but has also meant greater scrutiny by consumers of all businesses to ensure they are acting in a just and ethical manner to their employees, the community and society at large – for example, in relation to environmental concerns.



FIGURE 5.15 It is a responsibility of corporations operating within society to contribute towards economic, social and environmental development that creates positive impact on society at large.

Case study 5.2



Sam Bertram, winner of the Under 30 *Forbes* 2022 Social Impact award

Sam Bertram is a past Business Management and Economics VCE student from Melbourne who has gone on to be awarded the top under 30s winner in the Social Impact category of the *Forbes* North American 2022 awards.

Sam and his brother John both received tennis scholarships to Santa Clara University in California. After graduating in engineering, they wanted to do something about world hunger and decided to focus on vertical farming.

They developed an indoor farming system, in which they were able to grow millions of plants in a vast warehouse – over 7000 square metres – without either sunlight or soil. Instead, they have extremely precise irrigation and lighting systems, with the plants being inspected, and moved as necessary, by

robots. They can be checked by people hundreds of kilometres away, and the top-quality systems maximise the amount and quality of produce.



VIDEO 5.1

Sam Bertram talks about the OnePointOne system (00:40)

1. Using the text and the video, identify at least three benefits OnePointOne offers to the buyer.
2. Why do you think increasing importance has been placed on both producers and consumers to act in an environmental and socially responsible manner?
3. Make a list of 10 things that you could do as a consumer to encourage producers to be more socially responsible and ecologically sustainable – for example, not accepting plastic bags from retailers, but using your own calico bags instead.
4. Use the internet to find other examples of Australian businesses that are tackling the issue of social responsibility and ecological sustainability in a serious manner. Prepare a written summary that provides an overview of each business and the programs it uses to be ecologically sustainable in its market.
5. On a sheet of cardboard, create a collage of images representing some of the different approaches that large Australian organisations are using to promote ecological sustainability in their workplaces. Companies such as Qantas, Westpac, Woolworths, BHP Billiton and Coca-Cola have information on their websites about how they are approaching the issue of ecological sustainability.

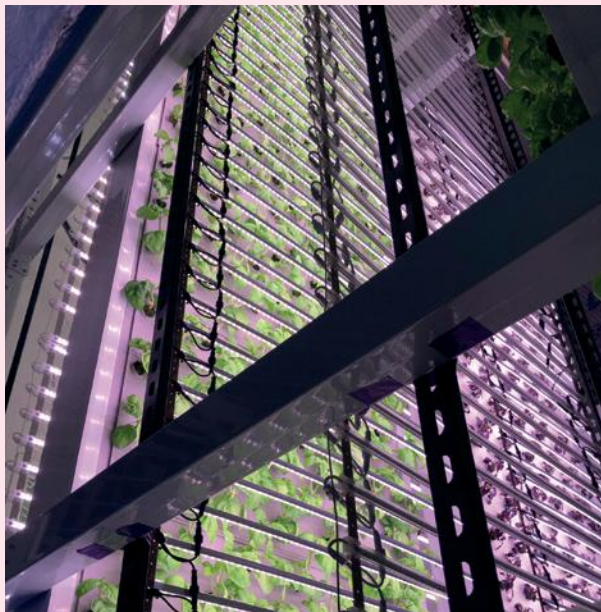


FIGURE 5.16 OnePointOne developed an automated indoor farming technology 'stack'.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 5.4



1. Describe what is meant by blended marketing.
2. Why are the aspects of social responsibility and ecological sustainability important for businesses?

5.5 The government's role in promoting innovation

If a country such as Australia wants to have a strong economy and continued high living standards, it needs to strive to do the best it possibly can. Finding innovative ways of doing things and encouraging an enterprising spirit will help to establish and promote successful businesses, which in turn will employ large workforces. The government can help promote innovation and enterprise by establishing policies that both encourage and assist individuals and businesses to find better ways of doing things.

How governments and NGOs encourage innovation and enterprise

The Federal Government has set up a range of organisations aimed at fostering and promoting innovation and entrepreneurship among Australians.

Some of the main innovation assistance available includes the following:

- **AusIndustry.** Helps a range of businesses with issues such as applying for tax or duty concessions, undertaking market research and expanding business operations.
- **Austrade.** Set up to assist Australian businesses that wish to expand their ventures to overseas locations.
- **Business.gov.au.** A free website that provides information on all aspects of running your own business, from starting out to business planning.
- **New Business Assistance with NEIS (New Enterprise Incentive Scheme).** Offers accredited training, assistance in developing business plans, mentoring and financial support. It is available to those working 25 hours per week or less, existing micro-business owners who were impacted by COVID, and also members of the ADF who are about to leave the service.
- **Melbourne Innovation Centre.** Allows small businesses space and services to accelerate their growth. The Centre endeavours to assist in the development and

future success of young entrepreneurs and start-up companies by providing world-class incubation and acceleration programs.

Some NGOs perform similar services. For example, Innovic assists entrepreneurs:

- **INNOVIC.** This is a not-for-profit organisation assisting more than 1000 innovators and entrepreneurs every year. The Victorian Innovation Centre aims to transform new ideas into viable products in order to lay the foundation for the businesses of the future. It offers seminars, practical services and other resources to help people turn their ideas into commercial realities.

For more information about these initiatives, search for the official sites online.



FIGURE 5.17 AXIIS FIT is a business idea that was supported by INNOVIC. It is a fitness mat that includes a rotational area, and a dock for holding a phone or tablet, for an all-on-one home exercise setup.

Activity 5.6**RESEARCH****Government agencies**

Your teacher will assign you one of the government agencies previously listed to conduct some further research. Investigate the agency's website and imagine you are a new start-up business. Research the type of assistance the agency could provide to you. Take screen shots of the pages or information that would be most useful to you and then present this to the class.

Activity 5.7**COLLABORATE****Government support of innovation**

1. Discuss as a class what further policies or measures could be developed by governments in Australia to encourage a culture of innovation and enterprise.
2. Prepare a class debate on the topic 'Governments can and should do more to promote innovation and enterprise throughout the nation.'



FIGURE 5.18 It is important that Australia continues to innovate, to help both ourselves and also the global community.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 5.5**

1. Why is innovation and enterprise important to the performance of the Australian economy?



Consolidate your learning

A winning innovative idea

This is a practical activity that brings together the concepts covered in this chapter. It requires you to be innovative, think creatively and use your business sense to come up with a winning innovative idea.

- **Step 1: Brainstorm possible ideas.** In this step, you need to brainstorm a list of possible innovations that you believe could be a success. You can make up a hypothetical good or service that hasn't been invented yet (but that you think consumers would love) or you can modify and improve an existing good or service that is already in the marketplace.
- **Step 2: Decide on your idea, then identify the target market.** Once you have decided on the innovation you believe has the most potential, identify the characteristics of your target market. It may be useful to perform some market research first in order to test out your ideas.
- **Step 3: Prepare a business plan.** There should be five parts to your business plan:
 1. **Executive summary.** This is a summary of your overall business report/idea.
 2. **Business objectives.** Formulate at least five business objectives for your innovation – for example, to expand the business by exporting the product. You should also prepare a mission statement that captures the overall aim of the business.
 3. **Marketing plan.** Here you will need to outline the target market for your innovation, provide a SWOT analysis and detail the marketing methods you will use to promote your innovation.
 4. **Operational plan.** You must specify the number and type of staff you need, the location of the business, the type of ownership structure you will use and all the resources required to produce the good or service.
 5. **Financial plan.** Here you need to detail how much money you require to make the innovation a success. You should also specify where the finance would come from and include an estimate of expected sales figures for the first 12 months of operation.
- **Step 4: Identify potential export markets.** In today's globalised world, there are many opportunities for the enterprising individual. In light of your innovation, undertake some research and then nominate at least five countries to which you believe you could export your innovation. Justify your reasons.
- **Step 5: Be ecologically sustainable.** In your report, you also need to describe how your innovation is ecologically sustainable – that is, how you will aim to minimise any harm to the environment and how great care will be taken to use resources efficiently.
- **Step 6: The presentation.** The final step is to prepare a three-minute presentation to your classmates. During your speech, you will need to describe all aspects of your innovation to the audience as well as describe why you believe it will be a winner. You must convince everybody that you are the real deal and are truly innovative and enterprising!

Solutions to lateral thinking puzzles

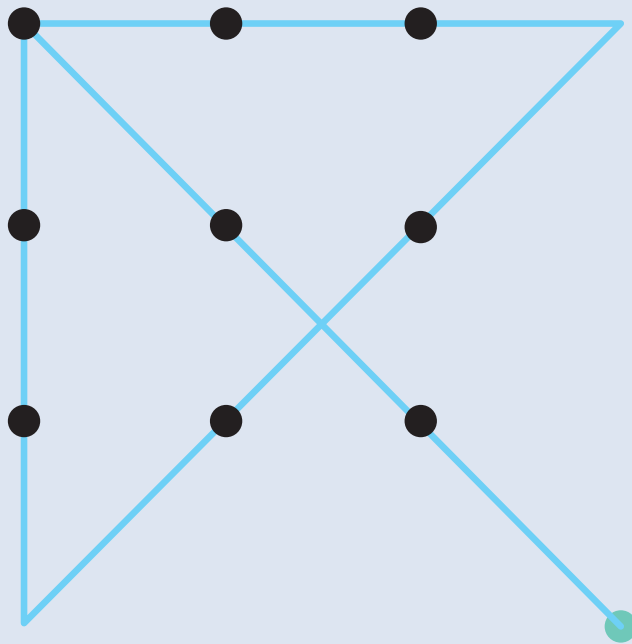


FIGURE 5.19 Suggested solution to the test from the start of the chapter

Activity 5.1 answers

1. **The coin.** Patrick takes a coin, but 'accidentally' drops it into the ocean. He points out that if the remaining coin is the 2016 one, he must have picked up the 2009 coin. Julian cannot reject this logic unless he admits to lying about the coins. This means that Julian must swim.
2. **Switching on.** Turn the first switch on for about 60 seconds before turning it off. Then, turn the second switch on. Upon entering the closed room, feel the two lightbulbs. The warmest bulb is turned on by the first switch, the light that is on corresponds with the second and the remaining lamp with the third.
3. **TV deaths.** The man lives in a lighthouse.
4. **Pipe dreams.** The items are what is left of a melted snowman.
5. **That's torn it.** The man is an astronaut completing repairs on a space walk.

Part C

Work

Knowledge and understanding

From Levels 7 and 8, students revise:

- The reasons people work and the different ways Australians can derive an income [*Chapter 6, section 6.1 (partially)*]
- The changing nature of work in contemporary Australia and predictions about the future of work [*Chapter 6, sections 6.1, 6.2 and 6.3*]

For Levels 9 and 10, students learn about:

- The use of human resource management to manage and motivate employees and improve business competitiveness [*Chapter 6, sections 6.4 and 6.6*]
- The role of trade unions and employer groups in a workplace [*Chapter 6, section 6.5*]

Key questions

Key questions provide a framework for developing students' knowledge, understanding and skills. The following are examples only and may be used or adapted to suit local contexts:

- How can workforce efficiency and productivity be improved within a business and how can this contribute to business success?

Achievement standards

By the end of Level 10, students can:

- Explain human resource management strategies used by employers to improve business competitiveness, and the role of trade unions and employer groups in the workplace



Skills

By the end of Level 10, students learn to:

Investigating:

- Develop and modify questions suitable for investigation of contemporary economic, business, work or financial issues
- Locate, select, organise and analyse relevant information and data from a range of sources

Interpreting and analysing data and information:

- Evaluate and use data and information to address economic, business, work or financial issues through recognition of trends and cause-and-effect relationships
- Draw logical conclusions based on data and information from verified sources

Evaluating, concluding and decision-making:

- Develop and evaluate a response to an economic and business issue, using cost-benefit analysis or criteria
- Evaluate sources of data and information to determine authenticity and validity

Communicating:

- Explain and present arguments about economics and business concepts and issues using subject-specific terminology, with reference to sources

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Chapter 6

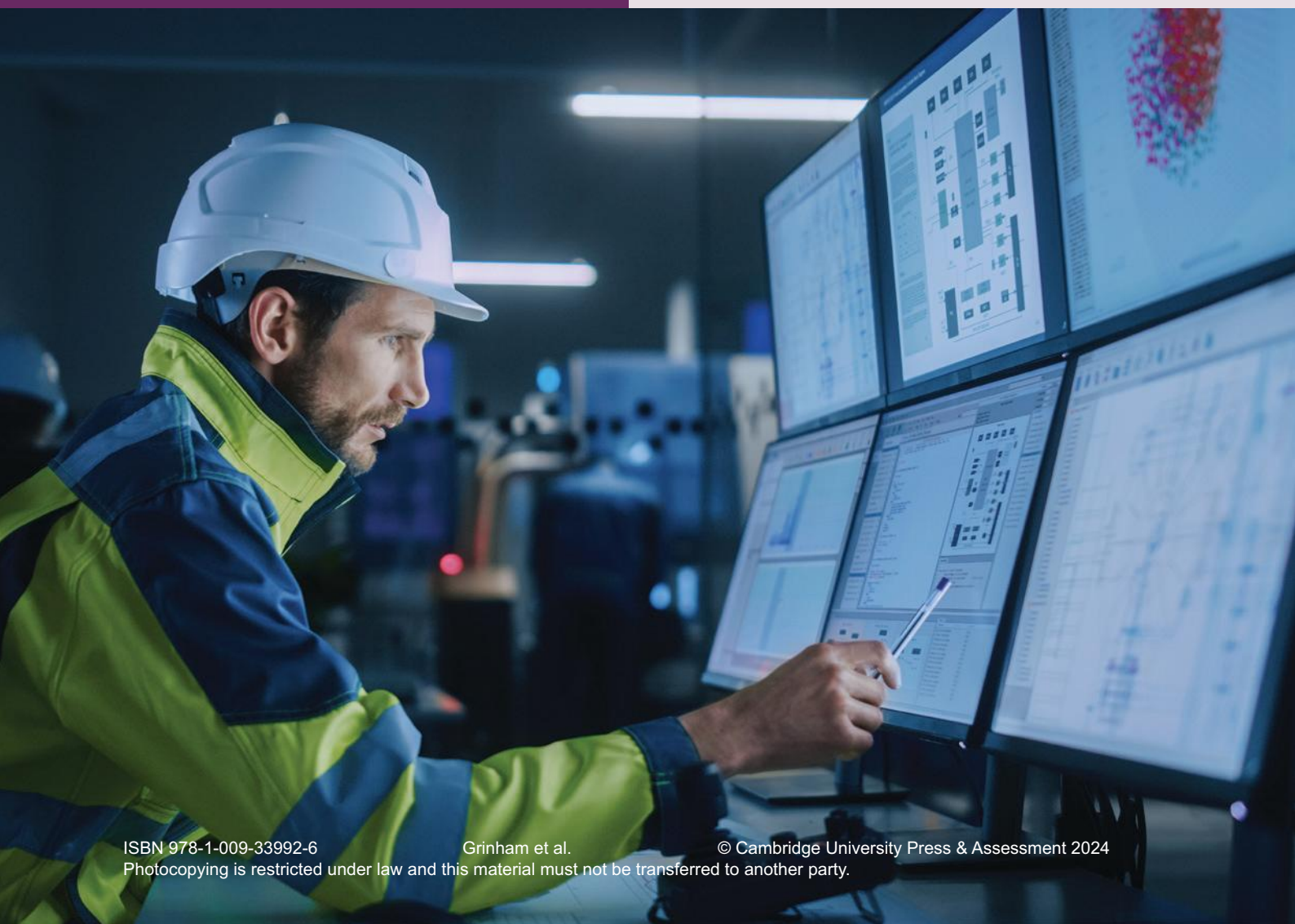
Work and work futures

This chapter investigates some of the major forces at play in the world today and looks at how these may develop and impact on what it means to 'work' in the future. It examines the current trends in the types of work available, the changes occurring and the implications for future employment, analysing how technology and globalisation have affected the way we work now and will work in the future. The chapter also examines the roles and responsibilities of both employers and employees in this changing environment.



Many sections in this chapter contain content applicable to levels 7&8. The relevant sections are marked with an icon and can be used if the material was not studied in levels 7&8 or as background for levels 9&10.

FIGURE 6.1 Work futures





6.1 Work: what is it?

'Hard work', 'home work', 'class work', real 'work', 'working rich'. We all hear the term 'work' in our everyday language, but do we all agree about what it means?

Activity 6.1

COLLABORATE



Definition of work

1. Tick each of these activities as being either work or not work, according to your understanding of the term 'work.'

	Work	Not work
A farmer growing oranges for Woolworths supermarkets		
Making homemade lemonade and selling it outside the front of your home		
Growing broccoli in your backyard veggie patch to eat yourself		
A teacher correcting school work at school		
A teacher correcting school work at home		
Attending classes, but wasting time and not completing set tasks		
Cleaning a neighbour's car for \$10		
Cleaning your mum's car without getting paid		
A mother looking after a young child at home		
A caregiver looking after a young child in a childcare centre		
A volunteer giving up their weekend to guide tourists around Melbourne		
Playing in the Australian Open tennis tournament		
Watching television programs as a TV reviewer for a magazine		
Sitting at home and watching the weekend movie on TV		

2. Compare your results with those of a partner and see what you agreed or disagreed on. How did you determine whether each of the activities was work? Use this discussion to come up with your own definition of 'work.' Then, as a class, discuss your different definitions to try to find one 'best' definition for the term 'work.'
3. Did the class come to an agreement on what led you to distinguish between work and leisure activities? Do you think your opinions reflect how these activities are valued by the community? Discuss.

Work performing an activity that produces something of value for other people

Defining work

Formally, we define **work** as ‘performing an activity that produces something of value for other people’, so both paid and unpaid work are classified as ‘work’ activities. Work is a very important aspect of society, and it gives meaning and structure to the lives of many of us. One of the main reasons for working is to improve the quality of our lives. This refers not only to earning money to improve our lifestyles, but also to the personal fulfilment and satisfaction that work can give us. But much of what we see as ‘work’ is rapidly changing as society changes due to increasing technology and rapid globalisation. Society’s expectations and the ‘work’ that you will be undertaking will be substantially different in the future from the ‘work’ people are doing now.

Where the jobs are in Australia in 2024

The world of work has changed significantly over the past 40 years, having an impact on workers, employers, industries and society in general. Let’s look at where the largest number of jobs in Australia were recently, before examining the influences that may impact jobs in the future.

TABLE 6.1 Employed persons in Australia by industry division (main job, seasonally adjusted)

Industry	Share of employed (%)
Healthcare and social assistance	15.2
Retail trades	9.7
Construction	9.5
Professional, scientific and technical services	9.2
Education and training	8.0
Manufacturing	6.7
Public administration and safety	6.7
Accommodation and food services	6.6
Transport, postal and warehousing	5.2
Financial and insurance services	3.8
Other services	3.7
Administrative and support services	2.9
Wholesale trade	2.8
Mining	2.2
Agriculture, forestry and fishing	2.1
Arts and recreation services	1.8
Rental, hiring and real estate services	1.5
Information, media and telecommunications	1.3
Electricity, gas, water and waste services	1.1

Source: ABS, *Labour Force, Australia* October 2023.



FIGURE 6.2 Healthcare workers and assistance are not just confined to nurses and doctors but consist of many other specialities.

Activity 6.2

RESEARCH



Why do people work?

1. Prepare a short questionnaire to find out why people work. Interview at least 10 workers, both full time and part time. Rank their reasons for working in order of importance and identify what aspects of work they find satisfying and unsatisfying. Summarise their responses in a brief report, highlighting what you have learned from this survey and how it may have affected your views on the importance of work.
2. Collect 10 job advertisements with advertised pay rates and write down the wages each job is offering as well as the skills for which it is looking. In class, combine your personal research with that of others in groups of four or five, then categorise your total list of jobs as being high paying or low paying. Is there a relationship between the skills for which these jobs are looking and the wages being paid? Do some skills appear to be more valuable than others? Discuss the implications of this research for your own schooling and the skills you believe it is important to develop for your future working life, and then write up your research as a brief report.

Activity 6.3

COLLABORATE



What is work?

Have a 'What is work?' debate. Choose one of the following debate topics and prepare an argument for or against the issue to debate in class:

- a. Do we work to live, or live to work?
- b. What a person does is more important than what they are paid.
- c. Work is everything that I have to do that I don't like.
- d. Time with family is more important than time at work.

Work in 2028, 2058, 2078!

Assuming you are 16 in 2026, then:

- in 2028 you will be 18 years old
- in 2058 you will be 48 years old
- in 2078 you will be 68 years old, and may be considering retiring!

What will your working life look like? Maybe this description is most appropriate.

The future of work

People will work only four days a week and have six months' annual holiday each year. You will start work at the age of 25 and retire at 47.

No, this isn't a prediction for the future, but what Alvin Toffler, in his 1970 book *Future Shock*, predicted would happen by the year 2000! He believed we would have so much free time that we would need to employ 'leisure counsellors' to work out what to do with all this time! Alas, this isn't yet the case, and the twenty-first century reality is quite different, with many people working longer, more intense hours while others experience too few hours and earn too little money.



FIGURE 6.3 Author Alvin Toffler promoting *Future Shock* in Sydney in 1972

So, if Toffler couldn't predict the future 30 years ahead in 1970, what can we predict for your future careers and the work you will be doing in 30 years' time, and the skills and knowledge that will be necessary for you to be successful in your career?



Activity 6.4

RESEARCH

Careers

Already within three generations, the notion of a career has completely altered, and the impact of COVID-19 around the world has changed how many people currently work and their viewpoints on when, where and how they will work in the future.

1. Interview your own parents and grandparents and compare their values, attitudes and experiences of work with what you expect for your own career. Use the following questions as guides to your interview.
 - a. How many careers have you had?
 - b. How many jobs have you had and how long did you work in each one?
 - c. What were the hours like for each job and how many days of the week did you work?
 - d. How much holiday time did you have each year?

With these recent past examples of working lives in your mind, let's investigate the values you have regarding a future world of work for yourself and how this may look for you.

2. Write down your first responses to the following statements. Do you agree/disagree, and to what extent?
 - a. Most people like to follow traditional career paths.
 - b. Career success means establishing one career direction and pursuing it for life.

Activity 6.4 *continued*

- c. It is important to never step back or sideways in your career.
- d. If I don't know what to do in the future, then following the same path as my family is a good idea.
- e. Money is the main career motivator.
- f. The best career opportunities are the ones in large organisations.
- g. The most qualified individual always gets the job.

What implications do your own values and expectations have for what you would like to experience in your own future world of work?

The emerging Australian workplace

The emerging Australian workplace is moving away from the traditional model of a Monday-to-Friday, 9.00 a.m. to 5.00 p.m. **full-time worker** to a new range of flexible and individual working conditions with **part-time workers**, **casual workers**, freelancers, contractors, agency workers, **telecommuting**, and working from home to name but a few of the new work patterns. Women have a very large role to play in the workforce, and it is now regarded as normal for both partners to work in couple families. The **service sector** has replaced the manufacturing sector as the location of the majority of jobs in Australia.

Work – today

Australian Bureau of Statistics (ABS) Labour force survey figures indicate that for November 2023:

- The number of employed people was 14.2 million (67.1 per cent of the population)
- Employment participation was 71.6 per cent for men and 62.8 per cent for women
- During the COVID-19 pandemic, participation numbers saw some large, sharp drops in May 2020 and November 2021
- The part-time share of employment was 30.5 per cent
- The unemployment rate was 3.8 per cent, with youth unemployment being 9.3 per cent
- The underemployment rate was 6.4 per cent.

Source: ABS, *Labour Force Survey*, reference period November 2023.



FIGURE 6.4 Number of employed people in Australia – note the impact of the COVID-19 pandemic.

Full-time worker

according to the ABS, someone who usually works 35 hours or more each week in their main job

Part-time worker

someone who generally works less than 35 hours each week; they receive the same entitlements as full-time workers but work fewer hours

Casual worker

someone who is not guaranteed regular hours of employment each week; usually paid a higher hourly wage rate but sacrifices sick leave and holiday pay

Telecommuting

working from home using technology such as the internet, video conferencing and the telephone to remain in contact with colleagues and clients

Service sector

businesses that earn money from selling intangible products or services – for example, in banking, finance, retail, transport, distribution, food services and entertainment



Activity 6.5

CREATE

Labour force participation rate

Using the data showing labour force participation rate by gender (the percentage of people of that gender having work or actively seeking work) in the table:

1. Draw a graph of the changes that have occurred to the number of males and females in the working population over the past nearly-40 years. (Note: The 2020s data is included to indicate the impact of COVID-19 on the Australian workforce). Continue your horizontal axis to go on for another 20 years to 2043 and draw lines predicting what may occur to these percentages in your lifetime.

Year	1983	1993	2003	2013	2020	2023
Males (%)	69	65	67	68	64	69
Females (%)	40	46	53	55	55	60

Source: Australian Bureau of Statistics.

2. Using your graph, try to explain what may have occurred in the change in the participation rate trends for men and women in 2020 as a result of the COVID-19 lockdowns.
3. Putting aside the 2020 data, which may show a short-term change to the data due to COVID-19 restrictions, explain what the general trend lines would indicate for the opportunities that will exist for men and women to work in your lifetime.
4. What implications may these developments have for:
 - a. families
 - b. employers
 - c. society in general?

Working patterns

The examples in Case study 6.1 illustrate some of the changes occurring in Australia's current world of work, and the impact they are having on workers, their families and their lifestyles.

Case study 6.1



Changes occurring in Australia's current world of work

The overtime worker: more money means less life

Dominic DuFaur has a dilemma. The more the IT accounts manager works, the more money he makes; and the more money he makes, the better lifestyle he, wife Tracy and baby Ivy can have. But the more he works, the less time there is for 'lifestyle'. In a normal week he spends 50 to 60 hours in the office. In a busy week, he works 70 hours. And he takes work home with him.

'Long hours can be stressful, especially with a brand-new addition,' he says. 'I'd love to get home at five and be as involved as I can but that's not always possible ... I'd love to think I could change direction tomorrow but it's very hard to start again when you've got a family and commitments ... bills to pay, a mortgage.'

The permanent part-timer: nice work if you can afford it

Part-time bank worker Belinda Moule has achieved balance in her life: four days at work, three days off, so she has a long weekend every weekend. Eight per cent of the workforce is classified as permanent part-time and Moule can see how the idea might catch on.

'If you can afford to do it, why not?' she says. 'You only get one life, so enjoy it while you can. Being permanent part-time, you get that balance between your work and your life. As a casual you're not always going to get the same hours. You can't plan things. I don't work Fridays, so I can plan to go away for the weekend.'

Case study 6.1 *continued***The agency worker: choice, freedom and the best of both worlds****Sam Van Drine has escaped crabby hospital administrators and inflexible rosters to design a regime that fits their life nicely.**

One of a growing number of part-time agency nurses, Van Drine tailors their working week to include three nights in acute care so that they can pay the bills without putting their son Bailey, three, into a crèche. 'Occasionally I get a bit run down and niggly, but the beauty of agency work is that I can skip a shift if I need a rest or

if Bailey gets sick. I choose my own hours and my own type of work,' Van Drine says. They earn more per hour because casuals attract a 25 per cent loading to compensate for holiday and sick pay, while their employment agency contributes superannuation.

Self-employed entrepreneur: freedom with a price

Enok Tan, 19, dropped out of a science degree at university disillusioned that it wasn't the course she thought it was going to be. To make ends meet, she has been doing babysitting in her local area and has realised that without word of mouth, parents find it very difficult to find babysitters. In what started out as a fun project, Enok has now created an app that links parents with a pool of vetted babysitters to give them instant access to last-minute babysitters and assurance that their children are being looked after properly. What started out as a few nights on the computer has

turned into a full-time software developer self-employed job, which brings in a good income and allows Enok complete flexibility regarding when she wants to work and from where. She is quite happy to work from home, cafés, friends' houses and even the beach – as long as it has a good WiFi connection. However, despite the great flexibility, she sometimes finds herself 'wedded' to the project, with countless hours developing and promoting it in the first year of operation and financial issues constantly occupying her mind.

The telecommuter: working from home, the new way forward?

Scott Martin, a 48-year-old client manager for a major marketing firm, lives on the Mornington Peninsula, and in 2020 had to work from home during the 262 days Melbournians were locked down. After the initial problems of trying to set up an office space at home around his young children, who were also trying to homeschool, and his wife, a primary school teacher, trying to run her own classes from the kitchen bench, the new way of work suddenly opened up new opportunities. Rather than the usual one-hour commute each way through heavy traffic to Melbourne CBD, Scott could use that time for a morning swim in the bay or a bike ride, which improved his mental health, fitness, saved money on fuel, parking and emissions, and still allowed him to start work earlier than usual. The flexibility and lack of distractions from colleagues also allowed him to get more work done and at different times of the day, so he could take time off for a midday walk etc. and complete the work later in the evening instead. When the lockdowns were finished, Scott's employer allowed him to continue telecommuting. Scott admits that

he now needs to actively book in collaboration time with his colleagues, and misses the friendly banter with his work colleagues, but he is very happy with the new arrangement.

1. Copy and complete the following table by drawing out from the case studies the positives and negatives in each of the situations.

	Advantages	Disadvantages
The overtime worker		
The permanent part-timer		
The agency worker		
The self-employed entrepreneur		
The telecommuter		

2. Who seem to be the winners in this new world of more flexible working conditions?



VIDEO 6.1

Megatrends (02:23)

Pressures on work today

What we observe from these statistics and stories of the emerging Australian workforce of the future is that very dramatic changes are occurring to the work we are performing, who is doing it and how it is being done. We live in a constantly and rapidly changing landscape, and there are some major forces at play in the world of work. In 2022, the CSIRO published a report, *Our Future World*, in which it identified seven global ‘megatrends’ that will affect Australian people, businesses and governments in the next 20 years.

Snapshot of the megatrends

- 1. Adapting to climate change:** with natural disasters expected to cost the Australian economy almost three times more in 2050 than in 2017, we can expect to be living in a more volatile climate, characterised by unprecedented weather events.
- 2. Leaner, cleaner and greener:** an increased focus on potential solutions to our resource constraints through synthetic biology, alternative proteins, advanced recycling and the net-zero energy transition. By 2025, renewables are expected to surpass coal as the primary energy source.
- 3. The escalating health imperative:** the post-pandemic world has exacerbated existing health challenges posed by an ageing population and growing burden of chronic disease. One in five Australians report high or very high levels of psychological distress and there is heightened risk of infectious diseases and pathogens resistant to modern antibiotics. There is now a burning need to respond to our health risks and improve health outcomes.
- 4. Geopolitical shifts:** an uncertain future, characterised by disrupted patterns of global trade, geopolitical tensions and growing investment in defence. While the global economy shrunk by 3.2 per cent in 2020, global military spend reached an all-time high of \$2.9 trillion and Australia saw a 13 per cent increase in cybercrime reported relative to the previous year.
- 5. Diving into digital:** the pandemic fuelled a boom in digitisation, with teleworking, telehealth, online shopping and digital currencies becoming mainstream. Forty per cent of Australians now work remotely on a regular basis and the future demand for digital workers expected to increase by 79 per cent from 2020 to 2025.
- 6. Increasingly autonomous:** there has been an explosion in artificial intelligence (AI) discoveries and applications across practically all industry sectors over the past several years. Within the science domain the use of AI is rising, with the number of peer-reviewed AI publications increasing nearly 12 times from 2000 to 2019.
- 7. Unlocking the human dimension:** a strong consumer and citizen push for decision makers to consider trust, transparency, fairness and environmental and social governance. While Australia saw a record level increase in public trust in institutions during the pandemic, this ‘trust bubble’ has since burst, with societal trust in business dropping by 7.9 per cent and trust in government declining by 14.8 per cent from 2020–21.

Source: CSIRO, *Our Future World: Global megatrends the way we live over coming decades*, July 2022

Activity 6.6

COLLABORATE



Work trends

1. Think/pair/share with a partner about how the following trends could affect work in the future. For the purpose of this activity, imagine that you are employed in one of the following industries (choose from part a) and consider how these trends could affect your employment in it (choose from part b).
 - a. choice of employment:
 - hospitality
 - education
 - nursing
 - farming
 - software programming
 - b. impacting trends to consider on your chosen industry/career:
 - globalisation
 - COVID-19 restrictions
 - self-employment
 - climate change
 - ageing population
 - social media.
2. Share these first thoughts in pairs within an open class discussion.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 6.1



1. Define 'work'.
2. Define any two of the following terms and explain the differences between them:
 - agency worker
 - permanent part-timer
 - telecommuter
 - casual worker.
3. List the seven megatrends identified by the CSIRO.



FIGURE 6.5 Current workplaces need to have flexibility and resources to keep employees healthy.



FIGURE 6.6 Working from home and second source of income via hobbies are growing trends in the Australian workforce.



VIDEO 6.2

Changing technology
(02:50)



6.2 Technology and work

One issue that has already had major implications for work patterns, and that will definitely affect your working life in the future, is technology.

Rapid changes in technology have meant that many jobs are now done by machines that are faster and cheaper than people, and the need to cut costs has caused many jobs to disappear and employers to switch to cheaper casual employment. But technology has also allowed some workers to work from home, and take on more exciting and creative tasks, and workplace safety has improved by leaving dangerous or mundane tasks to machines.

Technological advances have always been a part of human civilisation; however, it is important to consider to what extent this increasing speed and complexity of recent technology will have on the capacity to impact our lives.

Let's consider the humble computer, which has evolved radically in just a few generations.

- Someone born in the 1940s would have used a fountain pen or quill and had an inkwell on their desk at school.
- Someone born in the 1960s would have used a biros and pencils, and might have had access to computers in their final years of high school.
- Someone born in the 1980s would have grown up with computer games as a teenager, probably had access to computers at school, and upon entering the workforce would have felt comfortable with the technology.
- Someone born in the 2000s would have been exposed to computers throughout their childhood – the first generation of digital natives.
- Children born today (the next generation) will probably have been playing with iPads and tablets since they were babies, and most pre-schoolers and primary school students will be comfortable using Smartboards and iPads.



FIGURE 6.7 Children and computer technology over the decades

Activity 6.7

COLLABORATE



Impact of computers

Consider the development of personal computers and discuss the following questions in class:

1. How do you believe the growing skills of young people with computers will affect businesses?
2. What tasks and work activities can today's employees do that previous employees probably couldn't?
3. How do future employers who are part of the 1980s generation help to train and skill the digital native generation of employees who may well know more than they do about computers?
4. How has technology affected the world of work for teachers and students?
5. What should schools be doing to prepare students for a future that will experience such rapid technological developments?

Case study 6.2



Could a robot do your job? Industries facing AI revolution still not prepared

By Amber Schultz, *The Sydney Morning Herald*, 4 June 2023

Industries expected to be most impacted by artificial intelligence are struggling to define how it should be regulated as experts warn stakeholders are not prepared for the inevitable disruption.

...

A recent report by economics advisory firm Mandala Partners found the occupations expected to be the most affected by AI fall into three categories: informers, carers and co-ordinators.

Lawyers, management consultants, tertiary educators and logistics teams, along with policy experts, psychologists and counsellors, judges and telemarketers are some of the most exposed occupations, though the report stressed that AI is more likely to replace tasks than replace whole jobs.

CISCO data from 2019 predicted 630 000 jobs in Australia could be displaced by new technologies over the next decade. Vehicle and machine operators and assemblers were the most vulnerable to technological developments, as well as craft and related trade workers, including mechanics and carpenters. Construction was expected to see a net loss of 70 000 jobs over the next decade.



FIGURE 6.8 Construction work, office jobs and even lawyers will be impacted by artificial intelligence.

Case study 6.2 *continued*

The deputy lead of ANU's Humanising Machine Intelligence Project, Dr Jenny Davis, said she didn't believe those industries had adequately considered the impact of AI.

'I don't think that these industry heads have thought deeply about it as a whole, let alone the various ways that it might take form or affect their practice,' she said.

'AI has come with what feels like an extraordinary rapidity ... it's incredibly broad, and even the people who study it and do think deeply about it are in a constant game of catch up, trying to make sense of a new iteration.' She believes there should be a blanket ban on AI decisions about welfare and criminal justice cases due to algorithmic bias affecting outcomes for vulnerable people.

A global study looking into trust in AI released by KPMG in February found just 24 per cent of Australians said AI was used at their organisation, while 73 per cent of survey respondents across the globe said they were concerned about the potential risks of AI.

Mandala managing partner Amit Singh said many impacted industries were falling behind in responding to AI advances.

'It's clear that some of the industries that are most affected by this in Australia are not ready to integrate this in a way that will enable them to take advantage of the opportunities that come from greater productivity,' he said.

The companies that are a bit further behind international standards will find this disruption particularly challenging not just in terms of their workforce, but in terms of their firm value.

Universities Australia chief executive Catriona Jackson said universities were focusing on

making sure students and staff using the technology aren't doing so 'at the expense of their education or academic integrity.'

'A lot of research on artificial intelligence is done by our universities, so we're in a strong position to think deeply about what the implications are and how best to respond,' she said.

A spokesperson for the Australian Banking Association said AI technology and its use cases were 'quickly evolving,' adding banks would continue to apply strong governance frameworks to the use of new technologies.

Law Council of Australia President Luke Murphy said there were clear opportunities for AI to help improve efficiency and reduce administrative costs, but stressed lawyers should take extreme care.

'Lawyers must always keep front of mind their professional and ethical obligations to the court and to their clients. How these tools interact with our overarching duties as lawyers remains an important issue with which the profession is currently grappling,' he said.

1. Identify the three categories of work that are deemed most likely to be affected by the rise of AI.
2. How many jobs does CISCO data from 2019 predict will be displaced by new technologies over the next decade?
3. What does the case study identify as the main concerns surrounding AI for businesses?
4. What does the case study identify as the clear benefits from using AI in work in the future?
5. Explain how businesses can prepare themselves for the upcoming changes in work that AI and developing technologies will bring.

As shown in the article, technological developments go beyond automated production lines, web pages and the intranet. A whole suite of new and emerging technologies will impact the nature of work in Australia.

TABLE 6.2 Emerging technologies

Trend	Description	Impact
Cloud services	The cloud means a business can operate on the same data and applications on any device and are no longer tied to their PC/laptop/desk	Work can be completed anywhere – office, home, café or beach – and there is a seamless usage of software programs and documents, so remote work options become viable and there is no longer a need to operate an office.
Internet of Things (IoT)	Refers to a new generation of cheap sensors connected to the internet that can report measurements of their physical environment. This will enable the digitisation of the physical world, making it far more controllable.	IoT is used in many areas and fields – for example, medical monitoring without disrupting daily routines, food ordering services, temperature monitoring and adjustment in buildings, and automatic lighting adjustment. Many household devices now have the option of including internet connectivity, so a smart refrigerator can order items that are getting low; a smart oven can scan QR codes or barcodes and automatically set the right temperature and time; and a smart washing machine can send a message to your phone when the load is done.
Big data	Enormously large volumes of data are kept in a pool of information that can be analysed retrospectively or in real time. For example, hundreds of years of car crash data in different locations can be analysed to provide more accurate risk-assessment insurance premiums.	Analytical software used to dissect data for business use. Consumer patterns are instantly monitored to predict marketing effectiveness, cause and effect patterns in medical histories compiled and analysed by remote doctors, etc.
Artificial intelligence (AI) and robotics	Huge amounts of data and storage available are leading to greater development of AI machine-learning techniques, where machines can now self-learn from their mistakes. The next 10 years will see significant progress.	AI enables computers to perform tasks that only humans could do previously, and they can perform these tasks better than a person can – for example, IBM Watson used to outperform humans in the quiz show <i>Jeopardy!</i> (see Extra Case Study 6.1). This could lead to a large number of work tasks replaced by AI – for example, Google's self-driving car. AI is today used in smart personal assistants, such as Siri, Cortana and Google Now, business forecasting and SPAM filters etc. ChatGPT, which responds to natural language prompts to answer questions and compose written content, started a boom in consumer-used AI.
Immersive communications	A new generation of broadband networks, combined with rapidly developing screen technology, creates the tech platforms for real-time high-quality video communications. This means the tech is able to deliver high-definition, realistic representations of distance scenes both from video and audio perspectives (which is immersive communication), thereby allowing effective telepresence.	Conferences, meetings and company discussions can all be done from anywhere so there will be no need for business travel or even big office structures. Business-to-consumer communication will improve and may lead to a reduction in the need for shopping malls, which may be replaced by a fully immersive online virtual shopping experience.



EXTRA

CASE STUDY 6.1

Early AI: IBM Watson

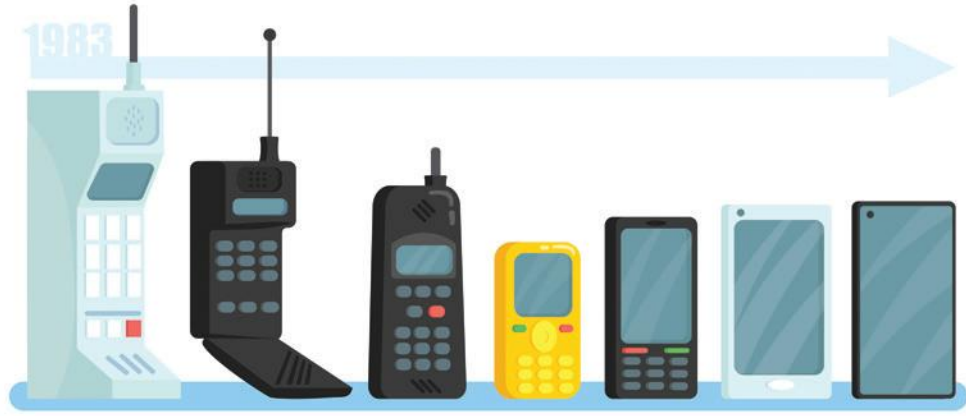


FIGURE 6.9 Consider the evolution of the mobile phone

Case study 6.3



ChatGPT

ChatGPT is a language processing chatbot driven by generative artificial intelligence (AI) technology, which lends itself to the creation of human-like written content. From compiling review articles for scientific research to summarising the key contents of a document or composing emails, the power and usefulness of this tool has become more and more apparent since its release in early 2023. In the business world, it has been rapidly and eagerly adopted across different industries to reduce redundant work and improve efficiency.

One industry that has always been open to embracing innovation is the video games industry. Advancing the player's experience of a fictional world and creating interesting and immersive stories have long been the basis of a successful game. AI imaging and dialogue creation tools have already been employed for a range of tasks such as writing narrative storylines, creating graphics, textures, and more.

But what can a language-generating tool like ChatGPT contribute towards a player's experience? Gaming company NetEase has begun to use the AI tool to generate more realistic non-player character (NPC) dialogue in their mobile game *Justice*. Active participant NPCs that imitate human-like responses basically become second players within single-player video games. Another use of ChatGPT is where developers can use it as a text-

based player assist tool, to customise assistance players might need. For example, integrating ChatGPT in the video game version of *Dungeons & Dragons* can help players quickly check rules and look up specific information regarding classes, races, abilities and items in the heat of battle.

It should be noted that while ChatGPT's communicative enhancement can improve user experience of a game, it can also bring about risks – for instance, the narrative could move beyond developers' control and some NPC replies might even take the player away from the game. Even so, ChatGPT appears to be a tool that will help video games developers for a long time to come and provides an example of an industry striving to find novel ways to embrace the technology.

1. Explain what ChatGPT is in your own words.
2. Identify some of the ways the case study claims ChatGPT will 'reduce redundant work and improve efficiency' for businesses.
3. Explain how ChatGPT has been used in the video games industry according to the case study.
4. Choose a different industry that you are interested in. Conduct some online research to determine whether the industry has adopted generative AI technology, and describe whether or not it has brought benefits to businesses.

Activity 6.8**COLLABORATE****Emerging technologies**

1. In pairs, research an emerging technology. Find rich multimedia examples of the use of this emerging technology and then produce a brief presentation to the class demonstrating a video application of your emerging technology (use TED Talks, YouTube clips, Google videos).
2. Explain the positive and negative impacts of this emerging technology on business.
3. Propose one additional new application of this emerging technology for another business or industry.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 6.2**

1. Identify three outcomes of the rapid change in technology.
2. List one advantage and one disadvantage for employees in a workplace:
 - a. using cloud services
 - b. using Big Data
 - c. using artificial intelligence (AI) platforms.

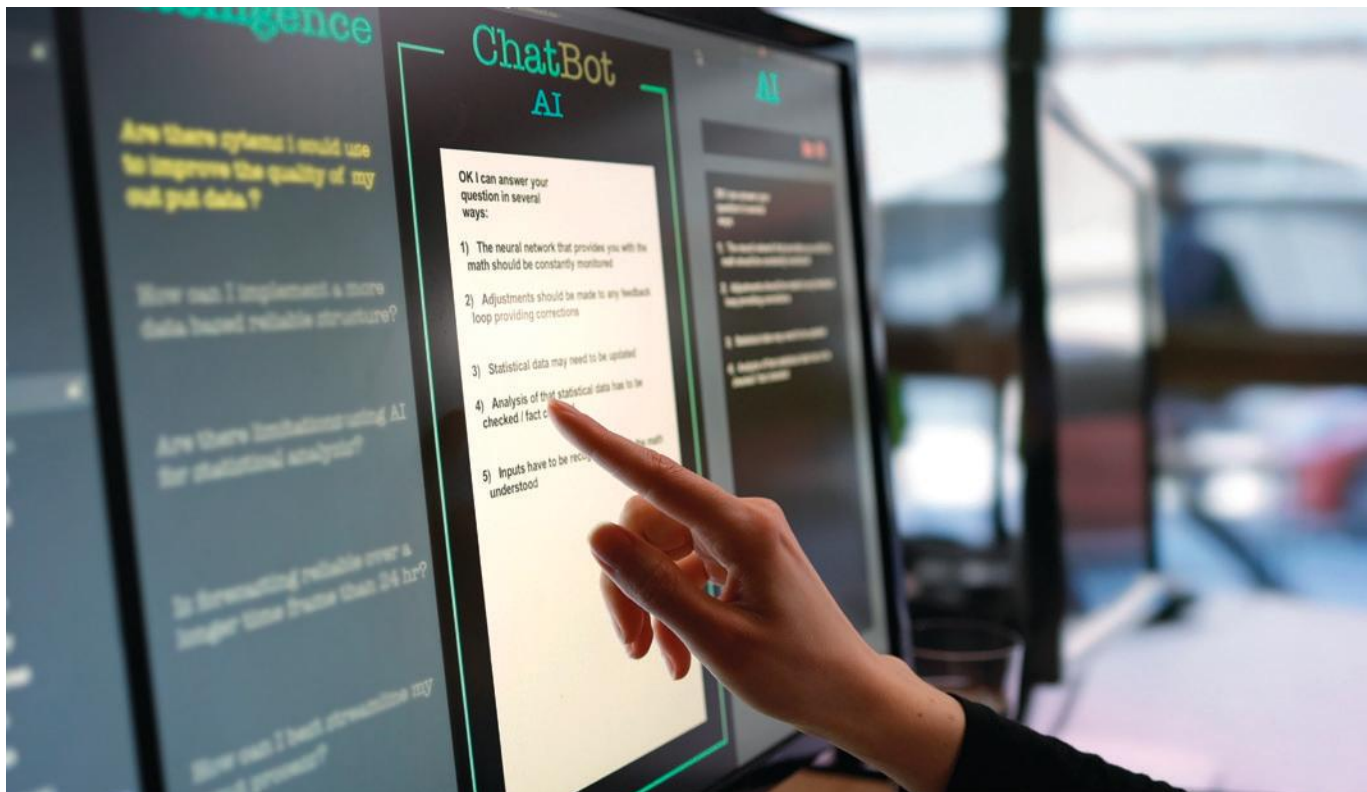


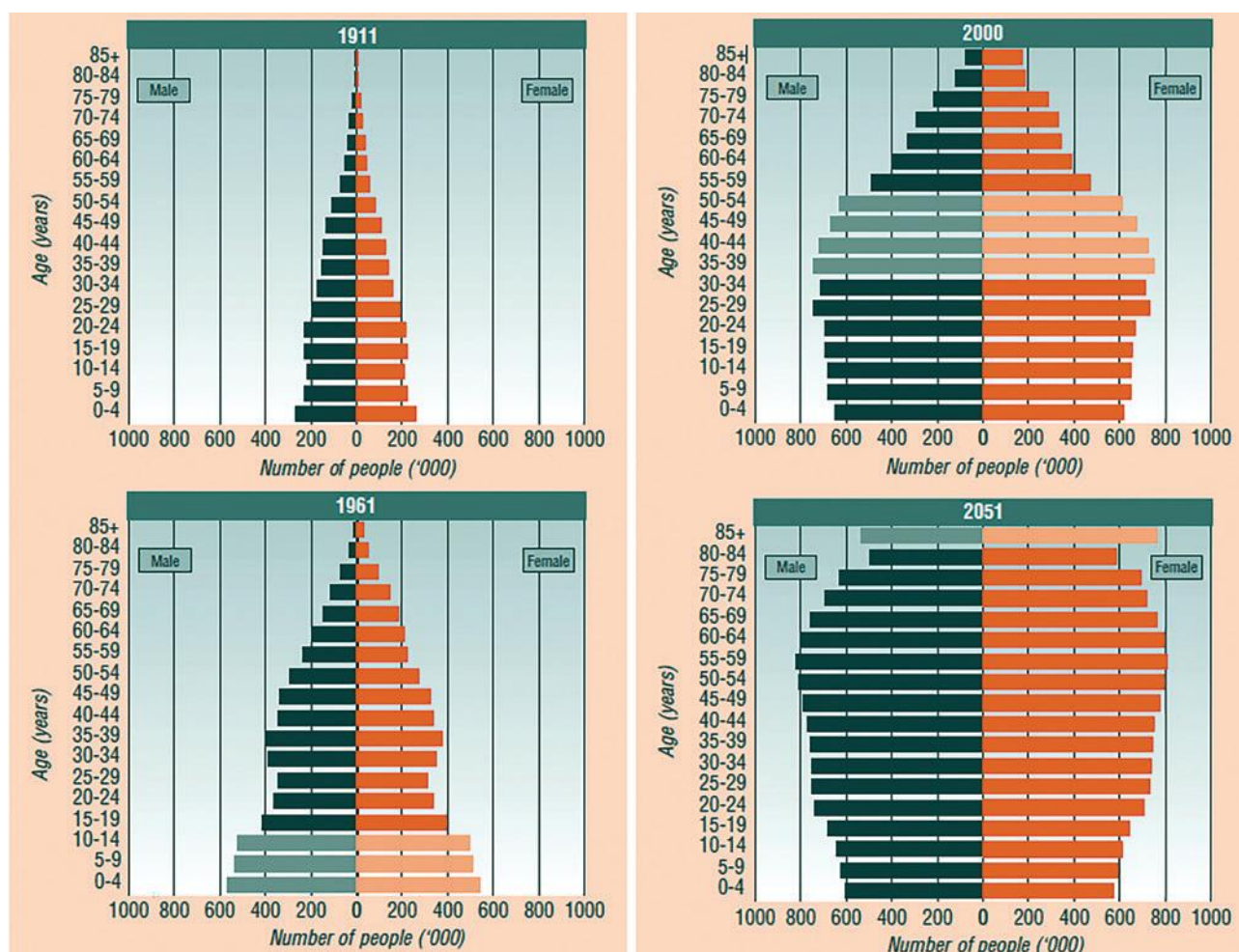
FIGURE 6.10 AI systems aim to replicate human-like intelligence by exhibiting behaviours such as understanding natural language, recognising patterns, and making decisions based on available information.



6.3 Work, society and productivity

The impact of an ageing population

Australia has an ageing population, which means that as a percentage of the total population, there will progressively be more older people (+65 years old) in our society. Figure 6.11 shows this in a visual way. In 1911, there was a smaller total population but, as we would expect with natural life progression, there were a greater number of young people who, as they progressively got older and passed away, got smaller in numbers and a classic triangular shape is seen. However, by 1961 we see bulges and contractions caused by world war, migration and the post-war baby boom. As these baby boomers aged and moved up the pyramid over time, they remained a bulging group, but successive generations are having fewer children than they used to, so the base of the triangle doesn't grow outwards but remains straight. This develops to such an extent that by 2051 it is predicted that there will be more older people than young – an ageing population.



Source: Australian Bureau of Statistics

FIGURE 6.11 Age and gender structure of Australia's population

Among a range of other social implications, this ageing population will also impact on work in the future:

- There will be a need for more workers in aged care-related industries, such as healthcare, residential homes and leisure activities targeted to older people.

- The working-age population is traditionally defined as 15–64 years, although in practice many of those aged 15–19 years remain in education, and workforce participation rates fall considerably after age 55. While the proportion of the population of working age is currently growing (61 per cent in 1901; 64 per cent in 1976; and 67 per cent in 2000), it is projected to begin shrinking between 2011 and 2021, and to return to around 60 per cent by 2050.
- As this older group retires from the workforce, in theory there should be plenty of job opportunities available to the next generation. However, as we have already explored, there have been major structural changes throughout the workforce in the areas of technology and globalisation that may lessen this impact.



FIGURE 6.12 Australia's ageing population will increasingly be forced to work for longer in the future.

The rise of self-employment

With the traditional view of work as a traditional 9 a.m. to 5 p.m. office-based position for life being shattered over the last century, myriad new opportunities have arisen, one of which has been the growth in self-employment, which although affected by the Covid lockdown restrictions, like many industries, has made a swift recovery.

The following are some factors that have supported this surge in self-employment:

- Technology allows work to be carried out in different locations without the need for a central office, so working from home is a very viable option.
- Large-scale businesses have been restructuring to gain greater efficiencies out of their workforce, and some of those who have found themselves made redundant have sought to become their own bosses rather than to work for an employer again.
- The freedom to make your own decisions and be your own boss that comes with self-employment is hard to resist.

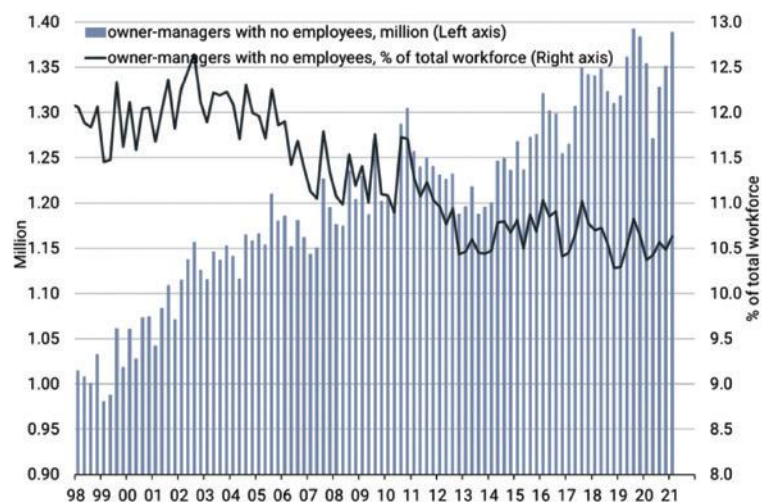


FIGURE 6.13 Self-employment in Australia in 2021

- Technology also opens up a global market where a single individual can provide a service to a global market, and age, gender and experience are less important than the quality or price of the good or service being sold.
- Self-employment allows the individual to create their working life around their family and social life rather than the other way around.

However, while self-employment offers incredible opportunities and freedoms, people seeking this form of work in the future need to consider that they must also be responsible for the administration that would normally be carried out by the business and look after their own taxation compliance, superannuation payments, holidays, sick leave and insurance.

Case study 6.4



Self-employment case studies

Make a list of the advantages and disadvantages for each of the following self-employment case studies, then think about what sort of business you could start while still at school.

Travel the world while working

Some people have realised the freedom that technology has allowed in relation to work and have literally taken to the world.

There has been a rise in the number of people who have set off to travel the world, funding their trips through travel blogging, travel writing, photography or sponsorship of clothing/sportswear/travel locations.

Search for some examples of these self-employed travellers and then consider the advantages and disadvantages of this type of working lifestyle.

- A very popular Instagram travel blog (4.6 million followers) belongs to Murad and Nataly Osmann. Their series of 'Follow Me To' photos went viral in 2012.



FIGURE 6.14 Instagram travel bloggers

- A popular Australian Instagram travel blogger is Gypsea_lust (Lauren Bullen), with over 2 million followers.
- Nomadic Matt (Matt Kepnes), author of *How to Travel the World on \$50 a Day* and *Ten Years a Nomad*, set up a travel blog (nomadicmatt.com) in 2008. Providing advice for budget travellers has brought many visitors to the website, as well as advertising revenue.

Starting a business while still at school

Technology also allows anyone to start a business and be judged only by the work they have created and not their age or gender. One such example is a Year 9 student who experimented with taking drone footage as a hobby, inspired by his principal, who had a passion for technology.



FIGURE 6.15 The student had experimented with taking drone footage as a hobby.

Case study 6.4 *continued*

When the student participated in his school's Year 9 small business enterprise program, he was given the freedom and support to set up his own small business for the program's night market, printing and framing aerial artistic photographs.

He learned about budgeting, cash flow, break-even pricing, marketing and sustainable business practices by also allocating the 'taxed' component of his night's profits to the charity Opportunity International, which provides microfinance loans to enterprising communities in developing countries, operating as a 'hand up rather than a hand out of poverty'.

Buoyed by his success on the night, and the support and encouragement of the school community and his parents, he has now made this project into a working business, selling prints, framed photographs and merchandise on his own website and at weekend markets.

1. What are some advantages and disadvantages of travelling the world while working? Copy and complete the following table.

Advantages	Disadvantages

2. What are some of the advantages and disadvantages of establishing your own business while still at school? Complete the following table.

Advantages	Disadvantages

3. Now brainstorm some ideas for your own small self-employed business that you could start up in your free time.

Driving productivity: why is this important?

With an ageing population, fewer workers as a percentage of the total population and more competition from a globalised world of business, the competitive pressures on Australia have never been greater. One way to maintain a competitive advantage and maintain our present standard of living is to achieve productivity gains in our economy.

Increased productivity is where the same amount of input produces a greater amount of output. This can help us as a society in a number of ways:

- There is more output for our society to share so we feel 'richer'.
- The cost of making that output is shared over more units of output, and therefore the cost per unit should fall. This should lead to the capacity of businesses to lower their prices, which will give them a competitive advantage over their rivals, or allow them to maintain present prices and make larger profits.
- Both of these competitive advantages should lead to success in global markets, increased global sales and stronger Australian businesses, which should in theory lead to greater job opportunities for Australians in the future.

The pursuit of productivity gains in workforces as an example of competitive advantage is therefore a very important one to pursue.

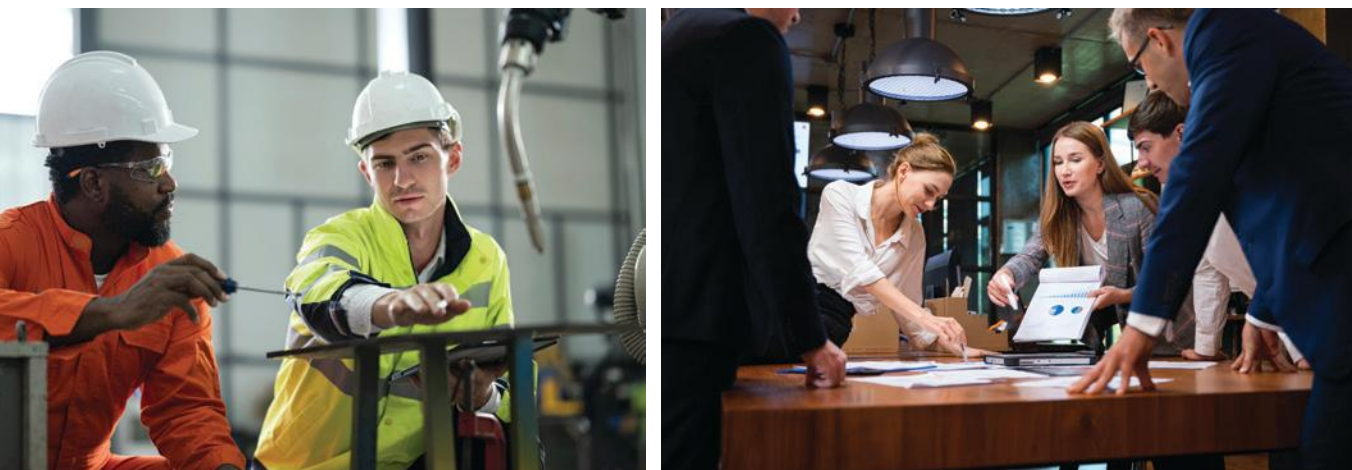


FIGURE 6.16 How do we help to drive productivity in all areas of our economy?



Activity 6.9

COLLABORATE

Productivity experiment

1. Experiment 1

Input: 1 (you)

Your task is to individually create as many fully cut-out, coloured, folded, stuck-together and completed paper cars as you can in 10 minutes using a template like the one below. A PDF file of the template is available in the online version of the textbook: you or your teacher can download it and print out copies.

Your productivity rate is the amount of outputs you produce from your input (an input of 1).

The winner will be the student who can make the most fully completed cars in the 10 minutes; half-completed cars do not count.

The results of this competition will be recorded on the class board, before having a class discussion about how successful each individual's strategy was.

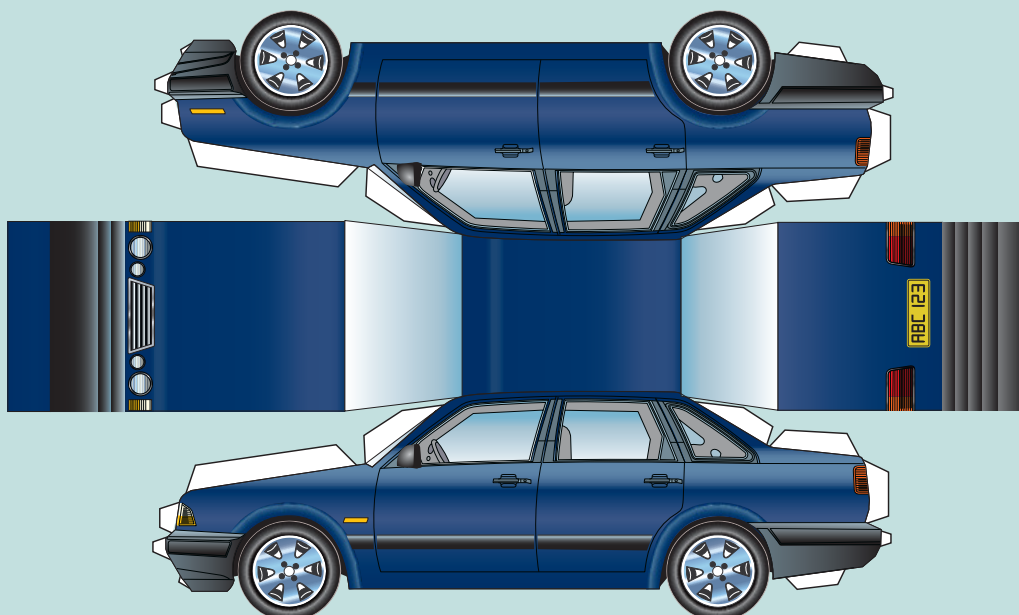


FIGURE 6.17 Paper car template

Activity 6.9 *continued***2. Experiment 2****Input: number of people in class**

The social experiment is to see whether you can improve your productivity rate by repeating the activity, but this time working together as a complete class.

You will firstly have 15 minutes as a class to discuss your strategy, work out roles and tasks, organise groups and reorganise tables, resources or whatever else you think will work to increase your productivity as a complete class before repeating this task over 10 minutes.

Copy the following table into your textbook to record your results.

Experiment 1 (individual)	1		
Experiment 2 (class)			

After the results are in, engage in a class discussion about what helped or hindered your performance and whether there were other ways you could reorganise yourselves to become more productive.

Consider the strategies you employed and how they could apply to businesses. Could they also achieve productivity gains through:

- specialisation of workers
- restructuring the workforce and production area
- team learning and employee development
- staff motivation?

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 6.3**

1. Explain what is meant by an 'ageing population' and explain how it may impact Australia's society and workforce in the future.
2. 'Self-employment is the future for everyone!' What is 'self-employment'?
3. Suggest reasons for the rise in the number of self-employed people.
4. Define the term 'productivity'.
5. Describe two ways businesses can achieve productivity gains within their companies.

6.4 Human resource management

Human resource management (HRM) is a strategic approach to managing a business' most valuable asset: its people. It encompasses a wide range of areas aimed at maximising employee performance and wellbeing to achieve business objectives. These areas include recruitment, selection, training, performance management, compensation, employee relations and talent development. HRM ensures that the right people with the right skills are in the right roles at the right time. Additionally, HRM aims to create a positive work environment conducive

to employee engagement, satisfaction and retention. As businesses navigate dynamic market conditions and evolving workforce expectations, effective HRM practices are essential for driving business success, growth and sustainability.

Recruitment and selection processes

Recruitment and selection processes are fundamental aspects of HRM, crucial for ensuring that the right people are chosen for the job. Recruitment involves identifying and attracting potential candidates through various channels such as job postings, referrals and recruitment agencies. It aims to create a pool of qualified applicants who possess the skills, qualifications and attributes necessary for the job.

Selection, on the other hand, involves assessing candidates' suitability through interviews, assessments and other evaluation methods to determine the best fit for the role and the

business. This process typically includes screening resumes, conducting interviews, and performing background checks to ensure candidates meet job requirements and fit in with the business' culture.

Training and supporting employees

Training and supporting employees are there to enhance the skills, knowledge and performance of employees within a business.

Training initiatives provide employees with the necessary tools and resources to excel in their roles, whether through formal programs, on-the-job training, workshops or e-learning platforms. By investing in continuous learning opportunities, businesses empower their workforce to adapt to evolving industry trends, technologies and job requirements, fostering a culture of innovation and growth.

Additionally, supporting employees goes beyond training by providing ongoing guidance, feedback and mentorship to help employees overcome challenges and reach their full potential. Their support system not only boosts employee morale and job satisfaction but also strengthens employee loyalty and retention.



FIGURE 6.18 Effective interviews can help employers find the right candidate for the job, reduce turnover rates, improve company culture, avoid legal issues and build relationships.

Compensating, motivating and retaining employees

Compensating, motivating and retaining employees are crucial aspects of effective human resource management.

Compensation strategies include offering competitive salaries, benefits and incentives to attract and retain top talent.

Motivation techniques, such as recognition programs, career development opportunities, and a positive work environment, inspire employees to perform at their best.

Moreover, retention efforts focus on creating an engaging workplace culture where employees feel valued, supported and connected to the business' mission and values.

By implementing comprehensive compensation, motivation and retention strategies, companies can cultivate a loyal, high-performing workforce that drives long-term success and competitiveness in the market.

Providing a safe workplace

Providing a safe workplace is the number one priority and responsibility for businesses, ensuring the wellbeing and security of employees. This involves implementing comprehensive safety protocols, conducting regular risk assessments and providing appropriate training on safety procedures. By fostering a culture of safety, organisations not only protect their employees from accidents and injuries but also enhance productivity and morale. A safe workplace instils confidence among employees, encouraging them to focus on their work without fear of harm. Moreover, it demonstrates a business' commitment to its workforce, fostering trust and loyalty.

Ultimately, investing in workplace safety not only safeguards employees but also contributes to organisational success by reducing absenteeism, turnover and potential legal liabilities.

Improving business competitiveness

You saw in Chapter 5 that innovation can help give businesses a competitive advantage over their competitors. Human resource management is also recognised as a key element in business competitiveness.

An organisation that has selected people with the right abilities, and developed them with well-structured training, will have the skill base to succeed against competitors. Equally important is employee mindset: if employees feel valued and safe, they are more likely to engage with the business goals and perform at a high level.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 6.4



1. Define 'Human resource management'.
2. Explain the benefits to the organisation of implementing comprehensive compensation, motivation and retention strategies.

6.5 The role of trade unions and employer groups

Industrial relations is the interplay that takes place between workers and employers, about working conditions. It often involves conflict, which may need to be resolved by a third party, such as the Fair Work Commission. Both workers and employers form groups that can negotiate on their behalf, and protect their interests in these matters.

Trade unions

There are many trade unions in Australia, for a range of different industries: examples include the Australian Education Union, the Media, Entertainment and Arts Alliance, and the Australian Manufacturing Workers Union. They play a major role in safeguarding the rights and interest of workers within the labour market. Many unions are themselves members of a peak body, the Australian Council of Trade Unions (ACTU).

Trade unions negotiate with employers on behalf of their members to secure fair wages, improved working conditions, and benefits. They advocate for workers' rights, such as safe working environments, reasonable working hours and job security. Additionally, trade unions often provide support and representation to employees in disputes with employers, ensuring their voices are heard and their issues addressed. By promoting solidarity and collective action on behalf of all the members of that trade union, trade unions empower workers to achieve better standards of living and equitable treatment in the workplace.

Employer groups

Employers also form groups that protect the interests of their members, such as the Australian Federation of Travel Agents, Fitness Australia, the Pharmacy Guild of Australia, and many more. A key role of employer associations is to represent members in industrial relations matters, and provide advocacy on political issues, but most also offer events, training, publications and other services.

The Australian Chamber of Commerce and Industry (ACCI) and the Australian Federation of Employers and Industries (AFEI) are two peak employer groups, to which other associations belong. These groups are involved in major industrial relations issues, and contribute to discussion and government policy-making on business and employer-related matters.



FIGURE 6.19 Unions sometimes organise strikes or protests to draw attention to unfair conditions. This photograph is from a 2019 union protest in Melbourne, calling for better wages and increased job security.

Activity 6.10

COLLABORATE

**Industrial relations role-play**

In this classroom activity you will act out the role of an employer and a union group, and investigate the benefits and disadvantages of these different approaches to conflict resolution.

Classroom set up

Your teacher will divide the class into two groups, one being employee representatives, union members and representatives of the ACTU on one side, and the other being employer representatives and employer groups. There will also be two independent students.

Set up the classroom with one long line of tables in the middle, to act as a long board room, so each group can sit on one side. The teacher, or a selected independent student will sit at the top of the table and act as the Fair Work Commission.

The two independent students will sit at their own table away from the others and complete their own negotiation over the same terms and conditions by themselves. At the end of the role-play, you can discuss the advantages / disadvantages of collective bargaining from the position of each group versus independent bargaining between a single employee/employer.

Role-play activity

In the 'Brave New World', going to school as a student is classified as work, and the government (via a school principal's employer group) pays you to come to school. (This smart government understands that a better educated workforce ultimately benefits the country at large!)

Once a year, student representatives from all the schools meet together to form a student union, and the principals of each of the local schools (on behalf of the government) come together to form a principal's association. Their intention is to come together to a central location to negotiate a contract for the next year.

The present situation is that students:

- work a 30-hour week
- get paid \$5 000 a year
- receive additional benefits of 12 weeks annual holidays, a student common room for each year level, free tea and coffee facilities, and a gym for keeping fit.

Your teacher will supply each group with a confidential agenda that it is seeking to gain from this meeting. (**Teachers:** the two agendas, and the contract to be signed in step 3, are available as downloadable documents in the Online Teaching Suite.)

Remember, for your own pride and the pride of the people you represent, you must walk away from this meeting with a negotiation that your group is happy with.

1. Before coming to the table, each group spends five minutes coming up with a strategy about how to approach these discussions. Consider what strategies you will use to get your own way: you may start off helpful and then play hardball, or you may demand more to begin with and then compromise later. It's up to you! Come up with a negotiation / discussion point that everyone in the group can bring to the table.



Activity 6.10 *continued*

2. After five minutes you are to come to the table and elect one of your team to give your initial proposal to the other group. After you have listened to each other's proposal you may then begin your negotiations and everyone can take part.
3. Your teacher (or independent selected student) will initially act as the Fair Work Commission as a mediator between the two groups, but they will have no say over the final decision you reach, as long as it is better than the current simulated minimum terms and conditions you are working under. When eventually you reach an agreement you must shake on it, and then sign the contract provided by your teacher.

Post activity questions

1. Which group employers or employees received a better deal?
2. Why do you think this is so?
Compare the group's contract with that of the two single students.
3. Who did better and why
4. Compare the two sets of negotiations. Was one more amicable than the other? Was one resolved more quickly than the other? Did one get a better result than the other? Discuss why you think this was so.
5. How important did you feel the role of the Fair Work Commission was?
What do you think would have happened if they had't been there in the negotiations?
6. If you were an employee, would you prefer the support of the union/ACTU or to negotiate independently?
7. If you were an employer would you prefer the support of the employer group or to negotiate independently?



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 6.5**

1. Identify the peak trade union group in Australia, and two peak employer groups.
2. List three activities a trade union might undertake.



6.6 The future of work

The impact on you

As we stated at the beginning, trying to predict your work future involves a degree of crystal ball gazing; however, observing some of the major trends impacting on work today such as the Covid pandemic, we can say that the following are likely to apply to *your* work future:

- Technology and the ability to use and take advantage of the opportunities that technology provide will become increasingly important.
- There will be greater use of technology, such as computers, robotics and AI, and there will be a need to regularly retrain to keep up to date with them.
- Technology is likely to replace non-skilled routine tasks, but is also likely to enhance highly skilled problem-solving tasks.
- Creativity, entrepreneurship, problem-solving, emotional intelligence and the skills for jobs that require a high degree of human interaction will be in high demand.
- There will be an increase in the number of people who work from home, as occurred in the COVID-19 pandemic.
- There will be more opportunities to live and work overseas.
- The idea of a job for life will most likely have disappeared, and even a career for life is less likely for many people.
- It is expected that there will be movement between occupations in the region of five to seven career changes per worker over their working life, with workers needing to retrain in order to keep up with the pace of change.
- Full-time, permanent jobs are likely to be replaced by flexible, part-time, casual jobs and temporary contract work.
- There may be greater flexibility of working hours and conditions (flexitime, weekend work, rosters).
- A greater variety of jobs will be available to all people.

As the workers of the future, it will be important for you to have certain skills and personal characteristics, including the following:

- **The ability to adapt well to change.** Those who understand change and manage it effectively will be more successful.
- **Constantly developing knowledge and learning new skills.** Workers will need to be able and willing to continually learn new things throughout their careers to keep up with the pace of change.
- **Building skills in a range of areas.** Being flexible and being able to apply your skills to a range of areas will make you more employable and also more flexible to change to other careers if you need or want to shift your career trajectory.
- **Being self-reliant.** The world of work is changing quickly, so you will have to be adaptable and take responsibility for making the most of opportunities that arise rather than waiting for someone else to do it for you.



FIGURE 6.20 Home-based work has become a more prominent part of many people's working lives.

- **Being enterprising and innovative.** Having the ability to be creative and flexible will open up many opportunities for you, and you may also be able to predict a future need before anyone else.
- **Networking.** The ability to stay in touch with a wide range of people will keep you in tune with developments and trends, and open up new opportunities.



Activity 6.11

REFLECT

Skills and characteristics

Each of these skills/characteristics has been placed in the following table, which you should copy into your notebook. Rate yourself against each and then give yourself a brief action plan as to how you could further develop these characteristics.

Skill/characteristic	Self-rating out of 10	Action plan
The ability to adapt to change well		
Constantly developing knowledge and learning new skills		
Building skills in a range of areas		
Being self-reliant		
Being enterprising and innovative		
Networking		



The impact on employers

In a changing workplace, there are changing impacts on employers and their responsibilities in the workplace, as well as for employees. Employers are responsible for the success of the business and trying to get the best out of their employees, and they are also responsible for the safety and welfare of their workforce.

FIGURE 6.21 Each workplace has different requirements for what ensures the health and welfare of its employees. What might an office worker, teacher, chef or welder need from their employer and their workplace that is different from the others?



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 6.6

1. Name two changes impacting the workforce from this chapter and describe how they would impact an employer and what they could do to prepare for them.
2. Define the term 'networking'.



Consolidate your learning

Work-focused organisations

Imagine you are the boss and employer of a small business. Use the internet to find out about work-focused organisations and your responsibilities to employees.

1. Identify the following work-focused organisations, their role in the workplace and how they may be involved with your business.

Organisation	Their role in the workplace	Possible impact on a small business
Unions – ACTU		
Fair Work Commission		
Government – Safe Work Australia		

2. Search the Australian Government Business website for information that outlines your responsibilities to employees in a workplace.
3. Define the following terms and explain how they are likely to impact you as an employer:
 - a. worker's compensation insurance
 - b. anti-discrimination provisions
 - c. 10 minimum employment standards that you must provide to all employees – also called the National Employment Standards (NES)
 - d. pay-as-you-go (PAYG) tax
 - e. superannuation
 - f. paid parental leave
 - g. income tax
 - h. company tax
 - i. Goods and Services Tax (GST)
 - j. occupational health and safety.

Future employment trends

1. Watch the YouTube video *Jobs of the Future: What Will Yours Be?* at <https://cambridge.edu.au/redirect/10444> about future employment trends.
 - a. The narrator says that careers used to be 'stable and linear' but are now 'fragmented'. What does he mean by this statement?
 - b. The narrator says that future work will consist of a 'portfolio of micro careers'. Explain his view.
 - c. What is the average number of years for which you will be likely to hold a job in the future?
 - d. Explain the likely impact of technology on jobs of the future.
 - e. What types of jobs will be in high demand in the future?
 - f. What advice is given about how to improve your chances of employment in the future?

2. Copy and complete the following table, stating whether you agree with each statement and giving a reason for each answer. Share your answers in a class discussion.

Statement	Do you agree – yes or no?	The reason for your answer
Technology is changing the types of jobs that exist in Australia.		
I will have one career or job in my lifetime.		
I would rather work for one employer full time, because there are more benefits, than doing casual work or working for myself.		
Australia is well placed to compete in the new global economy and will continue to be a wealthy country.		
Jobs that involve driving might disappear in the future.		
Jobs that involve lots of social interaction and interpersonal skills (like nursing and teaching) will be in demand in the future.		
Jobs that involve operating machines (like factory jobs) will be in demand in the future.		
Driving for Uber or delivering takeaway food on a bike for a delivery service app would be a great way to make money because you can be your own boss and work when you want.		

Deeper inquiry

Reviewing your knowledge from this complete chapter, you are now going to complete a far deeper inquiry into one aspect of the chapter that most interests you.

You will be given a week of class time, and any additional time required for homework, to complete the following task. Do your own independent research to deepen your knowledge in your chosen area.

You are to complete one of the learning tasks below or another of similar complexity in discussion with your teacher.

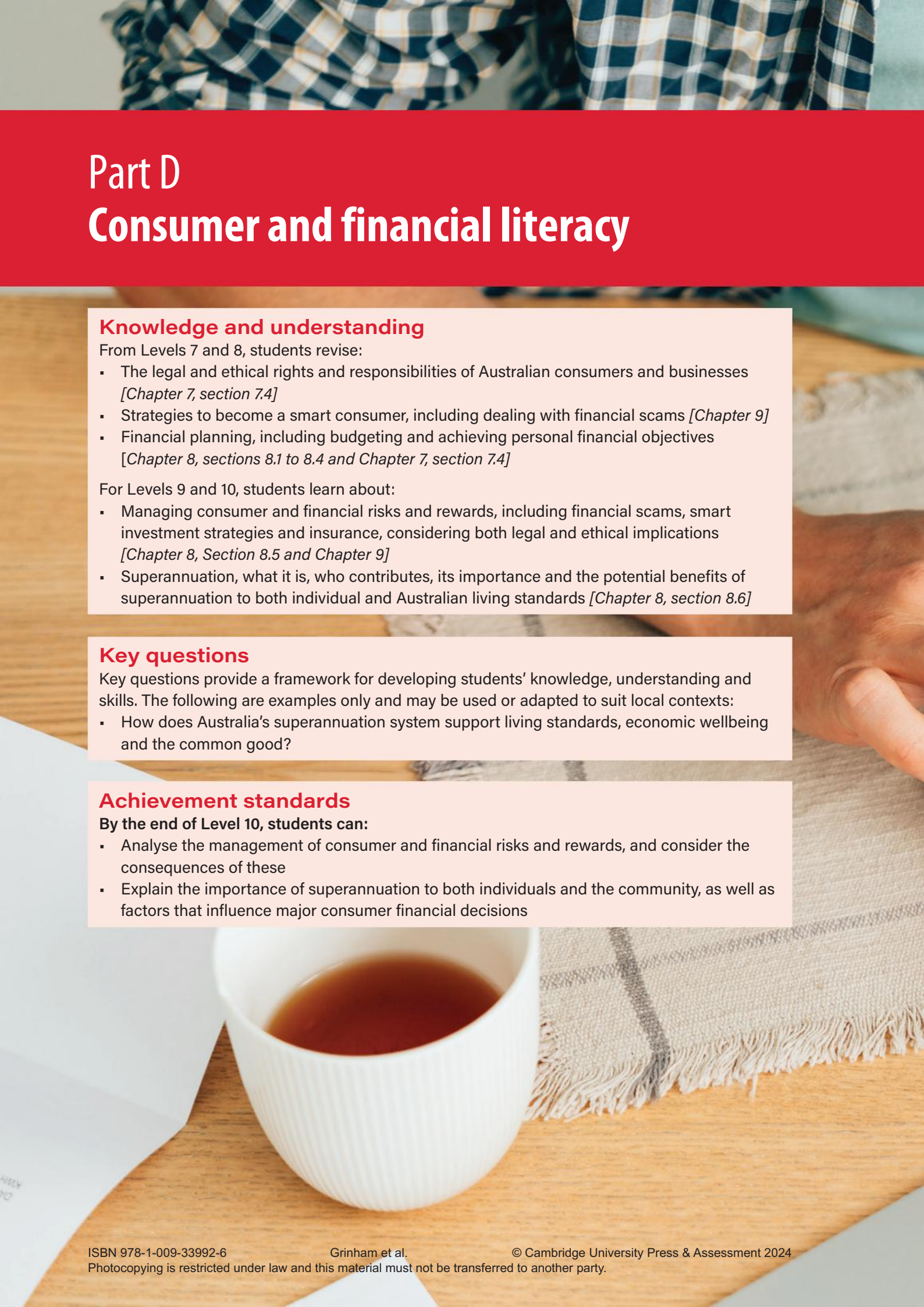
1. Create a multimedia presentation, which will alert students to how the world of work is changing and the implications it will have for their futures in terms of the types of jobs that will exist and the skills and abilities they will require to perform them. You will need to undertake some additional independent research into this topic and then carefully consider how to present this information in an engaging way to capture the students' interest.
2. If permitted, start a social media blog on your school website about the future of work. Post a few articles/video clips for students to watch/read that

will provoke responses and then compile a series of 10 questions to which you would like your year level at school to respond. Then collate and analyse the poll results and, using your knowledge from the chapter, predict where you see the future heading for your generation.

3. Create your own research profile on a career path or specific job in which you are interested for the future. To help focus your research, answer the following questions in your profile:
 - a. What is the job?
 - b. What is the average income, and what are the hours and duties performed in this employment?
 - c. What are the current job prospects in this career?
 - d. What qualifications are required to be employed in the position?
 - e. What institutes/further education locations offer these qualifications and what is required to attain them?
4. Investigate a career path that you are interested in pursuing and research the global opportunities that are available for you to be able to pursue this career overseas in the future. Produce a personal report on the skills and abilities you will need to allow you to pursue this career overseas and the countries that have opportunities available to you, targeting at least one country in which you would definitely like to work.
5. Organise an interview with a lecturer from a university to further explore how technology and globalisation will affect the future of work and video this interview for your classmates to review.
6. Create your own 30-second occupational health and safety commercial to help raise awareness of the risks faced by young people on their work-experience rounds. If permission can be obtained, the commercial may be posted on the school intranet and made available for all students to see prior to their work-experience round.
7. Create a brochure for local, small business employers that identifies employer responsibilities to workers and the government, such as superannuation, paid parental leave, income tax, company tax or the Goods and Services Tax (GST).
8. Undertake another task of similar complexity in consultation with your teacher.

Future work

1. Describe two pressures currently faced by businesses responding to the impacts of the COVID-19 pandemic.
2. Identify four of the technological changes occurring in business today and describe the impact of any two of these changes on workers and/or the workplace.
3. Explain what is meant by digital disruption, using an example to illustrate this term.
4. Define productivity and describe why increased productivity and business competitiveness are important for business success.
5. Describe the impacts that globalisation may have on work in the future.
6. Is the ageing population a blessing or a curse for the future of work in Australia? Discuss.



Part D

Consumer and financial literacy

Knowledge and understanding

From Levels 7 and 8, students revise:

- The legal and ethical rights and responsibilities of Australian consumers and businesses [*Chapter 7, section 7.4*]
- Strategies to become a smart consumer, including dealing with financial scams [*Chapter 9*]
- Financial planning, including budgeting and achieving personal financial objectives [*Chapter 8, sections 8.1 to 8.4 and Chapter 7, section 7.4*]

For Levels 9 and 10, students learn about:

- Managing consumer and financial risks and rewards, including financial scams, smart investment strategies and insurance, considering both legal and ethical implications [*Chapter 8, Section 8.5 and Chapter 9*]
- Superannuation, what it is, who contributes, its importance and the potential benefits of superannuation to both individual and Australian living standards [*Chapter 8, section 8.6*]

Key questions

Key questions provide a framework for developing students' knowledge, understanding and skills. The following are examples only and may be used or adapted to suit local contexts:

- How does Australia's superannuation system support living standards, economic wellbeing and the common good?

Achievement standards

By the end of Level 10, students can:

- Analyse the management of consumer and financial risks and rewards, and consider the consequences of these
- Explain the importance of superannuation to both individuals and the community, as well as factors that influence major consumer financial decisions

Skills

By the end of Level 10, students learn to:

Investigating:

- Develop and modify questions suitable for investigation of contemporary economic, business, work or financial issues
- Locate, select, organise and analyse relevant information and data from a range of sources

Interpreting and analysing data and information:

- Evaluate and use data and information to address economic, business, work or financial issues through recognition of trends and cause-and-effect relationships
- Draw logical conclusions based on data and information from verified sources

Evaluating, concluding and decision-making:

- Develop and evaluate a response to an economic and business issue, using cost-benefit analysis or criteria
- Evaluate sources of data and information to determine authenticity and validity

Communicating:

- Explain and present arguments about economics and business concepts and issues using subject-specific terminology, with reference to sources

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Chapter 7

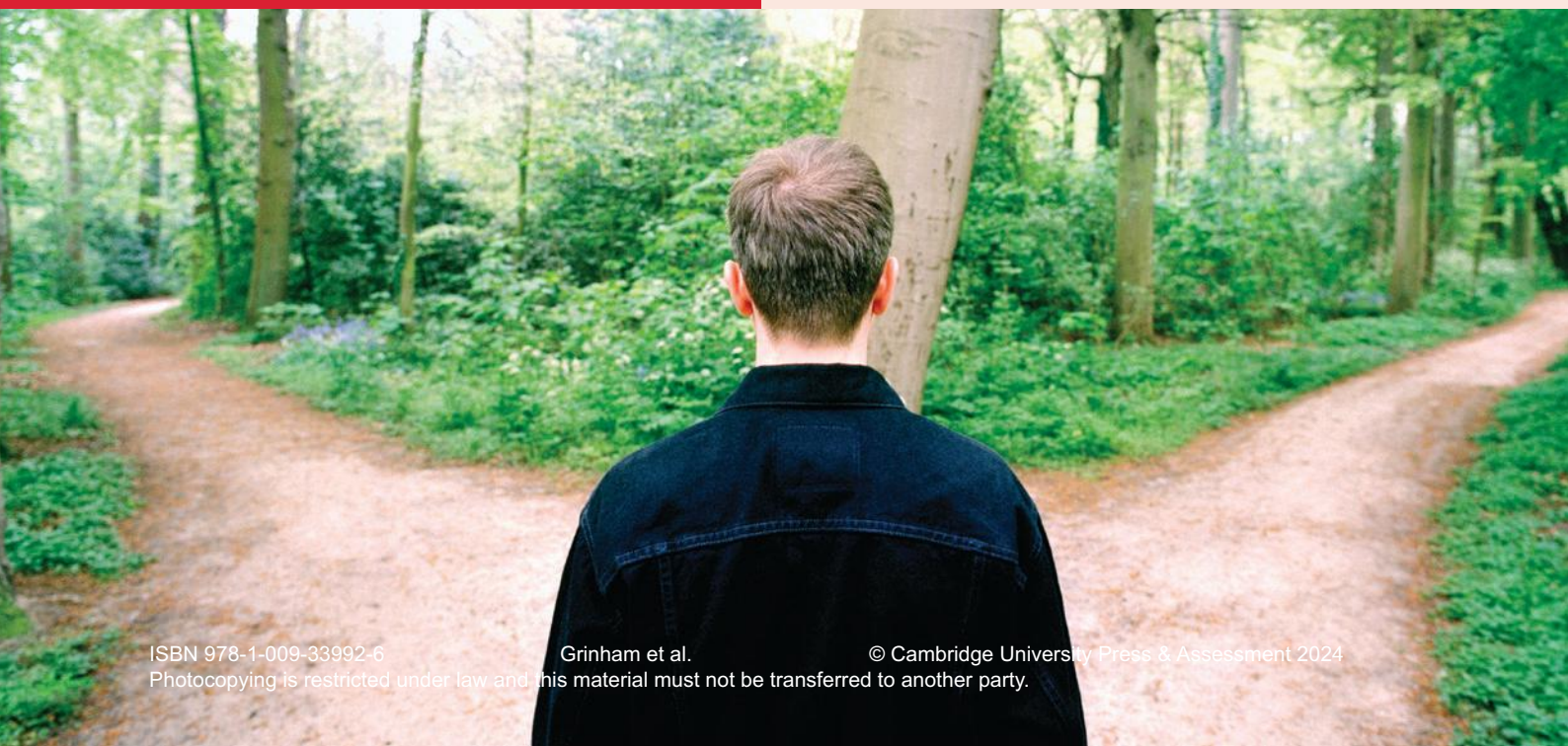
The power of money and choice

Money is one of the most powerful commodities in the world. Money allows people to do many of the things they want to do and to have the lifestyle they want. It can drive the decisions made by individuals, households, businesses and even governments. Whether you are a consumer or a business owner, knowing how to make the most of the money you have is essential to improving your financial position and achieving your financial and lifestyle goals. In this chapter, we explore the role that money plays in our society, the **rights** and **responsibilities** of consumers and businesses, and the impact of technology in the financial sector. As technology changes the way we shop, our access to an increased range of financial products and the way we communicate, it can be argued that money is more and more invisible. You can now use your phone, watch and other devices to make payments, so how do you ensure that you can manage your finances and make the most of your hard-earned money? Some large companies are now even trialling stores where you simply make your purchase selections and leave the store, then are billed automatically. It's becoming easier and easier to spend your money.



This chapter contains some content applicable to levels 7&8. The relevant sections are marked with an icon and can be used if the material was not studied in levels 7&8 or as background for levels 9&10.

FIGURE 7.1 There are many choices we must make before paying for a product or service.



7.1 Making payments

Payment choices

There are many payment options available for consumers in Australia today. Cash has traditionally been the most popular, but cheques and credit cards have been around for decades. The development first of electronic funds transfer at point of sale (EFTPOS), and more recently **tap and go** technology, made credit cards an increasingly quick payment option. In recent years, however, the growth in the use of alternative forms of payment such as debit and prepaid cards has been rapid in Australia, with debit cards now the most frequently used non-cash payment option.

Cash

The popularity of cash has declined in recent years as consumers take advantage of other payment choices available. With cash, there is a risk of it being lost or stolen. Cash transactions are also difficult to record and trace. Recent events such as improvements in technology and the COVID-19 pandemic have hastened the shift away from cash. Many businesses and venues have become 'card only'. It's important that businesses do their research and ensure they don't lose customers as they make this transition.

Money often received for providing goods and services to others (e.g. wages) and a way of making payments, usually by notes and coins or electronic funds transfer (EFT)

Rights legal entitlements to have or to do

Responsibilities obligations or expectations to do

Tap and go paying electronically with a card or your phone, often without the need for a signature or PIN number



FIGURE 7.2 The COVID-19 pandemic saw an increase in contactless payments as a public health standard.

Cheques

A **cheque** is a promise to pay a specified amount of money to an individual or organisation. Some **bank** accounts include a cheque book, and the account holder can write a cheque to make a payment. The recipient, or 'payee', deposits the cheque to their own account, and the bank from which the cheque came will confirm there is sufficient money in the account, and then transfer it to the payee's account – this is known as 'clearing' the cheque.

Although still used by many businesses as well as some individuals to pay bills, there has been a significant long-term decline in the use of cheques in Australia. They are often viewed as being inconvenient as you need to deposit them into your bank account and wait for them to clear before you can use the money.

Cheque a document that orders a bank to pay money from a specified account to an individual or organisation

Bank a financial institution authorised to hold money, make loans, pay interest, accept deposits, change money and produce cheques

In June 2023, the Federal Treasurer Jim Chalmers announced that there had been a 90 per cent decline in the use of cheques over the past 10 years, and the government plans to gradually wind down the use of cheques until they are completely removed from the banking system by 2030.

Note that many businesses, particularly retail stores, don't accept payments by cheque.

Debit cards

Debit cards are a 'buy now and pay now' form of payment card. These cards are linked to everyday transaction accounts, with the funds withdrawn from the consumer's account when the debit card is used.

Across the world, the use of debit cards as a payment option has grown dramatically. There are two forms in Australia: domestic direct debit (EFTPOS) cards and scheme debit cards.

- **Domestic direct debit cards.** Rather than carrying around large sums of money, it is more convenient and safer to carry a plastic card that enables you to access the funds you have in your bank account (such as a savings account). These cards were originally used for withdrawing cash at an automatic teller machine (ATM), but most businesses now accept them for payment using EFTPOS facilities. When the card is swiped through the electronic terminal, money is transferred from the customer's account to the retailer's account. The EFTPOS system may require you to enter a personal identification number (PIN) depending on the value of the purchase. Purchases below \$100 often don't require a PIN. However, the convenience of using your plastic card can also be accompanied by bank fees. Students are normally exempt from paying bank fees on their savings accounts; however, charges may still apply – for example, if you make a number of transactions over a certain limit in any one month. For each transaction performed using EFTPOS facilities, retailers are also charged a **merchant service fee**. This is the reason you will sometimes find retailers offering customers a discount for paying with cash.

Merchant service fee a charge applied by a bank for using its services (often for credit cards)

- **Scheme debit cards – MasterCard or Visa.** MasterCard and Visa were originally only available as credit cards, but a variety of banks now also offer them as debit cards which you can use to access your own money. Scheme debit cards are a very flexible payment option that can be used in retail stores across the world as well as for telephone and online payments. As you are accessing your own money, a scheme debit card makes it easier for you to control your own finances and not spend beyond your means – which can be a temptation with credit cards! These cards operate under a system of global rules, so you can use them overseas, unlike the EFTPOS system, which is for domestic use in Australia only. Scheme debit cards also offer greater purchase protection and more cardholder services than EFTPOS.



FIGURE 7.3 MasterCard and Visa were originally only available as credit cards, but a variety of banks now also offer them as debit cards which you can use to access your own money.

Prepaid cards

Prepaid cards are a 'pay now, buy later' form of payment card. They are easy to use, convenient and involve a consumer loading funds onto a prepaid card for later use. Prepaid cards can be used for a wide variety of purchases, such as prepaid mobile phone cards, prepaid fuel cards, iTunes, Google Play and a prepaid Visa or MasterCard. Some cards are for use only at a particular store or chain; however, more and more cards are flexible, allowing you to purchase from a whole shopping centre, range of stores or even any store with the newer EFTPOS gift cards. With a prepaid card, a consumer can spend up to the amount of the card's prepaid value. This means it is not possible for you to go into **debt**; once the money on the prepaid card is down to zero, you must top the card up again with funds or buy a new card. Companies such as FlyBuys now also allow you to convert your points into FlyBuys dollars, which are then loaded onto your FlyBuys card and can be used anywhere you earn FlyBuys points. They are accessed by scanning your FlyBuys card at the register and entering your pre-chosen PIN.

Debt the state of owing money

Gift cards are often seen as a win for both consumers and retailers. Gift cards are a very popular option in both the retail and corporate sector. This is attributed to the growth in online shopping and the increased availability of digital gift cards. The corporate sector has also increased its use of gift cards to reward and recognise employees. Even governments are now using this concept to encourage consumers to get out and spend on tourism and retail through schemes such as the Victorian Government's travel vouchers as they look to stimulate the economy. They provide flexibility for the gift recipient to purchase something they really need or want. Gift cards are not only popular with consumers, but also with retailers. This is because statistics regularly show that consumers are likely to spend around 40 per cent more than the value of the gift card when they redeem it. Another very interesting statistic is that around 40 per cent of consumers report losing their gift cards or not redeeming them before they expire. In November 2019, the Australian Government increased the minimum term of gift cards to three years, providing more time for consumers to use them. One potential issue with gift cards is that if the business fails, stores may put restrictions on redeeming gift cards during the closing-down period, or even refuse to accept them at all.

Credit cards

Buying on credit means to 'buy now, pay later'. With more than 200 credit cards on offer in Australia, payment by this method has become a very popular option. To apply for one of these cards, a person undergoes a credit check by the financial institution involved. It is important to check the fine print for any fees and annual charges that can apply in relation to owning a credit card. Each credit card has a specified credit limit that cannot be exceeded. If someone would like to access cash as part of this line of credit, they can also take money out as a cash advance. To pay using a credit card, the customer must present their card to the retailer. The credit card is swiped, inserted or tapped on the EFTPOS machine and then the customer may need to enter a PIN into the machine as part of the authentication process. Often, if a customer uses the tap and go feature and the amount is less than \$100, a PIN will not be needed.

At the end of each month, the customer receives a statement (usually electronically) showing how much they have spent on credit. The credit card statement will set out the minimum payment required for that month and the date by which payment must be made. Interest charges apply to those customers who fail to pay the outstanding balance in full at the end of each period, so it is best to pay more than the minimum payment and as close to the complete outstanding payment as possible to avoid hefty interest costs. The interest rate (expressed as percentage per annum) varies according to the type of credit card – for example, a low-interest card, a standard card or a premium card. The annual interest payable can therefore vary from approximately 8 per cent to just over 20 per cent per annum.

Lay-by

A lay-by is used when a shopper picks out goods in a retail store, but does not take delivery until the whole of the purchase price is paid off. Lay-by allows you to take advantage of lower prices while a sale is on, then collect the goods later when you have paid for them. However, many consumers and stores have replaced layby options with buy now pay later products such as Afterpay which allow you to have the products straight away.

Buy now, pay later (BNPL)

There are now a number of other credit options available which allow you to purchase your goods and then automatically spread out the cost into a number of instalments, for example, Afterpay or Zip, which allow you to purchase something now and spread the cost over four payments, so that \$200 pair of sneakers will be paid off at \$50 per month. While this can be really appealing, it's important to not overstretch your finances and ensure you keep track of how many products you have purchased this way.

Many of these products claim that they are interest free; however, as with many things, it's important to read the fine print, as there are fees that will be incurred when payments are not made on time.

According to the Australian regulator, the Australian Securities and Investment Commission (ASIC), these businesses earned \$43 million in fees for missed payments in 2019. The number of buy now, pay later accounts in Australia has increased from 0.5 million in 2016 to 3.7 million in 2019. Often proving popular with younger consumers, concerns are being raised about how easily people can access these types of accounts.

While it is easy to get this form of credit, it is concerning that this form of debt is not regulated in the same way as other financial providers such as banks. ASIC does not have the same legal powers to regulate this type of credit and we are seeing more and more people getting into financial difficulties with BNPL.



FIGURE 7.4 BNPL apps send notifications to remind consumers of upcoming payments.

How technology is changing the way we pay

Tap and go

As technology has advanced, so has our ability to quickly and easily access our money (direct debit) or credit facilities. By tapping your credit or debit card against a card reader in store, you can easily make your purchases, and if the amount is less than \$100 you normally do not even need to enter your PIN.

Recent technological advances have made it possible to tap your phone, smartwatch or even a banking ring. This normally involves setting up an app, either from your bank or using ApplePay or Google Wallet, and gives the convenience of not having to carry your wallet when you are out and about, or exercising.

Subscription services

There are many services that you can sign up for with the convenience of not having to worry about renewing them. For example, the way we access and view television and movies has changed significantly. Subscription services such as Netflix, Prime Video, Paramount+ and Apple TV+ all have a range of fees: a regular access fee and sometimes fees for special services such as express access to some movies. It's easy to lose track of the costs of paying for these services.

e-TAGs

A toll road is one that requires payment in order to drive along it. This payment used to be made by cash at a toll booth at the start or end of the road, but today most toll roads use new technologically advanced forms of payment. When CityLink opened a toll road in Melbourne, it introduced an electronic payment device called an e-TAG. As the driver travels along the toll road, an overhead tolling system scans the e-TAG at various points. A charge is then electronically recorded against the person's Linkt account.

Smart cards

Smart cards are also gaining more acceptance as a method of payment in Australia. A smart card is usually made of plastic and is of a similar thickness to a credit card. A smart card contains a thin microprocessor capable of storing data.

Example

Myki is a smartcard (containing a microchip) that replaced the paper tickets used on Victoria's public transport system. Myki was first trialled in country Victoria in 2009 and is now used across Melbourne.

When you get on a bus, train or tram that uses myki, there is a reader near the door. You must touch your myki card onto the reader when you get on and off the public transport. Your myki card will then be charged depending on how far your trip is. Myki is like a prepaid phone – you need to regularly top up your card to ensure you have enough credit to pay for your trip. A red light on the myki reader will show if you don't have enough credit on your myki card.

In 2023, the Victorian Government changed suppliers for the myki system. The new company, Conduent, is planning to extend the system beyond smartcards, to allow people to tap on and off using credit cards, mobile devices and smartwatches.



FIGURE 7.5 A machine for purchase and top-up of myki.

In-app purchasing and subscriptions

Many gaming apps these days require the purchase of additional game levels, items or currency such as jewels that help you win. It is not uncommon for people to get themselves into financial difficulty, because once your cash is converted to jewels or Pokécoins, you may feel like you are no longer spending your hard-earned money. Some apps also allow you subscribe to regular rewards and benefits. It's easy to lose track of how many subscriptions you may have and when they will automatically come out of your account.

Some tips for managing in-app purchases include:

- Set yourself a limit per week or month and stick to it.
- Make in-app purchases during special events when discounts are offered.
- Keep a list of subscriptions you have signed up for and review them regularly. Are you still using those apps?
- Purchase iTunes or Google Play gift cards when they are on special – for example, 10 per cent off – so you get more for your money, then use these to make purchases.
- If buying higher quantities, check the details carefully. Sometimes the biggest in-app purchasing pack is not always the cheapest option. Pokémon GO is a good example of this. Which pack of Pokécoins represents the best value?



Activity 7.1

RESEARCH

Technology and payment

With improvements in technology, the options for possible payment methods may seem limitless.

1. Create a table of different payment options and list pros and cons.
2. What do you see as the possible advantages and disadvantages of options such as wearable banking bracelets?
3. Suggest ways to overcome some of the issues you identified in questions 1 and 2.



Complete the autemarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 7.1

1. What is the difference between a debit card and a credit card?
2. Why is it important to pay more than the minimum balance each month on a credit card?
3. Provide two reasons that gift cards are good for businesses and not just customers.

7.2 Managing credit effectively

Using credit wisely is an important strategy for being a smart consumer. Credit enables a person to purchase goods and/or services now and then pay back this amount at a later date. In recent years, Australian consumers have used credit to purchase a range of products, including new cars, clothes, holidays and houses. The key to using credit is that you must be able to pay it back on time. Not paying back credit on time will result in high interest charges and fees leading to the possibility of a poor **credit rating**.

Credit rating credit reporting agencies collect information from credit providers (e.g. banks) about customers who have failed to make payments on time; credit providers often check the credit rating of new applicants, to assess whether they will pay back the debt

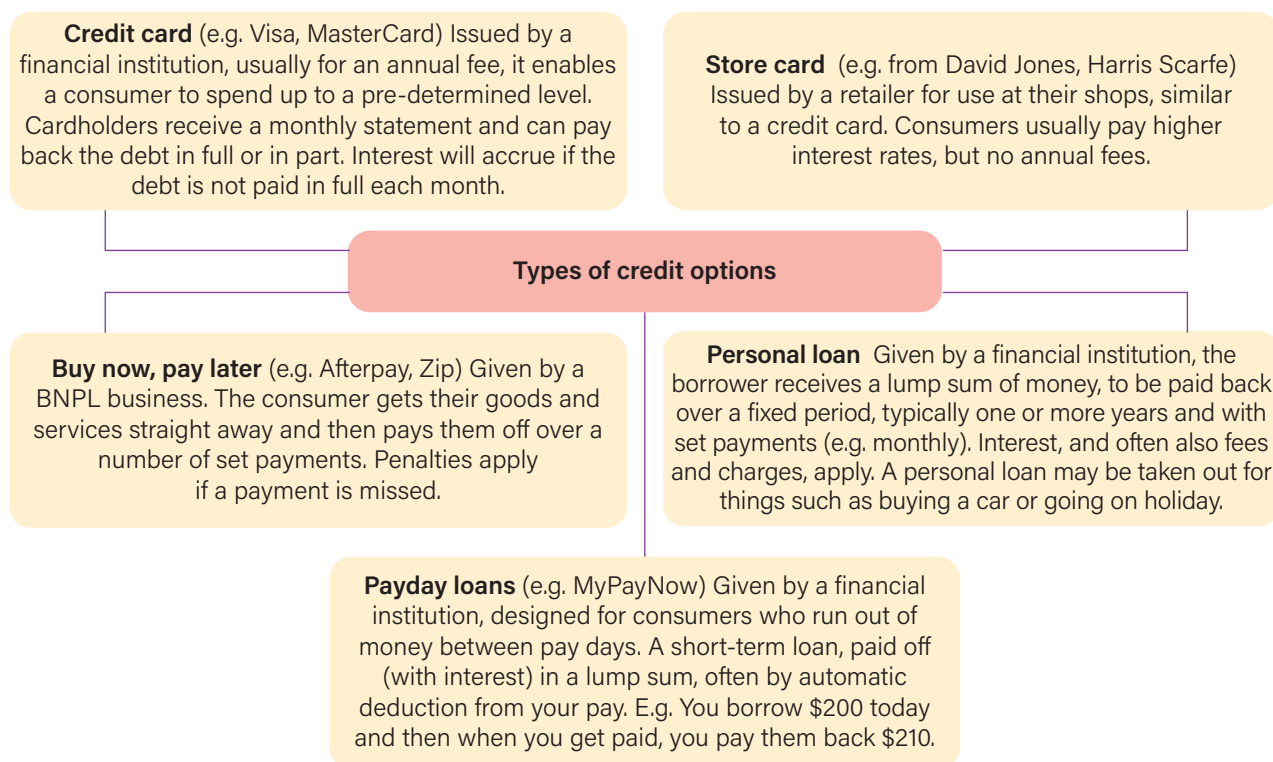


FIGURE 7.6 Some of the more common types of credit arrangements available to consumers

Activity 7.2

COLLABORATE



Selecting the best type of credit

For each of the scenarios below, advise each person which type of credit arrangement would be the most suitable from the options available (credit card, store card and personal loan).

1. John works full time and earns an average income as a sales assistant. Although not keen on using credit, John is interested in getting a credit product that will allow him to purchase airline tickets on the internet as well as bid for his favourite Kylie Minogue memorabilia on eBay. Which credit arrangement would suit John?
2. Maddy has a high-paying job with significant income. She shops regularly at David Jones and particularly likes its range of high-quality cutlery and dinnerware. While shopping there last weekend, she saw a special offer, offering four years' interest-free credit. This offer, however, only applies to credit arrangements taken out through David Jones. Which credit arrangement would suit Maddy?
3. Andy has always had a desire to buy a retro 1970s Volkswagen Beetle. He recently saw one advertised in the Trading Post Online for \$8000 that was in immaculate condition. Having already saved a \$2000 deposit, he wishes to borrow \$6000 over a five-year period. Which credit arrangement would suit Andy?



FIGURE 7.7 With the convenience of using a credit card, many people forget to read the fine print before signing up.

The pros and cons of using credit

While there are advantages to using credit, there are also many pitfalls. The advantages include the ability to purchase items immediately, convenience (particularly with internet purchases such as concert tickets or airline tickets) and the ability to take advantage of special offers (such as interest-free credit terms). However, easy credit can lead to impulse purchases because people forget that they will have to repay the debt. Another pitfall is accepting a credit limit that is too high. Credit purchases also incur a range of fees and charges, such as interest, set-up charges and late-payment fees and missed payment fees. If you take on too many different credit products it can be really complicated to manage them all and make sure you meet the repayment requirements of each one.



Activity 7.3

RESEARCH

Credit survey

- Survey at least five people to see how much they depend on credit when shopping. The questionnaire should include questions such as:
 - Do you own a credit card? If yes, how many?
 - What type of items do you buy regularly using credit?
 - Did you pay cash for your car or was it purchased on credit?
 - What do you see as the advantages and the disadvantages of using credit?
 - Do you think that credit is too easily available in Australia?
- Graph your results using a program such as Microsoft Excel. These results can then be pooled with those obtained by the rest of the class.

Credit files: someone is watching you!

If you have ever used a credit card, taken out a loan or taken a plan to buy a mobile phone, a credit file with your name and all these details will be recorded. Many young people enter into contracts to buy mobile phones. If you are more than 60 days overdue with the bill, then a black mark will be recorded against your credit rating. This stays on your record for five years and may make getting a car or home loan very difficult later on.



Activity 7.4

RESEARCH and CREATE

Credit files

Equifax is one of the three main credit reporting bodies in Australia (the other two are illion and Experian).

Using the information from one or more of these websites, or general internet research, prepare a written report, video, TED Talk-style presentation or audio program that other teenagers could download that covers:

- what a credit file is
- how to obtain a copy of your own credit file
- what you should do if you are declined credit
- what to do if you have an overdue account
- maintaining creditworthiness
- how to deal with identity fraud.

This activity can be completed either individually or in pairs. A fact sheet that highlights the key points contained on the program should also be completed to accompany the download.

Activity 7.5

RESEARCH



Spending wisely

1. Comment on the statement, 'You can't spend more than you earn.' How do you think this relates to being financially literate?
2. Outline three strategies to manage personal finances effectively.
3. What is the relationship between spending wisely and improving your own financial position?
4. What factors could influence a person's desire to spend too much using credit?
5. Explain the similarities and differences between credit cards, store cards and a personal loan.
6. How could a person's credit file affect their ability to obtain finance for a house or car?

EXTRA
ACTIVITY 7.1

Collaborate – brand names

Case study 7.1



Lune: a cashless business

Lune is a croissanterie in Melbourne, which in 2018 made a decision to go completely cashless.

1. Using the below visual organiser, think, pair, share your thoughts on the advantages and disadvantages for business owners and customers of a business becoming cashless.

Customers	
Benefits:	Potential issues:
Business owner	
Benefits:	Potential issues:
Interesting:	

2. Now watch Video 7.1 on Lune and their reflections on going cashless.
3. Reflect on your initial responses and add anything you found interesting to your PMI. Share your observations.
4. What are the key steps you think a business should implement in order to ensure a successful move to be cashless? Share your advice.



VIDEO 7.1

Lune, the cashless croissanterie (03:57)

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 7.2



1. Provide two advantages of using credit.
2. Provide two challenges people face when using credit.
3. Why is it important to know your credit score?

7.3 Consumer choice

Needs goods and services that are necessary to survive

Wants goods and services that are desired but not necessary

Every day, consumers are faced with choices when they are looking to buy goods or services. Money is a limited resource, so consumers must make decisions when trying to satisfy their **needs** and **wants**. For you to make your money last longer and get the best possible value from it, you need to make intelligent consumer decisions. It pays to not go beyond your budget and not to act on impulse when shopping.

The following are some smart options available to consumers when buying goods and/or services.

Plan, plan, plan!

By saving towards a goal and then paying cash for an item, you are able to save on unnecessary interest fees and charges. You are also less likely to impulse buy items if you plan your purchases in advance. It is also wise to think about the best time of the year to buy the good or service you are considering. For example, it is cheaper to get air conditioning or a new swimming pool installed during winter when it is cold and wet – during the hot summer months, there is likely to be higher demand.

Compare prices

When shopping, many consumers purchase items they see without comparing prices. As there can be large differences in prices between retailers, even for the same product, this can lead to substantial extra costs when buying identical items. The cost of the same PlayStation game can often vary by \$15 or more between retailers, and some retailers may even have a trade-in option which will reduce the price even further.

Compare brands

It is also worth checking out the differences between brands, as there can sometimes be substantial price differences, yet the differences in quality may be minimal. While some people may be happy to pay extra for certain features in a product or service, in many cases it is possible to find a suitable alternative at a reduced price.



FIGURE 7.8 Consumers can also compare prices between online shopping and in-store shopping.

Use the internet to your advantage

Many opportunities are available on the internet to purchase goods or services at prices that are lower than elsewhere.

Sites such as eBay, Gumtree and Facebook Marketplace have gained in popularity, both in Australia and overseas, as a way for people to sell unwanted goods or buy items that may no longer be available in shops. 'ShopBot' sites such as 'getPrice' quickly compare different brands and retailers and the availability of personal internet on devices such as phones. This puts power in the hands of the consumer, allowing consumers to haggle for the best possible price.

Specialised internet sites such as TripAdvisor, Wotif.com and Booking.com offer holiday accommodation and activities, sometimes at substantially discounted rates. It is also possible to buy other items such as theatre tickets, perfume and restaurant meals on specialised sites. To obtain the best deals, you need to scan such sites regularly to find out what is on offer.

The impulse buyer

To be an informed consumer is to be armed with as much information as possible when making important or substantial consumer decisions. Yet one aspect of the decision-making process that is often overlooked is impulse buying.

Buying on impulse occurs when a purchase of any goods or services is unplanned. Retailers often make extra sales in their shops through setting out their stores in a way that entices customers to make spur-of-the-moment, impulsive buying decisions. For example, if you go into a supermarket to purchase a carton of milk, you usually need to go to the back of the supermarket. This means that to get to the cash register to pay for the milk, you will walk through a large section of the supermarket with many potential impulse purchases tempting you along the way.

Also, while queuing at the cash register, there will be magazines and confectionery to further tempt you. You could end up walking out of the supermarket with much more than just milk.

Remember that one strategy to avoid impulse buying is to distinguish between your needs and your wants. If you see a product advertised that is a want, and that is beyond your budget, ask yourself whether you really need to buy it.



FIGURE 7.9 We are also more likely to impulse buy on products beyond our budget when discounts or special deals are advertised.

How advertising influences consumer choices

Advertising is a method used to inform potential customers about products that are being sold. The purpose of effective advertising is to persuade consumers to buy what a producer has to offer. A good advertisement will understand its target market well.

Example

As Victoria emerged from lockdowns due to the COVID-19 pandemic, the Victorian Government spent millions on an advertising campaign to support Victorian businesses and to get people moving around Victoria again and of course out spending their money across the state. The 'Stay close, go further' campaign highlighted well-known landmarks and places of interest. A series of one-minute advertisements were made for various regions of Victoria, such as Melbourne, Gippsland and the High Country.



VIDEO 7.2

Stay close, go further (01:00)
Scan QR code to watch video.

Online advertising is all-pervasive. Have you ever searched for a product online and then found that all your social media accounts such as Facebook or Instagram are now full of advertisements for similar products? It can feel like a barrage of information. Marketing companies are now even building into store apps technology to track where you are, using your device's location services to send you special deals and sales information when you come within a few hundred metres of their store. It is all very deliberate and is designed to get customers spending more.

A wise consumer needs to be wary of claims that are made in advertisements and to do some background research. For example, some moisturisers claim they can eliminate wrinkles; other products on the market tell consumers that they can lose weight easily. Many of these claims are an exaggeration of what the products can really do. Being bombarded with advertising in all aspects of our lives can lead us to impulse buy or spend beyond our means to conform to **peer group pressure**. Then there is the rise of the social influencers; these people often get paid to share pictures and endorsements for products with their many followers, hoping that this will convince you to buy the same product.

Peer group pressure
the added influence of people within a similar group, such as a school, sports or other group



Activity 7.6

REFLECT

Shopping

1. Are you the type of shopper who plans what you will buy before going shopping, or do you take an unplanned approach and impulse buy? Write a brief account of the type of shopper you think you are.
2. Describe a time when you have been persuaded to buy a product because of effective advertising. What was the product you bought? How did advertising influence you to buy the good? Are you normally influenced by outside pressures such as advertising or peer group pressure when you make buying decisions?



EXTRA ACTIVITY 7.2

Research – media advertising



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 7.3

1. List three things you should take into account when selecting a product to buy.
2. Suggest three advantages of the internet for consumers.
3. What is impulse buying? Explain using an example.
4. What strategies should be used to avoid impulse buying?
5. Why do consumers need to be wary of advertising of products and services?



7.4 Rights and responsibilities of consumers and businesses

When purchasing goods or services it is important to be aware of your rights as a consumer.

There has been a trend towards looking after the legitimate rights of consumers, not only in Australia but also around the world. Consumers and businesses have both rights and responsibilities. Rights are in the main legal entitlements to have or to do, whereas responsibilities are obligations or expectations to do. Generally speaking, a right of a consumer becomes a responsibility of the business with which the consumer is transacting.

A summary is provided below of the role of the Australian Consumers' Association (ACA), which was established in 1959, and the United Nations Guidelines for Consumer Protection.



FIGURE 7.10 Consumers and businesses have both rights and responsibilities.

The Australian Consumers' Association

- Founded in 1959.
- Acts as a 'voice' on a range of consumer issues – for example, if the ACA believes consumers are being treated unfairly by banks or other businesses, a spokesperson may appear on television or in other media to express this.
- Releases a monthly magazine called *Choice* to which consumers can subscribe. It contains articles on important consumer issues and consumer protection, as well as the results of tests for quality and reliability conducted on a range of consumer products.
- Helps maintain pressure on all organisations to 'do the right thing' by consumers.

United Nations Guidelines for Consumer Protection

- First adopted in 1985.
- Contains eight key rights to which consumers should be entitled:
 1. Consumers' right to choose products at competitive prices
 2. Right to be informed about their choices
 3. Protection against dangerous products
 4. Importance of consumer education
 5. Right to have access to basic needs
 6. Being able to live in a healthy environment
 7. Right to have their voice heard
 8. Right to settle any disputes that may arise over faulty or inappropriate goods or services.

How the consumer is protected

Consumer laws apply in each state and territory of Australia and, while there are some variations, protection is available in the forms discussed in the following pages. Essentially, the protections represent the law ensuring that the business' responsibilities to the consumer are adhered to.

Warranties

Warranty a written promise by the dealer or manufacturer that a product is free from faults

A **warranty** is a written promise by the dealer or manufacturer that a product is free from faults. Warranties offer consumers protection when buying certain goods or services. A warranty assures the buyer of the item that if something breaks down or doesn't work properly, the retailer will guarantee either to rectify the fault or, if necessary, to replace the item with a new one. Often with larger purchases, such as electrical appliances, you can also purchase an extended warranty to provide a longer period of cover.

For example, various different warranties are offered to car buyers, depending on the brand of car being purchased. Some people prefer to buy a brand-new car because they know that if something major breaks down, the manufacturer will repair the car at no charge. It is important to note that normal wear and tear (such as replacing the oil or windscreen wipers) or damage caused by the consumer through misuse are not covered by a car's warranty. It pays to read the fine print in any warranty and to be aware that it will expire after a set period of time.



FIGURE 7.11 Warranties also protect consumers to exchange products if they arrive damaged when ordering online.



FIGURE 7.12 Products used by children are tested to ensure safe usage.

Product standards

When buying a product or service, there is a strict understanding that the consumer can expect to be safe if they use the product correctly. The *Fair Trading Act 1994* was established to set out product safety regulations in a range of areas, from sunglasses through to children's toys. This applies to both Australian-made and imported products. Consumer Affairs Victoria developed a Toy Safety Checklist that provides advice on what to look for in toy safety. Areas covered include looking out for small parts (and how this could cause choking in young children); toys with sharp edges; and the need to check toy guns that fire projectiles at high speed. All these measures are aimed at protecting young children from danger.

If a product is sold in the community and later found to be dangerous, then the manufacturer of the product will be required to recall every item sold and to provide a refund to consumers. In 2017 and 2018, there was a worldwide recall of some brands of car airbags, which had been proven to be faulty. This affected many consumers and many different car manufacturers, who had to issue recall notices and replace the airbags in all affected cars. This cost many millions of dollars globally.

Cooling-off periods

Cooling-off periods are designed to protect consumers when purchasing particular products or services. For example, if a consumer bought a cable television subscription through **door-to-door sales** in Victoria, they would be entitled to 10 business days during which time they could change their minds and cancel the contract. This law was introduced by the government to protect consumers from salespeople who were putting pressure on consumers to buy particular products on the spot. Cooling-off periods also apply to the purchase of cars and houses, although specific conditions apply.

Cooling-off periods offer the consumer the chance to cancel a particular consumer transaction within a set period of time

Door-to-door sales a method of selling whereby a salesperson visits a customer's home with the intention of selling a particular product

Refunds or exchanges

When shopping, it is important to be aware of your rights if something goes wrong. In some shops you might see a sign near the cash register that states: 'No refunds or exchanges'. This sign is actually illegal because if you buy a product that is faulty, then you are entitled to a refund or exchange. The *Competition and Consumer Act 2010* is Federal legislation that sets out the conditions under which the consumer is entitled to a refund or exchange if goods are purchased that are not of 'merchantable quality or fit for the purpose they were intended for'. Therefore:

- If you buy a product that doesn't work properly, the retailer must exchange or refund your money.
- Where the product inside the packaging is different from that displayed, or if the product is different from the way it is described in advertising, you are also entitled to an exchange or refund.
- If you return an item simply because you have changed your mind, the retailer is under no obligation to give you a refund.

Whatever the reason for returning goods, the receipt must be kept as proof of purchase.

There is a problem: what do you do?

If you are not satisfied with a particular purchase (for example, the goods are faulty), the first step should always be to contact the retailer about your concerns. Show your receipt and warranty (if applicable) and explain the reasons why you would like a refund or exchange. In most cases, the problems will be resolved as businesses prefer to keep their customers happy. If this approach doesn't work, other avenues are available.

Many industries have set up their own associations or have had an **ombudsman** appointed. Consumers may make complaints through either of these avenues. Many consumers have experienced problems with their telephone or internet service providers. Complaints range from being overcharged when making calls, to poor or inadequate reception, to faulty repairs of phone or internet services. If consumers are unhappy with the service provided for telephone or internet services, help is available. Unhappy consumers can seek assistance from the Telecommunications Industry Ombudsman, a free and independent service that aims to help consumers resolve disputes they may be having with their telephone or internet service provider.

Ombudsman an official appointed by the government whose job it is to investigate consumer complaints within a specific industry

Another avenue of redress of an issue for consumers is to contact Consumer Affairs Victoria. This organisation is able to inform you of your rights and what you should do next.



Activity 7.7

RESEARCH

Consumer protection

1. What are the steps involved in lodging a complaint with the Telecommunications Industry Ombudsman? Visit the website to find out.
2. Many stores, such as Target and Big W, go beyond the minimum required by law in regard to consumer refunds or exchanges. Visit their websites to obtain a copy of their refund and exchange policies. What reasons can you offer for shops such as these giving customers the option of returning goods, even if they have just changed their minds? How could this attract extra customers?
3. Identify the warranties offered with the following brands of new cars: Mitsubishi, Hyundai, Toyota and Honda. You can get this information from looking through the motor vehicle classifieds or by visiting each car company's website. Why do you think there are differences? Could these differences affect a consumer's decision to buy a particular brand of car? What items are usually excluded under these warranties? Collect copies of the warranties you have found.
4. Research and provide a one-page profile on the role of the Australian Consumers' Association. What does it do? How do you contact it? Why is it important in advancing the rights of Australian consumers?



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 7.4

1. What is the essential difference between a right and a responsibility?
2. How does a cooling-off period work?
3. How can a warranty protect a consumer?
4. What is the role of the consumer ombudsman?



FIGURE 7.13 Always remember to check a store's return or exchange policy.



Consolidate your learning

1. Hold a class debate on the topic 'Advertising encourages consumers to buy more products than they need.' You will need three people on the affirmative side to argue in favour of this statement and three people on the opposing side to disagree with this statement. Make sure you complete adequate background research to back up your arguments with appropriate factual information.
2. Prepare a short video, photo-story or poster for teenagers that will show them the dangers of being an impulse buyer. On your poster, include information on strategies to improve buying habits, such as planning the decision-making process, using the internet to grab a great deal and shopping around for the best price.
3. Design a mind-map that provides a summary of the various payment methods available in Australia, such as using money, credit cards, BPAY, lay-by, direct debit, and buy now, pay later. Include an outline of the advantages and disadvantages of each method of payment.
4. Carefully read the following information about Dean and then devise a plan of action.

It is going to be an exciting year for Dean. He recently completed Year 12 and has landed a full-time job as a mobile phone salesperson. Dean's plans for the coming year include buying a new small car with the money he has saved from a previous casual job and taking a six-week world trip, including the United States and Germany.

Taking into account the information you have about Dean and the knowledge you have gained in this chapter, prepare an information booklet you can give to Dean prior to his departure. The document should address the following:

- a. Locate a new small car for Dean that costs less than \$25 000. Dean would really like a car that offers a warranty period of at least three years for his peace of mind. Dean also wants to know whether any cooling-off period applies to buying a new car.
- b. Dean lives with his parents 20 minutes from the city. He needs to take a tram to work each day. Dean is not sure whether he should buy his public transport tickets weekly, monthly or yearly. Dean has also heard that he may need to use the myki smartcard to travel on public transport. Visit the Public Transport Victoria and myki websites and advise Dean on ticket prices.
- c. Dean has heard from friends that the internet offers some great deals when booking flights. He wants to fly from Melbourne to the United States and then to Germany around Christmas time. Go online and find Dean the best flight deal. Include information on how many stopovers the flight has, the name of the airline, the price of the flight, taxes that need to be paid and what is included with the flight (such as seating allocation and onboard food). Also provide Dean with some travel tips at the airport – for example, not carrying liquids on board an international flight and how long to arrive before the departure time.
- d. Provide Dean with any other tips or hints you think will help him to achieve his goals this year – for example, the importance of planning his purchasing decisions carefully, resisting impulse buying and not wasting money unnecessarily.

This information booklet should be at least three pages in length, digitally prepared and visually interesting. Use a range of text and visuals in the page layout that could include images of the currency of the countries Dean is visiting or of the new car recommended for him to buy.

Chapter 8

Making the most of your money

In this chapter, we explore a range of key financial issues that are faced by individuals and businesses and look at the importance of financial planning, including budgeting and saving. The importance of debt management will also be examined, as will investing and wealth creation. In a society where cash is becoming more and more invisible, it is essential to develop sound financial management skills.



Several sections in this chapter contain content applicable to levels 7&8. The relevant sections are marked with an icon and can be used if the material was not studied in levels 7&8 or as background for levels 9&10.

FIGURE 8.1 Build a nest egg



8.1 Financial planning

Knowing how to manage personal finances effectively is a skill that everyone should learn before they leave school. In today's world, money is becoming less visible. The increased use of technology such as tap and go and the growth of online shopping all make it easier and faster than ever to buy the things you want. The decisions people make every day have an impact on their financial position, wellbeing and lifestyle.

In the past, you had to first go out to the shops when they were open, look around for the product you wanted and then make your decision. This often provided a lot of time to carefully consider the product and the features you needed or wanted, and how much you were willing to pay. It can be argued that consumers now have a lot more information and power at their fingertips. Online research is often completed before major purchases, to find the best price and features. Consumers may then go and purchase in store or buy online, either locally or from interstate or overseas, and not need to leave the house at all.

With all this convenience come some challenges. It has never been quicker and easier to make an impulse purchase. For example, how do you effectively keep track of your overall spending when you simply have to tap your card or phone? When shopping online, how do you ensure that you are buying from a supplier that will ensure your goods will actually arrive? How do you keep your financial details and banking information safe?

Household debt in Australia remains at an all-time high. Figures from Canstar in January 2022 showed that the average Australian owed \$3841 on their credit card and had personal debt of \$17 700 (excluding credit cards and property loans) and a mortgage of \$565 881 (if they are purchasing a home). Many Australian consumers make poor financial decisions, spending more than they earn. Becoming an informed consumer is essential, and developing the skills to successfully manage money is also essential for any individual or business owner.

Needs and wants

Among the factors people take into account when making financial decisions are their needs and wants. Lifestyle choices and income may not always match, so it is important to really weigh up whether something is an essential item – a need – or a want.

The line between needs and wants can often be blurred. In today's society, it can be argued that a mobile phone may be an essential item for many reasons, including personal safety. A person may need a new phone because their current one is not working properly. However, this need may be filled easily without purchasing the newest phone on a 24-month lock-in contract that will end up costing four or five times more than the phone released 12 months ago. So, while someone may need a phone, the decisions about which one, the types of features available and the type of plan will usually involve some sort of consideration of needs versus wants.

Income

Income can be defined as money received in the form of **wages** or a **salary** paid by an employer. Other types of income include interest (earned from money held in the bank), rental income from property owned, **dividends** received from shares or government payments such as unemployment benefits, childcare rebates and youth allowance.

Wages the money an employee receives from an employer in exchange for the completion of set tasks

Salary a yearly payment amount to an employee that is then divided into fortnightly or monthly payments

Dividend a payment made to shareholders when a company performs well

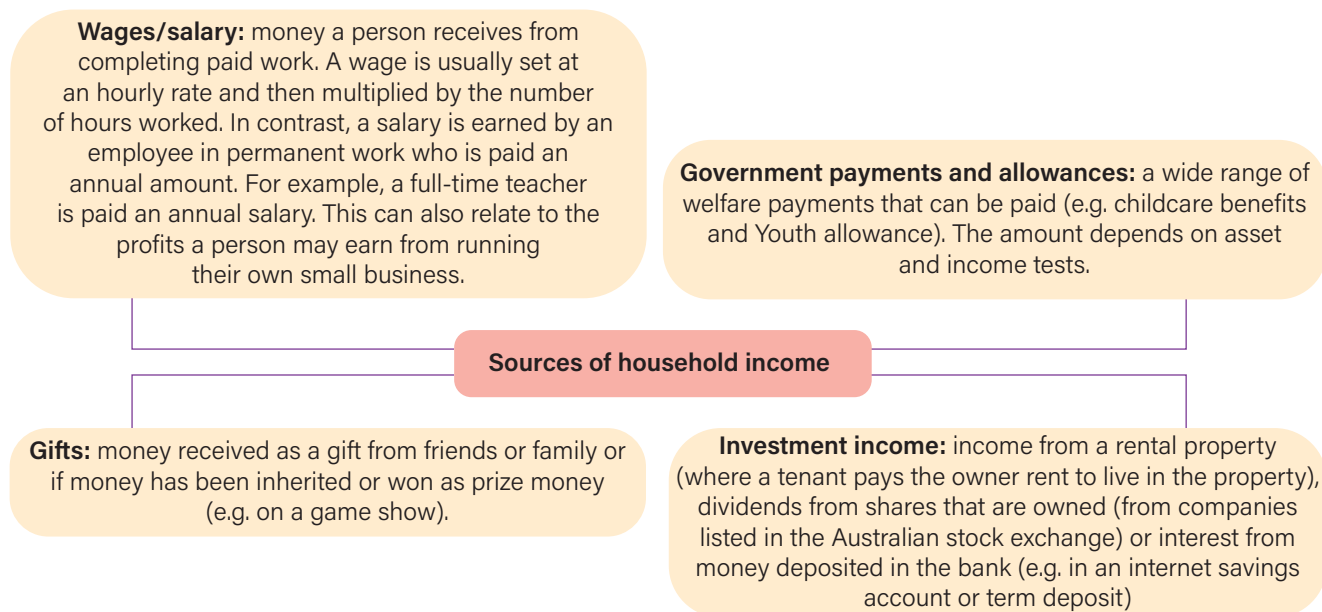


FIGURE 8.2 Common sources of household income in Australia

Personal income

You may already be earning some income. Many people begin earning income in the form of pocket money or money for doing odd jobs for family and friends or as birthday or Christmas gifts. Many young people also begin to get their first part-time job when they turn 15. The following are some sources of income for a young person.

- **Pocket money.** Some parents give a weekly allowance (pocket money) and sometimes there are some responsibilities/jobs that must be done to receive it.
- **Odd jobs.** Occasional jobs for which you receive money – for example, washing a car, babysitting, looking after pets.
- **Casual jobs.** Part-time work completed either after school or on weekends – for example, retail sales, coaching junior sporting teams.
- **Youth allowance.** A payment for which some students are eligible to assist them with the costs of studying so they can continue their education.
- **Interest.** Income earned on money you have in a bank account or other investment account.
- **Gifts.** Money or gift cards received at certain times of year to either celebrate a special occasion or as a thank you for helping someone.

Business revenue

Potential business owners decide to set up businesses for a range of reasons, such as earning an income, filling a need in the community by providing a product or service, or even running an organisation that supports a particular issue or cause, known as a not-for-profit organisation – for example, the Cancer Council of Australia, World Vision or the World Wildlife Fund (WWF).

Whatever the reason for going into business, it is essential that any business owner or manager has a good understanding of where the business is going to obtain the cash flow it needs to provide its services and/or produce its products. They must also understand the expenses and cash outlays (costs) that the business will have, such as for supplies to make its products, charges for advertising and wages for employees. Being able to cover these costs is essential for a business to continue to operate. Many small businesses fail due to inadequate cash flow, trading losses and poor strategic management and planning.



EXTRA ACTIVITY 8.1

Collaborate – types of income



EXTRA ACTIVITY 8.2

Reflect – annual income



EXTRA ACTIVITY 8.3

Respond – business revenue

Managing your personal finances effectively

Learning how to manage your personal finances effectively will enable you to achieve your goals, have the lifestyle you want and build your financial security and wealth.

Managing your finances effectively requires clear goal-setting, carefully budgeting and an ability to save money. Throughout this chapter, we will explore these three concepts, which are important when considering your own personal finances, but also just as important for any business.

The following are some key points to remember when managing your finances.

- **Maximise potential income.** There may be opportunities to increase your income. Whether that is from part-time or full-time employment or additional income streams such as investments. For business this can include opportunities such as promotional offers to increase revenue or diversifying the range of products and services you offer to customers.
- **Understand financial information and take control of financial decisions.** This includes carefully weighing up big purchases, never buying on impulse, and keeping track of your spending. Ensuring you regularly save a proportion of your income is one of the most powerful things you can do to ensure you have financial security. Business owners need to carefully review the financial reports of their business, paying close attention to the cashflow needs of their business.
- **Keep control of debt.** If money has been borrowed, it will need to be repaid. If it has been borrowed from a financial institution, then there will also be interest that must be repaid. There are many different financial products available, so it is essential to do your homework to find the most appropriate type of loan for the lowest rate – especially when purchasing larger assets such as a car, a house or some new equipment for a business. It is also important to consider carefully any buy now, pay later products (for example, Afterpay and Zip). It can seem really attractive to buy what you want straight away and then pay it off in a number of instalments. However, if you do this, often you can end up with large repayments that will need to be paid back each month.
- **Maintain good financial records.** To help with realistic goal-setting, budgeting and taxation, it is essential to have a well-organised system and check important documents such as bank statements against your own records. This will help you to ensure that any errors are identified. It may include keeping all documents such as pay slips, EFTPOS receipts, shopping dockets and other documents such as loan statements. These should all be kept in an organised, secure place so they can easily be referred to.

Activity 8.1

REFLECT



1. List three things that you have spent money on over the past week. Identify whether each was a need or a want.
2. Provide two examples of things you could advise a friend to do to improve their finances.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 8.1



1. List three sources of household income.
2. Distinguish between wages and salaries.
3. Suggest three sources of personal income.
4. List five sources of personal income of a teenager.

8.2 Savings

When people talk about saving money, they are usually referring to one of two things: saving for the future or saving on purchases.

Saving for the future

The first step in saving is the ability to regularly set aside part of your income, so it is available in the future or in case of an emergency. This may be for a specific purpose such as a holiday, a computer or a car. Successful savers usually develop this habit from a young age. An ability to save also means that a person may be able to put some of this surplus money towards improving their financial future by buying an **asset** that grows in value – for example, saving a deposit for a house or apartment. A good saving habit practised throughout life will also ensure you have enough money later in life to enjoy retirement.

Asset something owned or controlled that will provide economic benefits into the future

While personality can play a large part in how much money a person saves, a person's age and circumstances will also affect their savings ability and spending patterns. For example, a university student living out of home and earning money from a part-time

job will find it more difficult to save than a person who is in a high-paying job and has paid off the house in which they live.

Money that is saved will often be put into a savings account. There are many different types of savings accounts available from banks and other financial institutions. Some accounts are only available online; others offer bonus interest if you deposit a minimum amount over a certain period of time; and some offer an increased interest rate if there are no withdrawals within a particular period.

Many different types of savings accounts are available. Table 8.1 contains a few examples and some details of their different features.



FIGURE 8.3 You are not just saving for your future but in case of emergencies as well.

TABLE 8.1 Types of savings accounts

Type of account	Common features
Basic bank accounts	No or very low fees No minimum deposit withdrawal amounts
Online savings accounts	No or very low fees May offer slightly higher interest May offer rewards for no withdrawal within a certain period of time May require minimum deposit
Higher interest accounts	A minimum balance required May limit the number of withdrawals
Child or student savings accounts	No fees Potentially higher interest (but not always)

Activity 8.2

REFLECT



Savings characteristics

Understanding your savings characteristics can help you to identify the best type of savings account for you. Consider the following table and identify the characteristics that may describe your saving pattern.

Savings characteristics	Not important	Somewhat important	Very important
I can regularly save some money (at least once a month).			
My savings style is not consistent.			
I do not need to easily access my savings once I have deposited them into the account.			
I would prefer to have regular access to the account in case I need to access my savings quickly.			
I am putting the money away and won't need it for at least six to 12 months.			
I feel confident about using an online banking system.			
I would prefer to be able to go to a bank to talk to someone when I want to access my savings.			
I would like to be able to access my savings through an ATM.			

Saving on purchases

The second way people use the term 'saving' is when talking about purchasing goods and services. In this sense, saving means getting a good deal or how much was saved compared with purchasing something different or even the same product from somewhere else. Getting the best deal is another way to ensure you are spending money wisely.

Minimising expenses and shopping around for the best deals means you can make the most of the money you have, and can increase your potential to save money. The best way to do this is to research future purchases and resist buying on impulse. This does not mean you need to go without things. A range of sensible strategies can help you to save your money and improve your finances.



FIGURE 8.4 Stores advertise clearance sales when products need to be consumed soon.

TABLE 8.2 Strategies for saving money

Tips for spending wisely	Applying good advice
Shop around for the best deal.	- Throughout the year, there are many sales where prices are reduced on many items. If you compare prices and buy when items are on sale, you can save a lot of money. - Take the time to do some research online, either before you go shopping or via mobile internet while you are shopping. Taking a break to sit down and evaluate the price and product specifications could lead to savings. - When shopping around for the best deals, it is also important to take hidden costs into account – for example, travelling a long distance to buy the product, online shipping and even exchange rates if you are considering purchasing a product online. Sometimes these costs can outweigh the original saving you were hoping to make.
Avoid impulse buying.	It is very easy to get caught up in the moment and end up buying something before you have considered whether it is a want or a need, and also whether the price is the best one possible. Sometimes self-discipline is needed to ensure you don't buy things you can't really afford or may not use.
Ask for the best price.	- Most products and services have advertised prices. However, you may be surprised to know that quite often you can actually buy the product for less simply by asking whether the retailer can give you a better price. Often, we consider this when making larger purchases; however, this strategy can also work with smaller purchases. Try these simple questions: - Is this the best possible price you can offer me? - Is there a discount if I pay cash? - Can I price match (find another store that is offering the same product for less)?
Assess quality against price.	Sometimes spending a little more for a longer lasting product can avoid false economy. But don't pay for features you don't need now, or in the future.
Take advantage of loyalty programs and cards.	For regular purchases, it makes sense to take advantage of loyalty programs that offer you discounts or free products when you spend a certain amount – for example, every fifth cup of coffee is free.
Make a shopping list and stick to it.	Many people overspend because they are impulse shoppers who buy things they don't really need. Making a list of what you need to buy before you go shopping will help overcome the temptation to buy things that you don't require. Of course, the challenge is always to stick to the list.

Price match where a store may offer to sell a product below the ticketed price because another store is offering the same product or service at a lower price

Tips for spending wisely	Applying good advice
Buy in bulk.	This is a strategy that is often used by businesses and can also be used by consumers. Sometimes you can get a reduced price per item if you buy in bulk. The growth in popularity of businesses such as Costco highlights the possible advantages of doing this.
Buy generic products.	There are many products, such as milk, sugar and paper goods, where money can be saved by buying a cheaper generic (that is, non-specific) good instead of its more expensive brand alternative. For example, a generic shampoo sold through a particular supermarket may be cheaper than its branded counterpart, but is still considered good quality and may even have the exact same ingredients.
Shop at factory outlets.	In all large cities, there are factory outlets that offer products at reduced prices, often because the item is discontinued or has a slight fault. Many well-known companies, such as Sportsgirl, Nike and Converse, have factory outlets. DFO (Direct Factory Outlets) offer a shopping centre with a number of factory outlets that are all under the one roof.
Get the best mobile phone plan.	One of the biggest expenses that young people in particular face is operating a mobile phone. With hundreds of mobile plans to choose from, it is important to do your research to come up with the mobile plan that best suits your calling and texting patterns and your data usage requirements.
Monitor your 'in-app' purchasing.	Many mobile phone apps offer in-app purchasing. These apps are often free to download; however, you have limited access to the tools you need unless you sign up for a higher level of access. Many games require you to purchase additional levels, gems or crystals to progress through the games. Pokémon GO is one of the world's most popular games, making Niantic a very profitable company. It could be easy to lose track of how much actual money you are spending in these types of environments.
Sign up for notifications about sales.	There are now many businesses that offer sales using your social media accounts such as Facebook and Instagram or an email address. It is easier than ever to receive notifications about upcoming sales from your favourite stores.

Generic products sold with plain packaging, little marketing and usually at much lower prices than the name-branded products



FIGURE 8.5 Shopping wholesale can also give you larger quantity for lesser amount.



Activity 8.3

REFLECT

Strategies

Reflect on each of the tips in Table 8.2. List an example of a situation where you or someone you know has not used the strategy.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 8.2

1. Explain the two types of 'savings' a person may make.
2. Provide three strategies that you would use to save money.
3. List the four common features of online savings.
4. Provide two reasons why it is important to save money.



8.3 Budgeting

Being financially literate means that you make well-informed decisions about how to use and manage your money. It is an important strategy to ensure you are not spending more than you have. Budgeting can also help to ensure that you achieve your savings goal.

The importance of preparing a budget

Knowing how to prepare a budget is a skill that can help you to manage your personal finances. If you decide to start your own business one day, then being able to budget will be essential. Budgets are used for both planning and control. It's used to estimate and predict future income and spending (for example, for the month) and then after that time is over, it is used to assess whether you achieved those results and decide why or why not. A cash budget lists all expected receipts (income) and payments for a given period of time in the future. This could be a month, six months or a year. It can help you to determine whether a budget surplus or deficit will occur. A budget surplus is good because receipts, or income, are predicted to be greater than payments. However, a budget deficit is bad because it means you are planning to spend more money than the income you have coming in.

<u>Cash budget for the month ending July</u>	
<u>Expected cash receipts</u>	
Wage – supermarket	\$220
Pocket money from parents	\$40
Total cash receipts:	\$260
<u>Less expected cash payments</u>	
Mobile phone	\$40
Clothing	\$70
Movies/entertainment	\$50
Takeaway food	\$40
Spotify account	\$30
Total cash payments:	\$230
Excess of receipts over payments	\$30
Bank balance as at beginning of July	\$65
Bank balance at end of July	\$95

FIGURE 8.6 A monthly budget

Whether using budgets when considering your personal finances or in a business, there are two important reasons for budgeting. First, a budget can help you to achieve your financial goals. For example, if you are hoping to purchase your first car when you get your licence, you will need to consider how much money you will require to buy it, and then consider even smaller goals in the meantime. You may feel you need \$6000 to purchase a second-hand car in three years and this might mean setting smaller goals such as saving \$2000 each year.



EXTRA ACTIVITY 8.4

Reflect – managing your personal finances



FIGURE 8.7 Budgets provide control over your finances.

Likewise, it is essential for businesses to set goals as they plan for their future success and growth.

Simply preparing a budget is not the end of the process. Budgets also provide a greater level of control over your finances. Once you have a realistic budget prepared, it is important to regularly compare your actual results against the budget so you can identify any potential variances and possible issues before they become bigger issues. Businesses should do this on a regular basis – preferably monthly – to ensure that they keep control of expenses and can respond to any changes quickly.



Activity 8.4

REFLECT

Weekly spending

Before preparing a budget, you really need to have a good understanding of the possible income you are likely to receive and your regular expenses.

1. Make a list of everything you spend over the next week. You might make this a paper list or keep track of it digitally, such as on your phone. Be honest: include everything you pay for.
2. Were you surprised by how much or how little you spent? How much of your spending was on needs and how much on wants? Was there any expenditure that surprised you? What could you do to reduce this expenditure? Share your findings.



Activity 8.5

CREATE

Cash budget

1. Using the information below, prepare a cash budget for the year for Ben Smithson, a 17-year-old who lives at home with his parents. Ben works part time at the local cinema and is currently completing Year 12 at the local high school. Ben's goal is to purchase his first car when he turns 18 next January and, after doing some research, he believes he will need around \$5000 to do this. He currently has \$3000 in his bank account.

Expected income

Ben anticipates that he will earn an average of \$250 a month from his part-time job, except in November and December when he will have finished school and will be able to work more hours. He expects to earn around \$400 in November and \$600 in December. He also expects to receive around \$20 in interest from the bank for the year. His grandparents have offered to give him \$400 for Christmas to assist him with the cost of his new car.

Expected expenses

Ben expects to have a number of expenses during the year:

- food – \$50 per month
- entertainment – \$50 per month
- gifts for friends – \$20 per month.

Ben has a mobile phone plan that costs \$60 per month; however, his parents have agreed to pay half of this to help him save for his car. Ben is also budgeting \$200 to spend on his graduation celebrations.

2. Now that you have completed his cash budget, answer the following questions:
 - a. Will Ben achieve his goal?
 - b. Are there any changes you would suggest to possibly increase his income or decrease his payments? Provide details.

Activity 8.6

CREATE



Cash budget

A new business, Gone to the Dogs Doggie Day Care, has just been established. The business is in its first year of operation and the owners are hoping to be able to expand it in the next few years and open a second location. In order to achieve this, they estimate that they will need \$20 000 in two years' time.

1. The owners have provided you with the following financial information and asked you to prepare a cash budget for each of the two years to see whether they are likely to achieve this goal. The business currently has \$2000 in its bank account.
 - **Estimated revenue.** Day care fees \$7000 per month from January to June each year and \$9000 per month for the rest of the year. The business also hopes to earn around \$500 a month from the sale of pet accessories to its very busy customers. In January of the second year, the business hopes to add a small dog-grooming service, which it is hoped will generate \$1000 per month.
 - **Estimated expenses.** Rent of the warehouse \$1000 per month, wages for staff \$2000 per month, electricity \$500 per month, advertising \$150 per month, office expenses \$300 per month, dog treats \$500 per month, pet accessories to sell to customers \$300 per month, purchase of a new dog bath in January of the second year for \$2000. Grooming supplies will also be an additional expense from then on; these are predicted to cost around \$330 per month.
2. Provide feedback to the owners of Gone to the Dogs. Are they likely to achieve their goal? Can you suggest any ways in which they could increase their potential revenue? What could they consider doing to reduce any of their anticipated expenses?

Consequences of being a poor budgeter

The ability to manage your money properly is one skill that can help you to lead a more comfortable life. Being in debt and not having enough money to pay bills as they fall due can be stressful, lead to high interest charges and even lead to a bad credit rating. It doesn't have to be like this. Through preparing a regular budget, watching how and where you spend your money and shopping around for the best deals, it is possible to live within your means. People who experience financial difficulties and who are having problems budgeting should seek professional advice. This might involve a meeting with an accountant or a financial adviser. Anyone can develop a financial plan that is tailored to suit their circumstances with the right support.

Complete the autemarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 8.3



1. List the two functions of budgeting.
2. Where can you go for help and advice on budgeting?
3. Why should individuals and businesses budget?
4. Once a budget has been prepared, what should then be regularly done?



8.4 Managing debt

There are times in life and business where it may be necessary to borrow money. This debt is usually repaid over a period of time and with interest, which is essentially the fee you pay for borrowing the money.

Types of debt

People borrow money for a range of purposes, such as obtaining a bank loan to buy a large asset, such as a car or a house, or using a credit card to purchase smaller items, such as clothing and electronics. These are just a few examples. Businesses also borrow money and incur debts. Larger examples include loans for the purchase of equipment or even buying from suppliers on credit. Whether the debt is personal or business, having an ability to manage this debt and maintain a good credit rating is essential.

Credit card

Using credit wisely is an important strategy for being a smart consumer. Credit enables a person to purchase goods and services now and then pay this amount back later, usually with interest. In recent years, Australian consumers have used credit to purchase a wide range of products, including larger items such as cars, household appliances and holidays. With the development of tap and go facilities, many people now use credit on a daily basis because they perceive it to be quicker and easier. If people do not monitor this closely, they risk building up a high level of debt very quickly and then struggling to repay it. Debit cards, which only access your funds in your bank account, are another option that offers the convenience of tap and go without the risk of high levels of debt.

Bank overdraft

Overdraft an agreement by which a bank or other financial institution will allow an account to temporarily go into a negative balance

An **overdraft** facility is sometimes provided by a bank to personal and business customers. This is a situation where the bank or other financial institution agrees to allow your account to temporarily go into a negative balance, meaning you have spent more cash than you have in the account. Usually, an overdraft facility will be pre-approved, and it will have a maximum limit. Like other forms of debt, interest will be charged on the balance of the account while it is in overdraft.



FIGURE 8.8 Another example of a personal loan is a student loan.

Loan

A loan is a formal agreement between one person or business and another. When applying for a loan from a financial institution such as a bank, a number of criteria must usually be met, such as having evidence of your income and savings history. Loans must be paid off within a set time and generally have a lower interest rate than credit cards. They may also need to be secured against the item you purchase.

For example, a mortgage to purchase a house is secured against the house. If you were unable to pay off the mortgage, the bank may decide to sell the house to collect its money.

With so many types of loans available, there has also been a growth in the number of businesses that act as brokers and help you to find the right product to meet your needs. Some examples include iSelect and RAMS. These businesses often have connections to a number of providers and will assist you to choose a product from that group of providers. It is important to understand that these types of businesses often operate on commission. This means that they receive their income from the financial institutions once you sign up, and that they only have a selection of products available – not every loan option.

Store credit

It's quite common for stores to offer credit to their customers to encourage them to buy now and pay later, and potentially spend more money than they may otherwise have spent. Often this store debt is not really a debt to the actual store from which you have purchased the products, but rather a finance company. As with any debt, it is important to understand the details of the contract you are entering into, the costs of the debt (such as interest charges) and any additional costs you may have to pay if you default on the debt and cannot pay it off in time.



FIGURE 8.9 Stores also have loyalty or rewards programs to encourage customers to come back.

Buy now, pay later options

These are credit services offered by many retail businesses that can be used to purchase products and services in store or online. The cost of the product is broken down into a small number of instalments. Some of the companies offering this option are Afterpay and Zip. The growth of providers and apps for buy now, pay later (BNPL) has grown exponentially over the last few years: the Reserve Bank of Australia reported that in 2022–23, Australians spent around \$19 billion in BNPL transactions (an increase of 13 per cent compared to the previous year), and Monash University's *2023 Australian Youth Barometer* found that 31 per cent of Australians aged 18–24 had used BNPL services in the past year. Unlike financial institutions, these companies are not regulated and do not have to meet the same standards when providing credit to consumers.

Case study 8.1



The hidden risks of buy now, pay later: What shoppers need to know

Vivek Astvansh and Chanan Kumar Behera,
The Conversation, 15 October 2023

Buy now, pay later is a relatively new form of financial technology that allows consumers to purchase an item immediately and repay the balance at a later time in instalments.

Unlike applying for a credit card, buy now, pay later doesn't require a credit check. Instead, these programs use algorithms to perform 'soft' credit checks to determine a shopper's eligibility.

This means buy now, pay later loans target low-income, tech-savvy millennials and Gen Z shoppers in an effort to supposedly improve financial inclusion for these groups.

However, the newness of buy now, pay later programs means existing consumer credit laws don't cover it. This lack of regulation puts shoppers at financial risk of accumulating higher levels of debt.

Credit cards versus buy now, pay later

There are three key differences between credit cards and buy now, pay later loans. First, while buy now, pay later loans are a line of credit like credit cards are, they don't impact credit reports ...

Second, credit cards typically provide an interest-free period, after which borrowers must pay interest. In contrast, buy now, pay later users typically don't have interest fees, but can incur late fees for missed or late payments ...

Third, people typically have just a few credit cards, making it easier to keep track of payments. Buy now, pay later users, on the other hand, usually engage with multiple buy now, pay later lenders through retailers ...

Questions to ask before using buy now, pay later

Before signing up for a buy now, pay later loan, shoppers should consider the following six questions.

1. Payment structure. How much of the invoice amount needs to be paid upfront? The norm is typically 25 per cent. What is the number of remaining instalments? The answer to this is usually four. Lastly, what is the frequency of instalments? The norm is biweekly.
2. Sensitive information. Does the lender require you to provide information about your chequing account? This is sensitive information to give away and puts you at risk of data breaches. Most buy now, pay later lenders withdraw instalment amounts from chequing accounts or debit cards, potentially exposing shoppers to greater risks than credit cards.
3. Interest charges. Does the buy now, pay later lender charge interest on instalment payments? The norm is no.
4. Late fees. How much is the late fee, when does it apply and what is the maximum amount of the late fee? Typically, late fees don't exceed \$8 or one-quarter of the invoice amount. Late fees usually kick in if your scheduled payment remains unpaid after 10 days.
5. Data responsibility. Who is responsible for your data? Whether it's the retailer, the buy now, pay later lender or a company whose cloud storage the provider may be using, you should know. In general, the buy now, pay later lender holds this responsibility.
6. Licensing. Is the buy now, pay later lender licensed to sell the loan? Usually, the answer to this question is no.

1. How do buy now, pay later (BNPL) services earn their revenue?
2. Distinguish between a BNPL service and a credit card issued by a bank or other financial institution.
3. A friend of yours is considering using a BNPL service to purchase some new shoes. Explain to them the things they should consider before making their purchase this way.

Crowdfunding

In more recent years, we have started to hear people using the term ‘**crowdfunding**’. Organisations such as Kickstarter and GoFundMe offer the opportunity for individuals and businesses to register their project or business online and then for other people to provide funding to that project or business. This can include donations to a cause – for example, funding a project that offers discounts for being one of the first to support the business. The return to the investor from the business usually comes either in the form of discounts or rewards – often products and sometimes services – or possibly equity (part-ownership of the business).

There are four types of crowd funding available. Watch Video 8.1 to learn more.

Creditors

Just as we can take on personal debt, businesses can also take on debt to financial institutions in the form of credit cards and loans. Another key debt for businesses is **creditors** to whom they owe money for goods and services that have been supplied. Some businesses fail because they do not have adequate cash coming into the business in time to pay the creditors.

For example, businesses that sell products to customers often have most of their money tied up in stock. This means the stock sitting in their stores is often their biggest asset; however, it is critical that the stock gets sold in a timely fashion, because the cost of purchasing the stock is a large debt that must be repaid, usually within 30 to 60 days. If creditors don’t get paid, they may stop supplying the business with stock.

Ability to repay debt

There are many types of loans and credit cards available and, just like savings accounts, it is important to take the time to do your homework and find the best option for you. A personal loan often has a lower rate than a credit card, but may also be secured by the product you are purchasing – for example, a car. Credit cards offer a lot of flexibility, and you can purchase whatever you want; however, the interest rate is often much higher than for personal loans.

Regardless of the type of debt, it is essential to always consider your ability to meet the repayments and whether it is the appropriate type of debt for the purpose. As with anything else, it is important to shop around for the best deal. For example, some credit cards will have much lower interest rates than others; some also have an annual fee. Some loans will provide the opportunity for you to fix the interest rate so that if interest rates go up, your rate won’t change. Some loans allow you to make more frequent repayments that can save you a lot of money over the duration of the loan. Understanding the type of debt you are entering into and the terms of that debt will empower you to get value for money. See Chapter 7, Figure 7.6 for a diagrammatic representation of the credit options available.

Crowdfunding listing a project/business on a website such as Kickstarter or GoFundMe in order to obtain funding from members of the public

Creditors people or organisations to whom a business owes money



VIDEO 8.1

The four types of crowdfunding (04:00)



FIGURE 8.10 Businesses that sell products to customers often have most of their money tied up in stock.

What's your credit rating?

Did you know that you might already have a credit history? If you have your own mobile phone contract, this may be true. Anyone who has ever had a phone contract, used a credit card or taken out a loan will have a credit file. This will contain your name and personal details plus any information about your ability to repay your debt. If you have trouble meeting your obligations, this will reflect badly on your credit file and could make it much harder for you to access credit in the future. Failure to pay a mobile phone bill for 60 days or more will be recorded as a black mark against you, and will stay on your credit file for five years. This means that a default on a bill when you are 18 could make it harder for you to take out a loan until you are at least 23 years old. For a research activity on credit ratings, refer to Activity 7.4 in Chapter 7.



FIGURE 8.11 It is important for young people to track and monitor their spending.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 8.4

- Outline one advantage and one disadvantage of each type of credit listed below:
 - credit card
 - buy now, pay later
 - personal loan.
- List three factors you should consider when using credit.
- By what name is the 'fee' you pay when borrowing money known?
- Define a bank overdraft.
- How do companies offering buy now, pay later credit make their money, if they don't charge you a fee for borrowing their money?

8.5 Investing and wealth creation

As well as understanding the concepts of savings and credit and managing debt, it is essential to have an understanding of the concepts of investing and wealth creation. Whether you are an individual or a business, you can improve your financial position through careful goal-setting, budgeting and control. When you have more money than you need for day-to-day survival, you have the opportunity to consider how you might use that additional money to maximise your financial position; however, this comes with a need to understand the level of risk with which you are comfortable.

Savings versus investment

Saving and investing are not the same. Savings consist of ‘money’ that remains after income is spent on goods and services, and repaying debts. The funds could be just stored in a safe place or, more probably, placed into a bank on a regular basis. This is a safe method of wealth creation, but the return from savings in terms of interest gained is relatively small. Investing is also a means of using ‘left over’ money (plus borrowed money) to create wealth. The difference is that it is placed into a form of investment account for a longer time period, and the returns can be much greater than savings – although the risks are often higher.

Types of investments

Term deposits

As well as savings accounts, many financial institutions also offer **term deposits**. These accounts usually offer a higher level of interest; however, they also require you to guarantee that you will leave your money with them for a certain amount of time – for example, three, six or 12 months. Generally, the longer you can leave your money with them, the higher the interest rate will be. It is important to be realistic about when you might need access to this money because you may not be able to access it in an emergency; or if you can access it, there may be a significant financial penalty for doing so.

Term deposit savings account offering a higher level of interest, but with a requirement to leave the money for a specified amount of time

Superannuation by law, employers must contribute a set percentage of each employee's wage into a superannuation fund of their choice – the employee cannot access it until later in life, when they are considering retiring

Superannuation

Superannuation is a form of investment that everyone makes while they are in the workforce. This is discussed in more detail in section 8.6.

Property

Another form of investment is to buy property. Purchasing a house is a major investment for many people. Sometimes people or businesses will decide to invest surplus cash into property – for example, buying a second house or commercial property that can be rented out to provide additional rental income. As well as rental income, most investors hope to be able to sell the property for more than they paid for it at a future date – for example, selling a house purchased for \$400 000 for \$600 000 in 10- or 15-years' time. There is always a risk associated with this as housing prices change over time.

**VIDEO 8.2**

How share
investment works
(02:03)

Shares part-ownership in a company, where profits made by the business are paid to shareholders as dividends; income can also be generated by selling shares for an amount higher than the original purchase price

Shares

On any given day on the news, there will be an update of the stock market. Many people invest in shares. When investing in **shares**, you are buying part-ownership in a company. Income is earned in terms of dividends paid back to the shareholders from the profits made by the business, and many shareholders hope to buy their shares when the share price is lower and sell them for a higher amount at a later date. A share investor can start with as little as \$500 while others may have hundreds or even thousands invested in shares.

Risk versus return

When investing, it is essential to understand the type of investor characteristics you have. Not all investments are the same. There is always risk associated with investing, and investment options that have the potential of a higher reward also come with a higher degree of risk. Investing in shares may provide a higher return than a term deposit; however, if share prices drop you may make a loss and end up with a lower-value investment than when it was first made. A term deposit carries far less risk of a loss, but the return may not be as high as for shares. Even within the share market, there are different levels of risk. These can include investing in only one company or investing in a diversified portfolio containing a range of different companies.

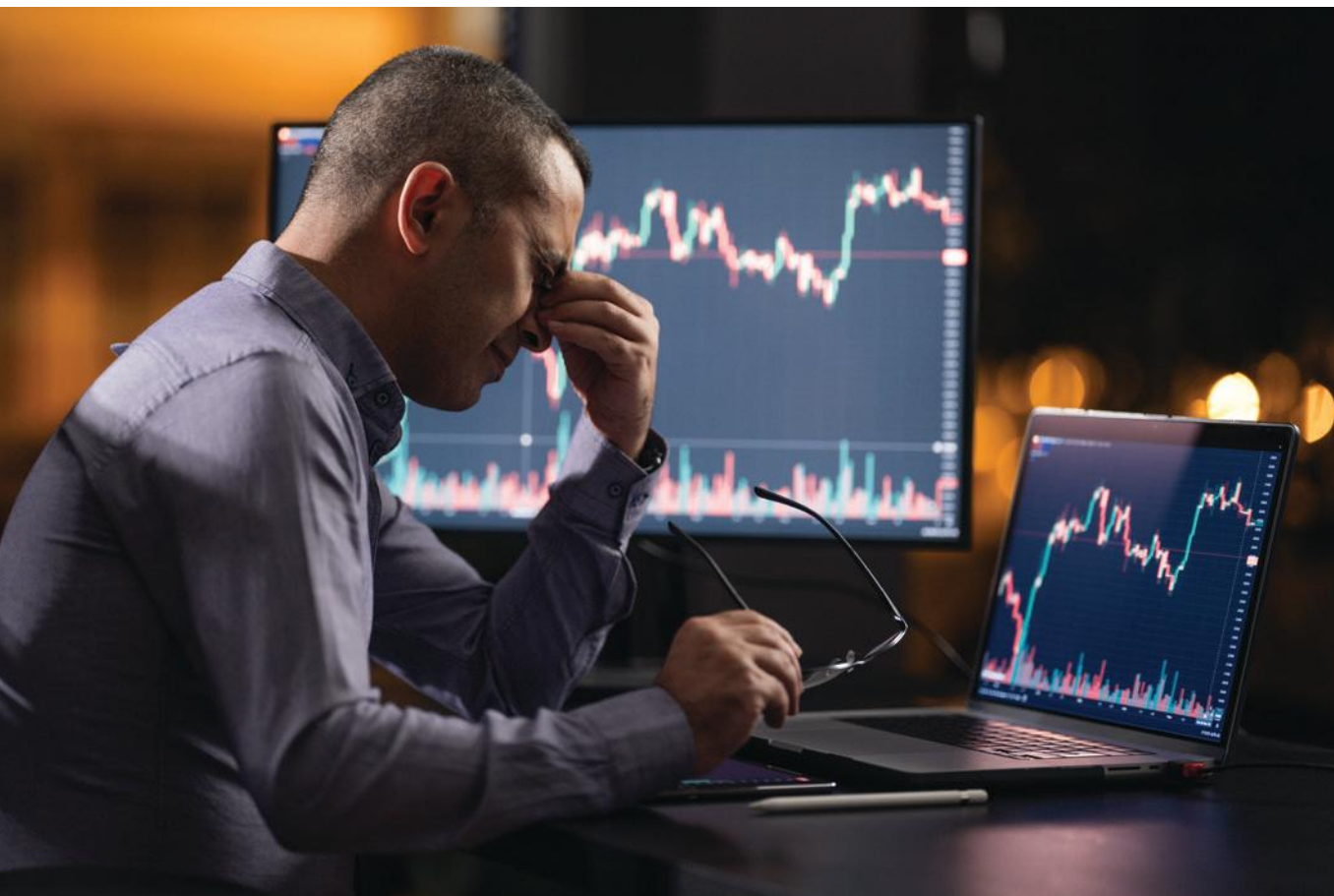


FIGURE 8.12 Investing in shares may provide a higher return than a term deposit, but the risks are also higher.

Ethical and social considerations

Another factor that many people consider when deciding between investments is the type of investment or the company in which they may be investing. For example, when investing in shares, one investor may decide to invest in the mining industry because there has been a lot of growth in that area and strong returns, while another investor may not want to invest in this industry because they have concerns about the impacts of mining on the environment. Likewise, some investors may want to consider only investing in businesses that have a strong social profile and give funds back to the community for community projects or health research.

When it comes to investing, there are many opportunities; however, knowing yourself, your needs and the level of risk with which you are comfortable is essential to select the most appropriate investments for you – whether as a personal investor or a business owner.



FIGURE 8.13 Think about industries that may be potentially unethical to invest in such as oil, tobacco and pharmaceuticals. Are there any other examples you can think of?

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 8.5



1. What is the one essential difference between savings and investment?
2. Define:
 - a. risk
 - b. return.
3. Describe the relationship between risk and return.
4. Describe crowdfunding as a form of personal investment.
5. Provide three examples of ethical or social considerations that may impact your decision to invest in a business

8.6 Superannuation

Superannuation is a compulsory form of saving. You elect to join a superannuation account provider or fund and, by law, your employer must put a set percentage of your wage (in 2024 this is 11.5 per cent) into it each month. You can access it later in life when you are considering retiring. People born after 1 July 1964 can access their superannuation at the age of 60, provided they have retired.

Compulsory superannuation started in Australia in 1992 and was originally set at 3% on top of wages. It was intended to reduce the reliance on the age pension. Superannuation helps ensure that Australians will have access to enough money for themselves and their families once they retire. It covers all employees, as well as small business owners. While some other countries have similar approaches to retirement savings, in others workers are reliant on the decisions made by their employers.



VIDEO 8.3

Understanding
superannuation (1:12)

What do you need to know about superannuation?

There are many different superannuation funds that your money can be invested in. When you start a job, your employer will often have a recommended or 'default' fund that they suggest for their employees, but you can always choose your own fund instead. It's important to read and understand the conditions that relate to the superannuation fund that you chose to join as well as paying attention to any fees you will be paying. Superannuation funds then invest the money they receive from their members into a range of projects and investments, so it also pays to consider where your money is being invested. You may want to choose a fund that focuses on particular types of investment or avoids investing in areas you have concerns about. For example, environmentally-conscious people may choose a fund with a focus on renewable energy investments, while avoiding the fossil fuel industry.

Funds are also broken into various types. The main two are retail super funds and industry super funds but there are also public sector funds and funds run by large corporations for their employees. The main difference between retail and industry super funds is that retail funds are run for profit while industry super funds are profit-for-member, where any profits are reinvested.

Some people set up Self-Managed Superannuation Funds (SMSF) where they manage their own money, rather than getting a professional fund to do so. These are complex to run and can be time-consuming. While they don't attract the same fees that managed funds do, they are still subject to most of the same rules and regulations as any superannuation product.



Activity 8.7

RESEARCH

Superannuation

1. Use a superannuation projections calculator, such as the one at <https://cambridge.edu.au/redirect/10445>, to calculate the likely retirement superannuation for each person in the table below, and complete the table.

Activity 8.7*continued*

Investor	Lifestyle details	Strategies to improve superannuation and retirement lifestyle
Ben	Ben is a 25-year-old recent graduate from university. He is hoping to earn around \$120 000 per year and retire when he is 60 years old. He currently has \$10 000 in savings from part-time jobs he has had over the years.	
Naomi	Naomi is a 42-year-old mother of three who has worked before and since raising her children. She earns an average of \$95 000 per year. She hopes to retire at 65 years of age and currently has \$130 000 in superannuation.	
Trinh	Trinh is 30 years old and earns around \$200 000 per year. She currently has \$160 000 invested in superannuation. She is hoping to retire at 65 years of age.	
Alexander	Alex is a 50-year-old man who currently has \$320 000 invested in superannuation and is hoping to retire at 70 years of age. Alex was recently retrenched and has a new job, from which he earns \$99 000 per annum.	

2. Describe the factors that can impact your lifestyle when you retire and the level of superannuation you could earn.

Performance

Not all funds perform equally well. The Australian Prudential Regulation Authority (APRA) is a government organisation that oversees banks and insurance companies as well as superannuation funds. They conduct an annual performance test of superannuation funds, so that workers can see which funds are performing well and which are performing badly. If a fund fails the test, it must tell its members. If it fails twice or more, the fund needs to close to new members. Leaving your superannuation invested in a poorly performing fund can have significant implications for your future retirement.

Growing your superannuation

While there is a minimum amount that your employer must contribute to your superannuation, there are many things you can do to increase it yourself. One of the most powerful things that you can do to grow your superannuation for your future is to invest more of your money into your account each pay. Even just a little bit extra can make a real difference in the future and increase the funds you have available when you retire. It's also worth noting that extra contributions to your superannuation are usually pre-tax, which can also reduce how much tax you need to pay.

Insurance

Many people also get access to insurance through their superannuation fund. This often includes life insurance, which pays out a lump sum in case of your death, and income protection insurance which helps protect your income if you can no longer work. You pay for this insurance through fees taken out of your superannuation. It's always worth considering if you need these insurances and if being covered through your super fund is the best situation for your circumstances.

Controversies

You may be surprised to discover that superannuation can be controversial. When it was originally introduced, employers worried about the cost of the scheme. Those concerns have continued today as the amount employers need to contribute has increased. Some funds also underperform and some employers nominate underperforming funds for reasons other than their employees' best interests.

There has been a debate about accessing superannuation savings in order to help people buy property. While this might help more people purchase their own properties, it will also reduce the amount people have available to support them in their retirement. During the COVID pandemic, the Morrison government allowed people who had become unemployed due to the pandemic to access a limited amount of their superannuation savings. Some people have argued that this kept people out of work for longer than they otherwise would have been. It also means they will have less superannuation available to them in the long term.

Superannuation scams

Just like other areas of finance, criminals have targeted superannuation with a range of scams. These may include attempts to gain access to your personal information or to get you to transfer your money to illicit bank accounts where the criminals can steal it. You can see examples of these on the Moneysmart website, as well as advice on how to protect yourself from these scams.

Some other considerations

If you change employers or jobs, it's also important to consider whether you will be changing superannuation providers. You could transfer your superannuation to a new provider or ask your new employer to keep contributing to your existing fund. Could you already have more than one superannuation account? Or are you already wondering whether you have any superannuation, but are not sure where to find it? Many Australians have little bits of superannuation in different funds. This is because they have switched jobs and signed up with their new employers' recommended fund. Their total superannuation can go down due to fees charged by the fund, especially when they are no longer making new contributions there. Check out websites such as My Lost Super or Managing your super on the mygov website for more information and advice on how to get all of your superannuation in one place.

If you are self-employed it's also important you consider your superannuation in your business planning. Superannuation is an essential part of planning for the future and it's important to be able to provide for yourself and your family when you retire.



Review 8.6

1. Define superannuation
2. What is the difference between retail and industry super funds?
3. What are two examples of superannuation scams?
4. How can you ensure your superannuation is all in one fund?



Consolidate your learning

Task 1: Online tools for savings accounts

1. With the growth of savings account options, a range of organisations now provide tools to help you choose the best type of savings account. One such tool is <https://cambridge.edu.au/redirect/10446>. Sites such as this allow you to view details about a range of accounts and then select the ones for which you would like to compare features before making an informed choice.
 - a. Taking into account your previous responses and using finder.com.au, research four potential savings accounts that might suit your savings pattern. For each account, provide:
 - the name of the financial institution
 - the name of the account type
 - the current interest rate
 - features of the account – for example, bonus interest with no withdrawals within the month.
 - b. Select the account that you feel would best meet your needs. Justify your selection.
2. Make a list of the potential advantages and disadvantages of using online tools to source information about savings accounts.

Task 2: Spending wisely

Select one of the tips for spending wisely strategies from Table 8.2 that interests you. Research and design an engaging visual representation (hard copy or digital) to encourage other young people of a similar age to be wiser with their spending.

Task 3: Kim's budgeting dilemma

A new student, Kim, has just arrived in your class and you become friends with her. She constantly complains when you go out together about never having enough money to buy a movie ticket or lunch. You think this is a little strange, as Kim has a casual job in a shop and also receives a small amount of pocket money. Kim is always dressed in the latest clothes and prefers to catch Ubers when going out rather than using public transport.

Write a script of a conversation with Kim about how a budget could be of great benefit to her. What advice would you give Kim to help her stick to a budget?

Task 4: Sharemarket

1. Assuming you have \$10 000 to invest in shares, select at least three different companies to invest in and track their share prices over the next week. Note down how much each share price changes and the impact this has on your investment. Write a reflection on what you have observed over the week to share with the class.
2. The share market can often be referred to as a 'bull market' or a 'bear market'. What do these terms mean? How would you describe the Australian share market at the moment?

Task 5: ASIC Money Smart

1. With so many types of investment opportunities out there, how do you decide which types of options might be suitable for you?
 - a. Using the ASIC MoneySmart website, consider the common forms of investment and select at least four types of investment that you may want to consider in the future.
 - b. In your own words, explain how each type of investment works and the potential returns that may be received, as well as the potential risks involved. Identify the pros and cons of each type of investment.
2. How much risk would you be comfortable with? Using the ASIC MoneySmart website, take the Investing Challenge to learn more about yourself as a potential investor. Write a short reflection on your results and the impact they may have on the types of investments you would consider.

Task 6: Money and independence

Some say money is essential for independence. Consider the information presented in this chapter and prepare a multimedia presentation, short film or flyer to provide appropriate advice to a student who is just finishing school and wants to take control of their finances as they move onto TAFE or university. How can they maximise their potential income while studying, build their savings and use credit effectively?

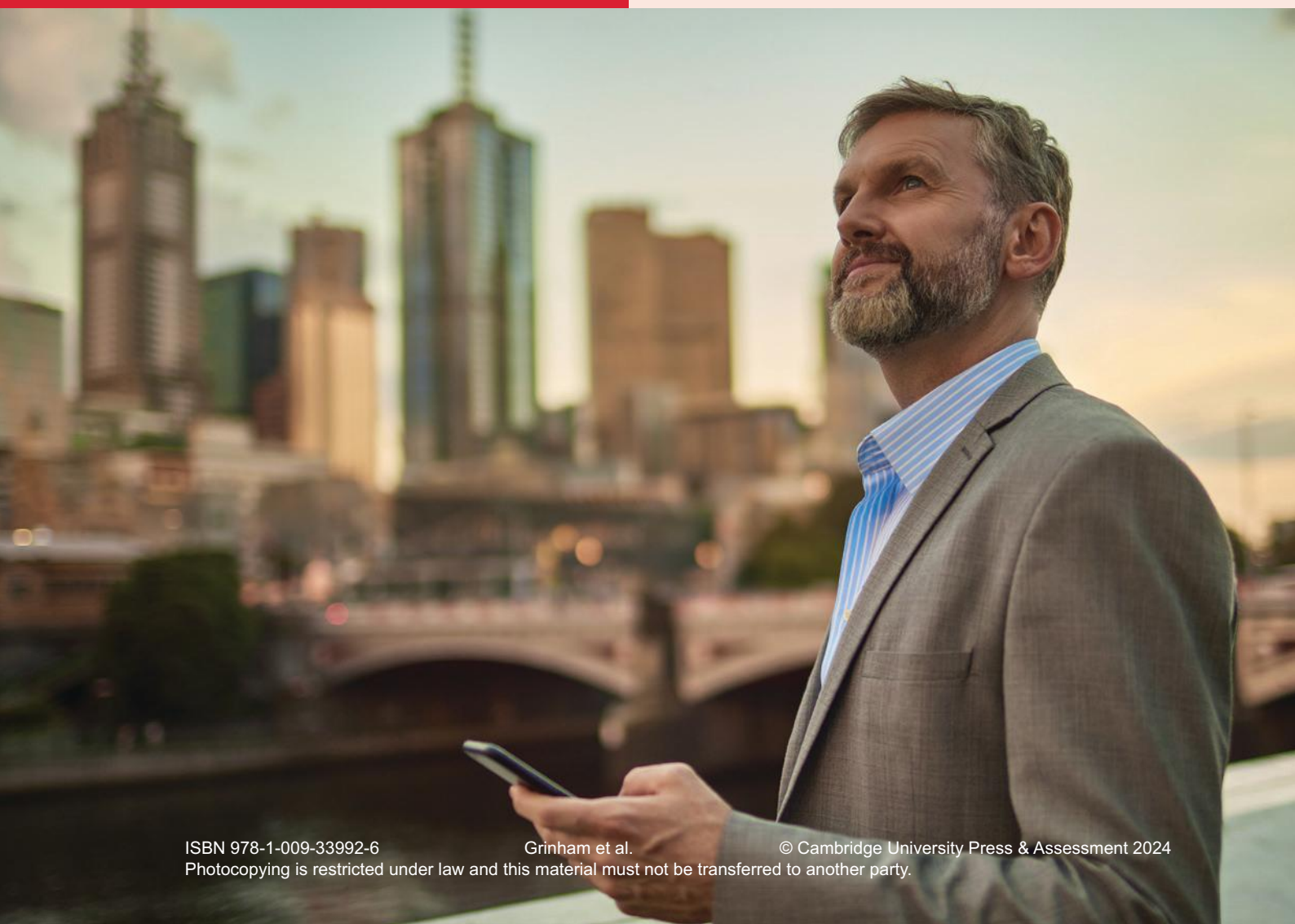
Chapter 9

Managing identity and money in a global economy

This chapter explores the key features of managing identity and money in a global economy that is rapidly changing and diversifying due to advancements in technology and its use. In this chapter, we examine managing your online identity, including how to keep your personal information safe and the ways in which your online information is used and accessed. Much of our personal information is now available online, for anyone to access. The chapter also investigates the range of advancing scams developed and used and provides details on how you can protect your identity and avoid falling victim to the scams. Understanding how we can access help is also a key part of this chapter.

The curriculum introduces financial scams in levels 7&8, and revisits them in levels 9&10. This chapter can be used regardless of whether the material was studied in levels 7&8.

FIGURE 9.1 Protect your online identity



9.1 The importance and role of identity

Having a distinct and unique identity is incredibly important. It signifies who we are and the impressions we leave on others. Our identity helps shape how people deal with us and how we best interact with the world. For example, our features and characteristics, such as whether we identify as male, female or other, have blue, brown or green eyes, and many more personal traits help shape a picture of just how unique we really are. Governments in particular need to understand our identities, as that is their way of distinguishing us as individuals, but also of working on our behalf to create societies and economies that are relevant to both our collective and individual identities.

In a technology-driven age, creating and maintaining an identity, particularly online, is important. Even more crucial is being aware that our identity remains unique to us and that we need to protect and maintain it. Creating an online identity is largely driven by the information we provide about ourselves – we construct that identity in many ways, such as entering our name, where we live, our age and where we study into websites, social media and more. This information is captured and stored as data, then used for a range of purposes, as explored in this chapter.

Identity information

sources of information that are unique to you and identify who you are

Primary identity documents

include such things as driver's licence, student ID card and passport

Secondary identity documents

include such things as rates notice, motor vehicle registration and utility bills

Types and levels of identity information

There are many different types of **identity information** that you currently have and use in your everyday life. You carry these in a variety of ways, including in your wallet, your bag or your mobile phone – they are unique forms of identification specific to you. Some identity information is considered more private and not required for everyday use – for example, a passport or birth certificate – so often we store and file these documents in a safe, secure place at home and, more recently, electronically in digital wallets and secure online storage files.



FIGURE 9.2 A Medicare number is one of the top forms of everyday identity information.

The top forms of everyday identity information include:

- Medicare number
- driver's licence
- utility bills (gas or electricity)
- rates notice
- passport
- student ID number
- unique student identifier (USI).

Many of the above forms of identity information are now available to us, online or electronically. Our driver's licence, for example, can be accessed by creating a profile with the relevant issuing state/territory authority, downloaded and stored for ease of access, on our mobile phones or tablets. Sometimes, we have the ability to link these digital forms of

identifications across a range of platforms, for different purposes, but digital identification creates ease of access and portability. We all have different forms and types of identity information and therefore improving accessibility helps us all.

There are two key sets of recognised identity information:

- **primary identity documents**, such as driver's licence, student ID card and passport
- **secondary identity documents**, such as rates notice, motor vehicle registration and utility bills.

Documents relating to your place of birth are separate again, and are considered the most valuable source of identity information primarily due to the fact these documents verify that you are who you say you are!

Often you will be required to have a variety of primary and secondary documents to prove your identity. Your identification is also rated in points, with each form of identification having a value – your passport and driver's licence are considered to be worth 70 points of identification each. To create a new bank account, you need 100 points of identification, including a primary and a secondary source of identification. This means you will be required to have both forms of identification to ensure a total of 100 points.

Your identity information sometimes needs to be confirmed as 'true and accurate'. In many cases, where a hard copy is requested you will need to provide a 'certified copy'. This means that the information has been certified by someone such as a Justice of the Peace (or JP) as being true and accurate.

As it is becoming more common to supply your identify information digitally, many government services are linked online, meaning you can create one unique digital identity. This enables you to prove your identity and access a greater range of services in a safe and secure manner.

Activity 9.1

RESEARCH



Identification

Visit the Digital Identity website (<https://cambridge.edu.au/redirect/10447>) and click on 'How to create your digital identity'. Complete the following information based on the questions on the website:

1. Outline what is required to create a digital identity with myGov.
2. From the website, what is the key advantage of a single digital identity? What is the biggest risk of creating this single digital identity?
3. Choose three different forms of identification – one from each section (i.e. one in original, one in primary and one in secondary). Research online how you can obtain this form of identification – do you need to apply and does it require further identification?
4. Discuss with a partner why originals of identification must be used rather than certified copies.
5. Choose either a passport application or a new bank account application – each requires a number of both primary and secondary identification documents to support it. Research your chosen application process and detail what information you need, what identification you require and the process of successfully obtaining a passport or opening a new bank account.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 9.1



1. Using an example of each, explain the difference between primary identity documents and secondary identity documents.
2. What are considered to be the most valuable version of identity documents? Explain why.

9.2 Managing privacy and your online presence

It is extremely important that we all manage our online presence – we all do so much online, it's a significant part of everyday life. This includes internet banking, shopping, subscribing to websites, participating in social media forums, reading and commenting on articles, blogs, as well as far more. We therefore need to protect (and manage) ourselves as much as we can to ensure our online presence is safe and secure.

So how do you manage your online presence? Do you change your passwords often? Do you share your passwords or personal identification numbers (PINs) with your friends or parents? It is important to know that everything we do online creates a unique 'digital footprint' so we need to limit this footprint and any negative impact.

We have already noted how much of our daily lives requires us to be online. This was not the case 10 to 15 years ago, but as technology is introduced into many more aspects of our daily life, we are required to use it more and more. In many cases, it is more effective, more efficient and saves us time. During the COVID-19 pandemic, many people have experienced 'lockdowns and lockouts' and hence relied heavily on conducting their lives online.

There are a number of identity items that are crucial to our online presence which need to be kept safe – for example:

- **Credit cards.** These should be stored either in your wallet or in a safe place out of public view. Always make sure cards are signed. Do not store your PIN with your card. If your credit card is stolen, report it immediately to your bank, which can cancel or deactivate the card.
- **Driver's licence.** It is often a requirement that you carry your driver's licence when you are driving a motor vehicle. Your driver's licence should be kept as secure as possible and details should not be shared.
- **Student cards.** This form of identification often includes a photo of you and your home address. Again, keep it secure and only share information if requested to do so and for legitimate reasons.
- **Mobile phone.** Your mobile phone contains significant personal information and data, as well as being a valuable possession, so ensure you have a passcode and, if possible, fingerprint access protection. Ensure your browsing history is safe and back up your phone for protection as often as is required.

It is extremely important to protect your sources of identity and many of the above are also now available in a digital format. The same rules apply for both physical identity items or digital – keep them safe and secure, and be particularly careful who these identity items are shared with. Protecting your unique identity is crucial.

It is important to highlight what is required in each situation when managing your online presence.

Passwords

When you sign up to internet banking, online shopping sites and many other internet sites, you will usually be required to create an account specific to you. Often the site will require an email address and, most importantly, you will be asked to create a password. It is necessary to provide this information but avoid using the same password that you use for other sites and avoid writing it down or sharing it with other people.

It is also strongly advisable that you change your password often! If you visit the site regularly, update your details and change your password on a regular basis.

It is hard remembering all your passwords for all your different accounts, so where possible take advantage of the option of 'security questions' to help guide or prompt your memory in relation to your password. Further, password protection apps are available on most smartphones; but remember, if you lose your phone, you lose your passwords!

Another option is to use a password manager application, such as 1Password or Bitwarden.



FIGURE 9.3 You can also ensure two-step verification on your accounts for extra protection.

Profiles

Social media and other online accounts require you to create a profile. Be careful what information you provide – do not provide personal information such as banking information, student ID numbers, passport numbers or any information that is distinct or unique to you.

Profiles also need to be managed so ensure your information is correct – often people post information that may not represent them in the best way. It is important to remember that information posted to the internet can be changed and altered without your knowledge or permission. A simple solution is not to post information that you do not want to share – it is often hard to do, but remember why you are connecting with the site in the first instance and only provide the essential information requested.

Be safe with your information – it is extremely important to protect your identity, both online and in your day-to-day life. Identity theft is a major issue, both in Australia and across the world. Later on in this chapter, we focus on many different types of scams and their outcomes, including identity theft.

There is also the risk of data breaches, where unauthorised people or groups gain access to businesses' customer profile information. The website Have I Been Pwned enables you to check whether your email address or phone number has been compromised in a data breach.

The following are some quick tips for protecting your personal information:

Protecting your personal information

- **Use strong passwords**

Make sure your passwords are long and contain a mix of numbers, symbols, capital letters and lowercase letters. Strong passwords make it harder for people to hack into your accounts. The Australian Cyber Security Centre (ACSC) has some useful tips on creating a strong password or passphrase.

- **Shred your documents**

Letters from your bank, super fund and employer can all contain personal details scammers can use to steal your identity. Shred these kinds of letters before you throw them out.

- **Use public computers with caution**

If you use a public computer, for example at a library, make sure you clear your internet history and log out of your accounts.

- **Be careful on social media**

Be aware of what you post on social media, particularly if your profile is public. Scammers can find out where you live, work and visit through your posts.

- **Use security software on your computer**

Use virus protection software to help stop hackers from accessing your information. This software can help protect you if you click on a suspicious link or visit a fake website.

- **Monitor your bank transactions**

Check your bank statements and online accounts regularly for unusual transactions. If you spot something unusual, check it with your bank and find out if you need to act.

- **Request a copy of your credit report**

Check your credit report for any unusual or incorrect debts, loans or credit applications. If you suspect fraud, you can request a temporary ban. Find out how to get a free copy of your credit report.

- **Secure your mail**

Put a lock on your street mailbox so that people can't steal your mail.

Source: ASIC Money Smart website, Identity Theft, October 2023.



Activity 9.2

RESEARCH

Passwords

1. Generate five 'security questions' to be used for retrieving your password. What tips will help you remember the correct answers?
2. Visit the Secure Passwords Generator website or a similar website and generate at least three passwords. What are the general characteristics of a strong password?



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 9.2

1. State three ways you can protect your password/s.
2. Suggest three ways you can ensure your password remains safe.
3. Detail two tips for protecting personal information.

9.3 Identity theft

Identity theft is on the rise, both in Australia and globally. Identity theft is a crime that generates significant profit within the economy.

Identity theft is a deliberate action or offence whereby another person uses a false, fabricated, manipulated and stolen identity to commit or facilitate a crime. This definition is extremely important, as it demonstrates that while your actual true identity may be stolen, if it is also changed or manipulated and used in a crime, this still constitutes identity theft.

How does someone steal your identity?

There are clearly many ways in which a person can obtain personal information, including about you. They might include:

- researching you on the internet/social media and creating a profile of you, including where you work, your family and more
- accessing your mail, such as bank statements, utility bills and other sources, including personal information
- **skimming** information and data from credit cards
- accessing your mobile phone, either by stealing it or downloading your user history and accessing restricted and unrestricted sites. Passwords are often stored, so quick and easy access is assured to secure sites
- tricking you into giving personal information over the internet (known as **phishing**).

Accessing only a small amount of personal information, such as your date of birth or where you live, is often enough to create a new identity or steal your existing identity. The ways in which information can be accessed and misused is expanding so it is important to remain alert.

Let's look more closely at the practice of phishing.

Skimming accessing and transferring data using credit cards and other cards; information is removed and then used for personal gain

Phishing the practice of using the internet to trick someone into giving information such as passwords, bank account or credit card numbers, or personal information

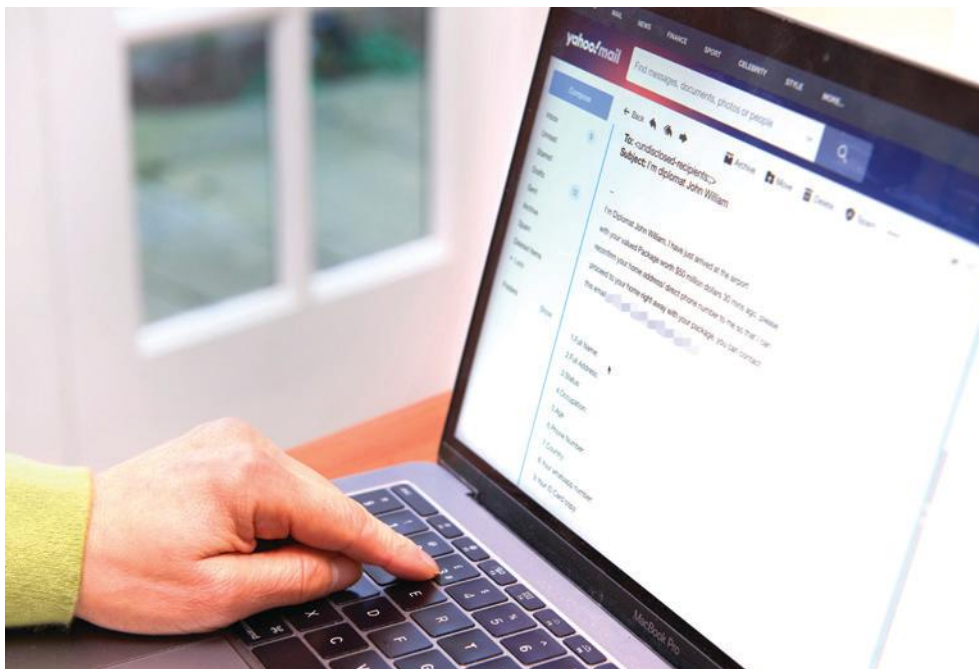


FIGURE 9.4 Social media accounts and emails can be used to collect private information for identity theft.

Phishing

Phishing requests for personal information appear to be genuine or legitimate, and seem to come from a reputable source. You may be contacted via email, text message or social media. Emails may look exactly like those sent from the legitimate company, although you may notice small errors such as in spelling or the email address, which may be a generic email rather than a company email.

In many phishing attacks, you will be asked to provide information or verify your personal details. In many cases, the requests are obvious – you may receive a phone call from someone who states that you are entitled to a refund and therefore they need your bank account details. You should ask questions – Where are they from? What does the refund relate to? When was the original transaction? – but the key is to never hand over personal information. If requests are genuine, they should be providing you with information and not the other way around.

Phishing attacks can be very elaborate, and it may take you some research to determine whether the request is genuine. If the requests are repeated and you are still unsure, talk with friends and family to see whether they have had similar experiences and undertake an online search to find out more.

As well as identity theft, phishing can be used for straightforward theft – for example, if the phisher obtains your bank account number and password, they may be able to transfer money from your account to their own.

Protecting against phishing

The following provides some easy simple steps you can undertake to ensure you don't become a victim to phishing:

- Do not open emails and their attachments if they do not look genuine and be particularly careful with emails requesting you to do this from banks or other financial institutions. When in doubt, delete the email!
- Search the internet using the names or key terms from the email, including the name of the author. This may result in further information about the phishing scam and alert you to other scams currently being used.
- Look for the secure symbol (🔒) which most browsers place before the use of 'https' in web addresses (although some may have it in a 'site information' dropdown) – this symbol signifies that the website is secure. If this symbol does not exist, it means that the website is probably not legitimate and that your information can be obtained. Websites with the secure symbol are encrypted and your information is protected.
- Do not provide personal information. Organisations such as banks and government organisations that request personal information already have some personal information and they will verify it with you. They will not ask you to provide bank account details or home addresses without protection, such as the use of security questions.



FIGURE 9.5 Elaborate phishing scams use multiple contacts and can reach via phone and email.

What happens if your identity is stolen?

The Australian Federal Police have identified a number of things identity thieves can do in the name of a person whose identity they have stolen:

Identity theft

Thieves who steal your identity can:

- apply for a credit card
- open a bank or building society account
- apply for other financial services
- run up debts
- apply for government benefits
- apply for a driver's licence
- register a vehicle
- apply for a job
- apply for a passport
- apply for a mobile phone contract.

Source: Australian Federal Police (AFP), Identity Crime.

It is concerning that there are so many ways in which your information can be used, and given the advancement of technology this list will continue to evolve.

How do you know if your identity has been stolen?

We have highlighted what criminals may be able to do, but the most vital question to ask is how you will know whether you are a victim of identity theft.

The following may indicate that you have become a victim:

- There are charges on your bank statements, including your credit card, for transactions you did not make.
- Fines, bills or receipts arrive by mail for goods and/or services about which you have no knowledge.
- You receive letters from debt collectors, lawyers and other third parties claiming you owe money (debts), but you have not incurred these debts.
- You are refused a loan or credit card or similar as your credit history has been tarnished as a result of charges, expenses or loans incurred by someone else.
- You attempt to claim a benefit from the government and are told you are already receiving one.

It is important that you thoroughly check bank statements, mobile phone bills, contracts and other important documents on a regular basis. If something looks odd or requires exploration, it is wise to speak with your parents and, if necessary, report it to your local police or online via agencies such as:

- **Scamwatch.** This website is run by the National Anti-Scam Centre, within the Australian Competition and Consumer Commission (ACCC), and you can report identity theft online
- **ReportCyber.** This website is run by the Australian Signals Directorate, and allows you to report identity theft but also other cybercrimes.



FIGURE 9.6 You can be tricked into authorising a payment to an account that is controlled by a scammer.

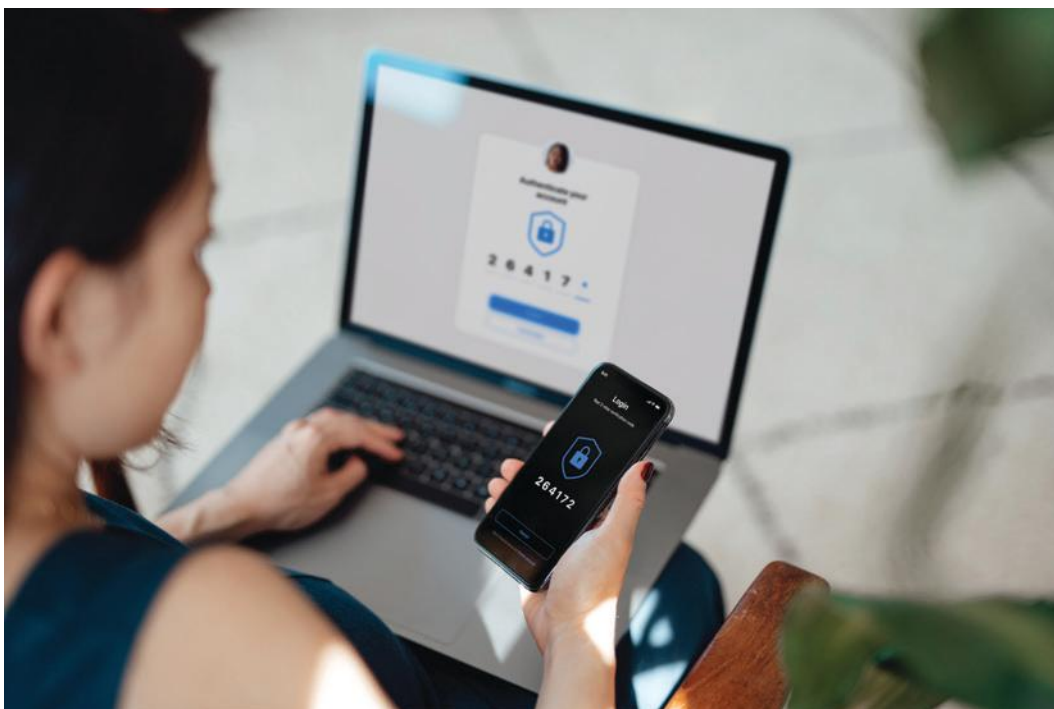


FIGURE 9.7 Multi-factor authentication (MFA) is a security measure that requires two or more proofs of identity to grant you access.



Activity 9.3

RESEARCH

Scamwatch and ReportCyber

1. Visit both the Scamwatch and ReportCyber websites and explain how much of a problem identity theft is.
2. Discuss and propose what else can be done to reduce the risk of identity theft. Which actions will be the most effective and why?
3. Prepare a one-page fact sheet for your peers, outlining 10 ways you can reduce the risk of becoming a victim of identity theft. Once completed, present your fact sheet to the class.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 9.3

1. What is identity theft?
2. What is phishing? Outline three key steps to protect yourself from becoming a victim of phishing.
3. Detail three things a criminal who commits identity theft might do.
4. Provide at least two indicators that would identify you as victim of identity theft.

9.4 Scams

As technology advances and the use of technology in our everyday lives increases, the ways in which we can be scammed increase too. **Scams** can be defined as dishonest or 'fake' schemes that seek to access money and/or services. Scams are dramatically on the rise and the scams themselves are becoming more complex and more and more difficult to identify as scams.

Scam a dishonest or 'fake' scheme that seeks to access money and/or services

Types of scams

Scams come in a variety of forms. The following information sourced from ScamWatch outlines the diversity of scams. They vary in approach, but all involve making money. Broadly, scams fall into the following categories:

Types of scams

- **Romance scams**

Scammers use dating or friendship to get your money. They go to great lengths to convince you the relationship is real and manipulate you to give them money. Romance scammers will leave you broke and broken-hearted.

- **Investment scams**

If you are looking for a fast way to make money, watch out – scammers have invented all sorts of fake money-making opportunities to prey on your enthusiasm and get hold of your cash.

- **Products and services scams**

Scammers prey on consumers and businesses that are buying or selling products and services. Not every transaction is legitimate.

- **Threats and extortion scams**

Scammers will use any means possible to steal your identity or your money – including threatening your life or 'hijacking' your computer.

- **Jobs and employment scams**

Jobs and employment scams trick you into handing over your money by offering you a 'guaranteed' way to make fast money or a high-paying job for little effort.

- **Unexpected money**

Don't be lured by a surprise win. These scams try to trick you into giving money upfront or your personal information in order to receive a prize from a lottery or competition that you never entered.

- **Impersonation scams**

Identity theft is a type of fraud that involves using someone else's identity to steal money or gain other benefits.

Source: Scamwatch, Types of Scams.

Within each of these broad areas, there are also multiple levels and multiple scams.

It is important with all scams to think clearly and report anything unusual as soon as possible. This helps to avoid the scam spreading and capturing more victims.

The ACCC reported that in 2022 Australians lost over \$3.1 billion to scams. The infographic in Figure 9.8 on the next page shows the breakdown across scam types.

The format of scams

Scams generally have a common format:

- **The approach.** Scammers must make initial contact with their victims, which can be done via email, phone, social media or face to face, including visiting you at home. The initial approach is very important – the information with which you are provided is designed to make you believe that what you are being told is true, but it is always certainly a lie. If it sounds too good to be true, it usually is! Approaches take a variety of different forms because this enables scammers to represent themselves confidently. For example, if scammers are operating overseas, the first method of contact will usually be via email or social media, as this is obviously easier and more practical than visiting you at home. The initial method of contact will depend on the type of scam.
- **Communication and grooming.** The communication that scammers use is very important. Often, they will use very emotive language that is designed to connect and engage. They use official-looking documents and they will often already know your personal details. Once they can connect, they will groom their victim and continue to provide information and advice that appears to be very genuine and accurate. This is an important stage in the scam process – once scammers have a person's trust and interest, they can act and move onto the final stage which is usually to request money.
- **Sending the money!** This is the final tell-tale sign of a scam and, depending on the type of scam, scammers will seek money very quickly or after months of grooming and building trust. Money is requested in a variety of ways, including bank transfers, via Bitcoin (virtual money), through credit card payments, using digital vouchers, and more. It probably sounds very obvious, but it is so important that you do not send money to anyone you don't know. Many people do, and if they send money once, they most certainly will be asked to send more. Victims don't benefit, and are usually left out of pocket.

The following case study is depicted on actual scams as reported via Scamwatch to the Australian Consumer and Competition Commission (ACCC). For privacy purposes, the names and images of victims have not been used.

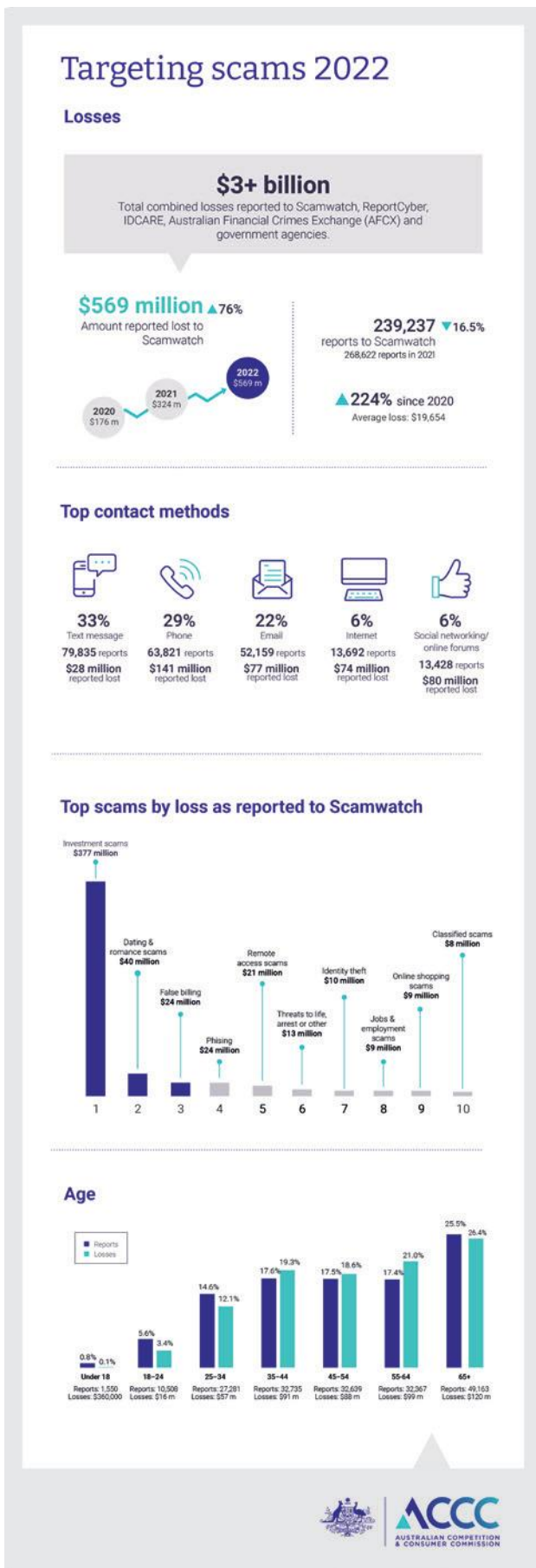


FIGURE 9.8 Australians lost over \$3.1 billion to scams in 2022.

Case study 9.1



An unexpected prize & lottery scam: Davin's fictional Facebook lottery win

Davin received a private message on Facebook from the 'Facebook Freedom Lottery' claiming he and others had won amounts up to \$150 000. At first, he didn't believe it. Businesses don't give money away out of the blue and to win in a lottery you need to buy a ticket.

However, moments later his cousin who he hadn't spoken to in some time sent him a Facebook message about the winnings. His cousin claimed that he had also won and noticed Davin's name on the list of winners. He claimed he had already received his winnings after going through a relatively easy process.

Trusting his cousin, Davin began the process for accepting the prize money which required him to first pay a small upfront fee of \$250. Once this was paid, he was to receive the money into his nominated bank account for which he provided details. The next day he was informed that since the prize money was sitting in a bank in America, he would have to pay an 'international transfer fee' which could not be subtracted from the winnings for some complex legal reason.

Davin reasoned that since his cousin had managed to receive the money, then he must have gone through the same process and so he would also pay this additional fee.

Over the next two weeks, Davin paid five more fees, each time believing it would be the last. Eventually, in desperation, he spoke to his cousin and asked how many fees he paid before he received his winnings. Davin's cousin had no idea what he was talking about and told him that he had only just regained control of his Facebook account after it had been hacked.

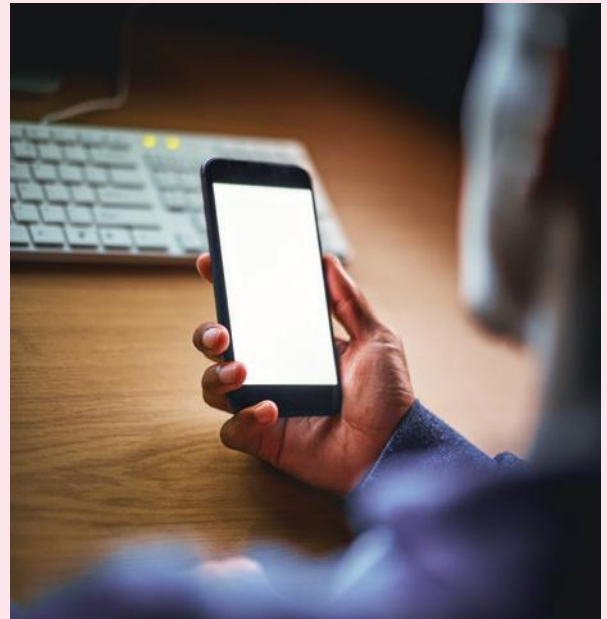


FIGURE 9.9 Watch yourself with scams

It then became clear to Davin that he had been scammed. There never was any prize money and the Facebook message was part of the scam. By this time, Davin had already sent \$1500 and handed over a wealth of personal information to scammers.

Source: Scamwatch (2022).

1. What is the scam and what happened?
2. How did Davin initially respond?
3. How did Davin eventually find out that he had been scammed?
4. What advice would you offer Davin in regards to how to deal with this type of situation?

Protecting yourself from scams

The following information is provided by the Australian Competition and Consumer Commission (ACCC) in *The Little Black Book of Scams* and is extremely useful not only for scams but also for many of the topics we have covered in this chapter.



EXTRA ACTIVITY 9.1

Research –
Scamwatch

Simple steps to spot and avoid scams

It can be very hard to spot a scam. Here are some red flags to watch out for. Sometimes scammers use a combination of these tactics.

1. Opportunities to make or save money: scammers will deceive you into believing you're getting an incredible deal or offer. They will put pressure on you to act quickly so you don't miss out. Remember, deals that seem too good to be true, usually are.
2. Sad stories and cries for help: scammers will try and use your good nature against you. They will share stories of heartbreak and tragedy with you and explain why they need your help and your money.
3. Links and attachments: scammers try to catch you off guard and use links to send you to scam websites designed to steal your information and money. Scammers may also ask you to open attachments. These can install viruses that steal your information.
4. Pressure to act quickly: scammers don't want you to take your time and think things through. They want to catch you off guard and pressure you into taking action quickly. This can include making threats that something bad will happen if you don't act fast.
5. Requests that you pay in unusual or specific ways: scammers often ask you to pay using uncommon methods like preloaded debit cards, iTunes cards, or virtual currency like Bitcoin. Once this money is spent, you can't get it back.
6. Request to set up new accounts or PayIDs: scammers may ask you to set up a new bank account or PayID in order to pay them (or be paid by them). They may pretend to be your bank and tell you to transfer your money into new accounts to keep it safe.

Source: ACCC, *The Little Black Book of Scams* (2023), pp. 4–5.



Activity 9.4

RESEARCH

The Little Black Book of Scams

Read *The Little Black Book of Scams* from the ACCC site at the following link: <https://cambridge.edu.au/redirect/10448>. Complete the following activities.

1. Collect one or two different types of scams that have recently been sent to you. They could include a fake email that is a bill or inheritance scam, a text message notifying you of Bitcoin wins or something else. You will be sharing this information with the class.
2. Share your scams with the class – outline the scam and highlight the signs that identify it as a scam.
3. Capture the following information for the class:
 - a. How many different scams have been used?
 - b. What is the top scam?
 - c. Where can you identify the amount of money requested, what is the total value requested for the class?
 - d. Do the scams vary much between females and males?



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 9.4

1. What is a scam?
2. List the format (stages) of a typical scam.
3. List three ways you can protect yourself from a scam.
4. Why is it important to report a scam?

9.5 Other online risks: spotting the issue and knowing where to get help

We have largely concentrated on scams, identity theft and a range of other risks we all face in the online environment. It is important to highlight, however, that there are other online risks for young people, including cyberbullying, image-based abuse, inappropriate behaviour or content, **trolling** and more.

The range of risks for young people online has increased. Young people are more exposed to these risks, as they use the internet and social media for education/learning purposes as well as for personal fun and social engagement, and on a daily basis. It is important to understand the potential risks and to recognise issues, and to know where to find advice and help if required.

It is never okay to harass or denigrate someone online. Never respond directly to trolling or to scams. Ignore or report them, and move on.

Reporting

The most important thing you can do if you are experiencing any form of harassment, trolling or other unwanted contact is to report the behaviour immediately. There are laws that protect your online presence, so make sure you and your family are appropriately informed.

Young people have every right to feel safe and secure online, and therefore it is important to protect yourself and rid yourself of any inappropriate or unsafe exposure.

The Australian Government has established the Office of the eSafety Commissioner, and the website is packed with information for your use. The website details:

- types and forms of inappropriate behaviour online
- trends in and technology to combat online safety issues
- information regarding e-safety legislation and regulations
- reporting mechanisms for the young people affected
- guides and information on popular social media sites and apps
- information for parents/carers and schools about common and current issues.

Search for the Office of the eSafety Commissioner site online.



FIGURE 9.10 With more and more of our lives shifting online, it is important to know where to go for help.

Trolling posting inflammatory, offensive or off-topic messages in online communities, such as blogs, social media, forums and more. Their main aim is to provoke readers into responding or to disrupt normal on-topic discussion. Trolling is a deliberate act and is often organised or planned against a specific person or issue/cause

Getting help with online risks

The following websites are helpful for understanding and providing support against cyberbullying.

- **The Office of the eSafety Commissioner.** Designed to provide positive, safe support for young people online.



FIGURE 9.11 Cybersmart challenge is an interactive education programme from the e-Safety Commissioner.

- **Cybersmart.** A national cybersafety and cybersecurity education program operated by the **eSafety Commissioner**, which is intended to help protect everyone, ranging from children and young people to their parents, teachers and librarians.
- **Kids Helpline.** A service for children and young people aged from five to 25, providing free online or phone counselling services.

There are a growing number of resources and information for both young people, and their parents/ caregivers that support understanding issues related to online safety. Do a quick search and check a few out! You might be able to help a friend or a family member.

Getting help with online safety

The following websites are helpful for understanding scams and accessing current, accurate information about scams.

- **Stay Smart Online.** This website, focused on online security and safety, is operated by the Australian Government. Its purpose is to make people aware of online risks and to help them understand how to protect their information – personal and financial – online.
- **ATO scam advice.** A website operated by the Australian Taxation Office, which advises on recognising and avoiding fraud and taxation scams.
- **Australian Cyber Security Centre.** This national online network provides the capacity for people to report instances of cybercrime in a secure way. It also helps with recognising and avoiding common forms of cybercrime.
- **Scamwatch.** Scamwatch is run by the Australian Competition and Consumer Commission (ACCC) and once again, provides information about how to recognise, avoid and report scams.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 9.5

1. What is 'trolling'? Explain what this involves.
2. How would you report inappropriate or unsafe exposure?



Consolidate your learning

1. Write two or three paragraphs outlining how you will protect your identity in the future. Focus on why this is so important, including how your personal information can be misused.
2. As a class, debate one of the following topics:
 - a. Is identity theft a real crime?
 - b. Should the government be able to collect personal information and use it?
 - c. Should there be limitations on what they use it for?
3. Take the Consumer Affairs Victoria Scams Quiz to see how well you can identify and avoid scams: <https://cambridge.edu.au/redirect/10449>.
4. Write an essay response to one of the following:
 - a. Scamming is on the rise in Australia, as it is right across the world. Scams in Australia cost in excess of \$3 billion in 2022 alone. Detail a scam and what it involves, and outline the types of scams currently in existence.
 - b. 'Young people in Australia are careless and reckless with their use of websites, social media and technology generally. They fail to adequately protect themselves, and as a result parents/carers and schools are constantly managing anti-social and inappropriate behaviour online.' Do you agree or disagree? How can young people better protect themselves?
5. Write a letter to your young brother or sister outlining why it is so important to protect your information and your online presence. Detail the ways a young person needs to protect themselves and why protection is important, but also include the reasons why reporting inappropriate behaviour online is so vital.

Part E

Civics and citizenship

Knowledge and understanding

From Levels 7 and 8, students revise:

- The role of political parties and independent representatives in Australian democracy, including elections, the formation of governments and the balance of power [*Chapter 10, section 10.2*]
- The Australian Constitution and the roles and interactions of key institutions and political actors in Australia's democracy, including the Governor-General, the Commonwealth Parliament, the Ministers and Departments, State and Territory governments and the High Court of Australia [*Chapter 10, part of section 10.3*]
- The characteristics of laws and how laws are made in Australia through parliaments (statutory law) and through the courts (common law) [*Chapter 11, section 11.7*]

For Levels 9 and 10, students learn about:

- The role of the Australian Constitution in providing the basis for Australia's federal system of government and democratic processes, including democratic institutions, and the processes for constitutional change through a referendum [*Chapter 10, Sections 10.3 and 10.6*]
- The process through which government policy is shaped, developed and implemented, including the role of political parties, interest groups, the media and legislative processes [*Chapter 10, sections 10.4, 10.5 and 10.7*]
- The key features and values of Australia's system of government compared with at least one other democratic or non-democratic system of government in the Asia-Pacific region [*Chapter 10, section 10.6*]
- The Australian Government's roles and responsibilities at a regional and global level, including diplomatic relations in the Asia-Pacific region [*Chapter 12*]
- The key features and jurisdictions of Australia's court system; the operations of courts and tribunals, including the roles of courts, judges, lawyers and juries in trials; and the rights of the accused and the rights of victims [*Chapter 11, sections 11.2, 11.3, 11.4 and Chapter 10, section 10.7*]
- The role of parliaments and the High Court of Australia in protecting rights under the Constitution, common law, and through federal and state/territory laws [*Chapter 11, sections 11.3 and 11.5*]
- How Australia's international legal obligations shape law-making and government policies in Australia, including those relating to Aboriginal and Torres Strait Islander peoples, and the issues related to the application of these obligations [*Chapter 12*]
- The extent to which Australia's legal systems provide justice compared with at least one other legal system in the Asia-Pacific region laws [*Chapter 11, section 11.5*]

Key questions

Key questions provide a framework for developing students' knowledge, understanding and skills. The following are examples only and may be used or adapted to suit local contexts:

- How does Australian democracy interact with the world?
- How might we ensure that Australia protects human rights through legal mechanisms?
- How do global actors interact with legal mechanisms around the world?

Achievement standards

By the end of Level 10, students can:

- Evaluate the Australian government's roles and responsibilities at a regional and global level, including its international legal obligations
- Analyse the Australian Constitution on the basis of the Australian system of government, the process for constitutional change and the role of parliaments and the High Court of Australia in protecting rights
- Compare this system of government with at least one other system in the Asia-Pacific region

Skills

By the end of Level 10, students learn to:

Evaluating democratic institutions and systems:

- Recommend changes to political, legal and/or civic institutions and justify these recommendations
- Evaluate how the principles of justice (fairness, equality and access) are achieved through legal institutions and processes
- Evaluate the power of Australian and international political actors with regard to contemporary issues, and these political actors' connections with institutions

Participating in civic processes:

- Evaluate the effectiveness of democratic decision-making
- Participate in and evaluate the methods and strategies of civic participation with regard to contemporary issues, from local to global

Communicating:

- Construct evidence-based arguments using civics and citizenship knowledge, concepts and different perspectives, and determine the most effective method of communication

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Chapter 10: Government and democracy

Just before your 18th birthday you will receive an enrol-to-vote flyer from the Australian Electoral Commission. Being able to vote is important; however, knowing why you vote and getting involved is crucial. Civic knowledge is essential for understanding how our system operates. Citizenship imposes a responsibility on individuals to get involved. This can include responsibilities through participation, representation and community involvement.

This chapter explores the importance of democracy, democratic values and the formation of government and looks at the role of political parties and independent representation in Australia's political system. The chapter also includes an explanation of the key features of our system of government and compares this system with that of India. How citizens' political choices are shaped, including the influence of the media, will also be analysed.



This chapter contains some content applicable to levels 7&8. The relevant sections are marked with an icon and can be used if the material was not studied in levels 7&8 or as background for levels 9&10.

FIGURE 10.1 Inside Parliament House, Canberra



10.1 What is democracy?

The system of government in Australia is based on the concept of **democracy**. Understanding the term ‘democracy’ is crucial to the study of civics and citizenship. The definition of democracy that many people use is the one specified by US President Abraham Lincoln (1809–65) as ‘Government of the people, by the people, for the people’.

Many in the media use the term ‘democracy’ as a principle to which to aspire. A society that is democratic provides for its citizens to directly elect a parliament and governing body through a system of majority rule. Australia has been a stable democracy, and was one of the first countries in the modern era to establish the principles of democracy through its **Constitution**, which produced democratically elected parliaments.

Democracy a system of government selected by the people in which representatives are elected

Constitution a set of rules, guidelines or a framework for how a nation or state is governed

Activity 10.1

RESEARCH



The democracy scale

1. Draw up the following scale in your workbook or device.

Most democratic

Least democratic

2. In pairs, describe the essential or crucial ingredients for a democracy. This will assist you to have a set of criteria or principles for ranking countries from most democratic to least democratic.
3. Here is a list of countries. You may not know much about them, but use your existing knowledge to identify where you believe each country sits on the democratic scale: Afghanistan, Australia, Brazil, Cambodia, Canada, Central African Republic, Chile, China, Chad, Denmark, Democratic Republic of Congo, Finland, France, Greece, Iceland, India, Indonesia, Iran, Iraq, Italy, Japan, Laos, Mexico, New Zealand, North Korea, Norway, Russia, Saudi Arabia, Sudan, South Korea, Sweden, Syria, Taiwan, United Kingdom, United States, Uruguay and Zimbabwe?
4. Using the Democracy Index Report from the Economist Intelligence Unit, identify where the countries in the above list fit on a democracy scale from most democratic to least democratic. Comment on similarities to and differences from your own ranking.

Case study 10.1



Why democracy works

In a modern, interconnected world, democracy is seen as one of the most stable forms of government. Democracy relies on active participation and citizenship. The following list presents the top reasons why democracy is successful.

- **The people.** Democracy is government by the people, for the people in which the people participate in decision-making. Governments need to represent and appeal to the views of the community, so they need to make laws that will gain a high rate of approval. If they do not, then the voter has the ultimate authority at the next election. Voting in Australia is compulsory, but secret, so voters will vote for the person who best represents them.
- **Choice.** Democracy requires a choice. There must be several candidates or political parties to choose from. Citizens who vote regularly can make a decision as to which party or candidate that suits them, which provides for healthy competition of ideas.
- **Checks and balances.** Democracy provides for open government with good governance. There are two houses in our Federal

Case study 10.1 *continued*

Parliament (and in most states) and the role of the upper house is to review laws made by the lower house. The separation of powers exist so that no one arm of government holds ultimate control. These arms are the executive, the legislature and the judiciary.

- **Basic rights.** Democracy protects basic human rights and freedoms. Remember that government by the people, for the people means that human rights are respected and protected by government, as they reflect the view of the majority.
- **Freedom.** For democracy to thrive and survive, all individuals must be able to speak their mind (within the limits of the law). This is known as freedom of speech. This freedom means that people can voice their views – positive or negative – about a decision taken by government. This freedom also relies on having an independent free media that can report these views without interference or intimidation.
- **Equality.** Democracy thrives when all citizens are treated equally. Equal opportunity and

natural justice are provided to all citizens and, regardless of race, gender, religion or political view, democracy enables citizens to promote and follow their own views. Each vote is worth one value.

- **Accountability.** Democracy provides for regular elections, which means that governments must act responsibly. Government is kept accountable through freedom of speech and the media. The checks provided by the separation of powers provide for transparent decision-making.
- **Public debate.** Linked to freedom of speech, democracy encourages public debate and discourse. Institutions such as parliament and government departments are accessible to the public. This allows citizens to input their views and opinions about decisions and laws that are made. Government by the people provides many opportunities for discussion and consideration. This allows for greater access to the decision-making process.



FIGURE 10.2 In Australia, elections must occur every three years at the Federal level and every four years at the State level.

Case study 10.1 *continued*

- **Free and fair elections.** Democracy ultimately puts the power to govern in the hands of the people who vote or choose their candidates in elections. In Australia, elections must occur every three years at the Federal level and every four years at the State level. If the government is not performing according to the will of the people (or the majority of the people), then the people have an opportunity to cast a different vote. This makes democracy hungry to respond effectively.
- **Constitution.** Democracy is effective when everyone knows, and works within, specific rules. A constitution is a rule book for how a government and parliament will operate. This document carries the hopes of its citizens. It encourages and protects human rights and provides for mechanisms of ongoing renewal or to deal with any misuse of power.
- **Democracy is infectious.** Democratic systems build more democratic systems. Australia has three levels of democratic government, and all citizens expect that democracy will provide a basic rulebook that will protect rights,

freedoms and equality, as well as opportunities for checks and balances, accountability, public debate and elections. Democratic nations then expect to work cooperatively with other democratic nations, thus making the world in which we live a better place.

1. Read the information on this and the previous page and write a paragraph explaining the importance of democracy to the people of Australia.
2. Working with a partner, order the items in the list on this and the previous page from most important as number 1 to least important as number 11.
3. Discuss the extent that democracy gives people hope. In your response, use evidence from the list on this and the previous page.
4. Using your knowledge and media coverage, provide examples and illustrations of how Australia's democracy demonstrates the reasons for success from this and the previous page.
5. Have a discussion with a parent or guardian about the most important advantages of a democracy. Ask them to justify their response.

Participatory democracy

The ancient Greeks were the first to establish a system of participatory democracy. The word *demos* means 'the people'. The word *kratia* means 'to rule'. A participatory democracy is therefore a system of government in which the people – or **citizens** – have a direct say in what laws are passed and what decisions are made by the government.

Citizens members of a state or nation

Ancient Greece

In ancient Greece, all citizens formed the ruling group. However, the ancient Greek definition of 'citizen' was quite narrow. Resident foreigners, women, slaves and peasants were not recognised as citizens.

Athens was one of the many city-states that made up the country of ancient Greece. It was the duty of adult male citizens in Athens to attend government meetings. These meetings were held in the *agora*, or marketplace, and decisions affecting the city were made at them. Sometimes everyone who attended agreed on what needed to be done – a consensus decision. Often there was disagreement about the action that needed to be taken. When this happened, a system of **majority rule** was used. In majority rule, the side receiving more than half the votes won.

Majority rule the power to rule or govern by the agreement of the great proportion of voters

Ancient Rome

A broader definition of democracy was developed in Roman times. The Romans developed a constitution and allowed for decisions to be made by elected representatives of the citizens of Rome. In theory, the Romans developed a definition of democracy that included the idea of all citizens being equal before the law. In practice, however, not all people in the community were recognised as citizens. Although the Romans recognised the rights of women, they did not permit women to hold government positions.

In the period of the Roman Republic, there were three main parts of the government: the Senate, the consuls and the Assemblies. Representatives in the Senate were known as senators and were elected by the Assemblies. The senators elected two consuls to act as leaders.

An Assembly was a meeting of Roman citizens. These meetings discussed changes in the law and elected new senators. However, the rich and powerful patricians and property owners dominated these meetings. Women, slaves and those people born in the provinces did not have the right to vote.



FIGURE 10.3 Roman senators discussing changes to the law



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 10.1

1. What is meant by the term 'participatory democracy'?
2. Did the democracy of ancient Athens provide for participatory democracy? Give two reasons for your answer.
3. Explain the term 'consensus'. How did the Athenians reach a decision if consensus could not be reached?
4. Define the term 'citizen' as it is used today.
5. Compare the similarities and differences of being a citizen in ancient Greece with those of being a citizen in Australia.



10.2 The formation of government

Members of a society or group need some way of being organised and maintaining order between individuals to achieve common or shared needs. This is where **government** becomes important. Government is part of our everyday life. Simply being able to travel to school or work every morning is made possible by government. Government provides us with a community in which we can move around freely and safely, and is responsible for the defence of the nation, the law and the police.

Government the system of political rule and administration over a society

Surveys show that Australians have limited knowledge about some aspects of their government, such as the:

- principles of a representative democracy
- formation and responsibilities of the government
- rights and responsibilities of citizenship
- sharing of powers between the Commonwealth Government, and the State and local governments
- role of political parties.

Government must perform a number of tasks or roles to ensure that the community is working towards common aims. It has traditionally done this by providing:

- **laws** – new laws or changes to existing laws which reflect community attitudes and values
- **public order** – protecting individuals in the community from harmful actions
- **national security** – defending the country from threats of invasion or violence
- **justice** – providing the means to resolve disputes, such as courts and tribunals
- **public works and essential services** – establishing and maintaining services such as roads and hospitals.

Security, order, justice, public works and essential services are considered to be the basic functions of government. In more recent times, governments have taken on other important functions as well, including:

- **protecting Australia's borders** – responding to external pressures such as the pandemic and asylum seekers
- **social welfare** – helping the poor, sick and needy
- **economic policy** – the development and implementation of policies in relation to employment, inflation and economic growth
- **conservation and development** – planning for the use of natural resources.

Activity 10.2

COLLABORATE



Desert island survival

Imagine that you and seven other people are the survivors of a natural disaster that has destroyed your community. Working as a small group, respond to the following questions.

1. Briefly describe your situation from a number of natural disasters in our region.
2. Identify your immediate needs for survival.
3. Develop a list of jobs that will need to be done immediately if the group is to survive.
4. How will you organise who is to complete each job?
5. How will your group make decisions about the actions you will need to make to survive?
6. What rules or policies will your group need, and how will these be enforced?
7. What conflicts may develop between the members of the group? How might you resolve these conflicts?

Key concepts of government in Australia

Parliamentary government a government formed from the elected members of parliament

Australia's system of government is a hybrid model we inherited from Britain, and in some aspects from the American system. Generally, our system of government is based on the British Westminster model system of **parliamentary government**. This system has a head of state, and a parliament which is generally bicameral; that is, made up of two houses of elected representatives. This system was developed over a number of centuries and evolved from a system whereby the monarch had all the power to a system where the people have the power. We also utilised parts of the American model of government such as the notion of federation and the structure and names of our two houses of the Commonwealth Parliament.

The word 'parliament' comes from the French *parler*, meaning 'to talk'. Parliament is where the representatives elected by the people can discuss and debate decisions that need to be made to help the community run smoothly. The term 'parliamentary government' means that the government is formed from the elected members of the parliament.

Key concept no. 1 – constitutional monarchy

Australia is a constitutional monarchy. A constitutional monarchy is a system in which the head of state is a monarch (king or queen), known as the Crown. However, the real power of government rests with the parliament. In theory, the monarch, through the Governor-General, acts as a check on the exercise of that power.

In a republic, the people hold power through their elected representatives and an elected president. The president is the head of state.

Key concept no. 2 – bicameralism

A **bicameral** parliament consists of two houses and the Crown. The British Parliament consists of an upper house (known as the House of Lords), a lower house (known as the House of Commons) and the King/Queen.

Australia has nine parliaments: the Commonwealth Parliament in Canberra, six State parliaments and two Territory parliaments. Each of these parliaments is structured in a similar way to the British Parliament. Most parliaments in Australia are bicameral, except for Queensland, the Northern Territory and the Australian Capital Territory, and consist of a lower house, an upper house and the Crown.



EXTRA CASE STUDY 10.1

Australian republic discussion

Bicameral a parliament consisting of two houses or chambers

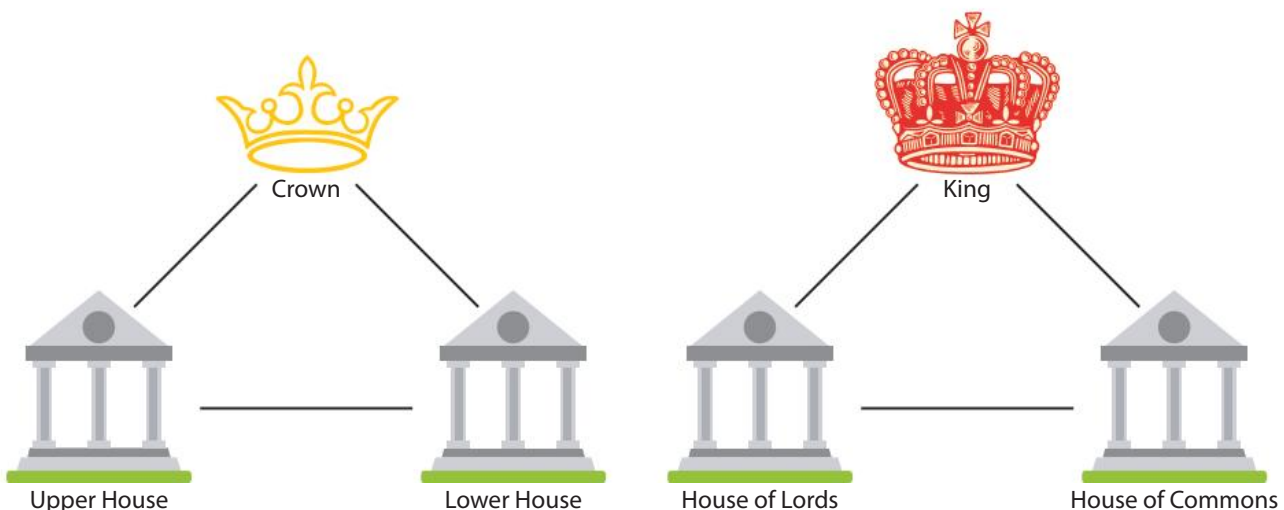


FIGURE 10.4 The Australian and British bicameral parliamentary systems

The lower house in the Commonwealth Parliament is called the **House of Representatives**. The upper house in the Commonwealth Parliament is called the **Senate**. The role of the Crown is performed by the **Governor-General**. The lower house of the Victorian Parliament is known as the **Legislative Assembly**. The upper house is known as the **Legislative Council**. The role of the Crown is performed by the **Governor**.

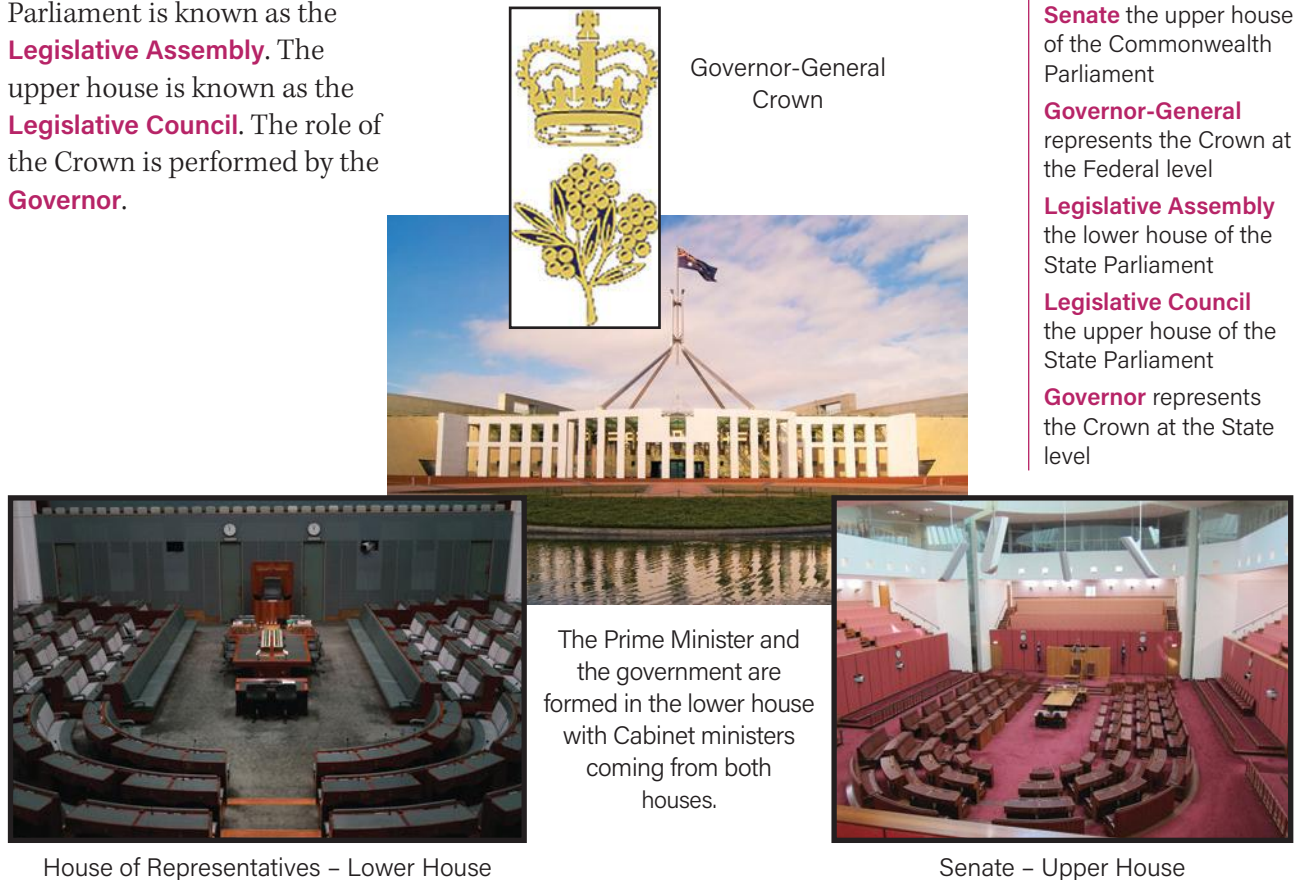


FIGURE 10.5 The structure of Australia's Federal Parliament, similar to that of Victoria's Parliament

Parliaments in Queensland, the Northern Territory and the Australian Capital Territory are **unicameral**. This means that these parliaments have only one house. They consist of a lower house that is called a Legislative Assembly. The parliaments in the Territories have more limited powers than the State parliaments. Although the Territories have self-government, some matters remain under the direct control of the Federal Government. There are no governors in the territories. An administrator appointed by the Federal Government performs this role.

Key concept no. 3 – representative government

Australia is a **representative democracy**. This means that the government is representative of the people within a geographic area known as an **electorate**. In other words, the politicians who make up the government are elected from members of the community, by members of the community, to represent the views and wishes of the people in that community. Elections are held for local, State or Territory and Federal governments on a regular basis.

In a representative democracy, elections allow people to show their approval or disapproval of the government. Although voters do not participate in making laws and policy on a daily basis, elections allow them to choose the people who will directly participate in making laws and forming government. Individual members of parliament, and through them governments, can be voted out of parliament by voters who are unhappy with their performance. This makes them answerable for their actions to the people who elect them.

House of Representatives the lower house of the Commonwealth Parliament
Senate the upper house of the Commonwealth Parliament
Governor-General represents the Crown at the Federal level
Legislative Assembly the lower house of the State Parliament
Legislative Council the upper house of the State Parliament
Governor represents the Crown at the State level

Unicameral a parliament consisting of one house or chamber

Representative democracy a system of government in which parliamentarians represent the view of their community within their electorate
Electorate a geographic area consisting of approximately 110 000 voters who vote for one representative

Coalition an alliance between two or more political parties: in Australia, the Liberal Party and the National Party have operated as a coalition since 1946

Parliamentary majority the party (or parties in coalition) with more than 50 per cent support in the lower house forms government

Prime Minister the leader of the Commonwealth Government

Ministers members of the government with responsibility for areas of government policies or departments

Opposition the largest party (or parties in coalition) that does not have the support of the majority of representatives in the lower house

Hung parliament if no political party (or parties in coalition) achieves a majority in the lower house of parliament

Minority government where government cannot form a majority in its own right and strikes a deal with the support of other members of parliament, known as independents, or a minor party to hold government

Key concept no. 4 – parliamentary majority

In Australia, approximately 17 million Australians vote for their Federal representatives. The Federal Parliament is made up of 227 Federal representatives. Citizens vote for each member of the House of Representatives using a preferential system. In total, 151 members come from the House of Representatives. Citizens from each State elect 12 senators and two from each Territory, providing for 76 senators in total. Government is formed by the party (or parties in **coalition**) that holds a **parliamentary majority** in the lower house. A majority is more than 50 per cent support. Therefore, the party (or parties in coalition) with more than 76 representatives in the lower house forms government. In order for a government to enact its policy, though, it must also gain a majority vote in the Senate. This means that it needs 39 Senate votes to pass its legislation. In some cases, this may mean that it will need to negotiate with the independents and minor parties in opposition.

The leader of the political party or coalition that has formed government becomes the **Prime Minister** of Australia, and various elected members of the party will become **ministers**. The roles of the Prime Minister and ministers are discussed in section 10.4 of this chapter.

Key concept no. 5 – a strong opposition

In order for democracy to function effectively, a strong opposition is needed. Voters require a choice, and the **Opposition** is formed by the largest party (or parties in coalition) that does not have the support of the majority of representatives in the lower house. The role of the Opposition is crucial in parliament, and it includes commenting on decisions made by the government, debating proposed laws and checking on the administration of the government. This provides for healthy competition of ideas. As part of its role, it scrutinises the work of the government, keeping it accountable. The Opposition is sometimes called the alternative government, and provides alternative points of view to government policies.

Question Time allows for representative and responsible democracy. A strong Opposition is able to ask the government critical questions to examine its work. The leader of the Opposition takes the lead in asking probing questions during

Case study 10.2



Hung parliament or minority government

In order to form government, a party needs a majority of representatives in the lower house. However, if no political party (or coalition of parties) achieves a majority in the House of Representatives, the result is called a **hung parliament**. It is still possible for a government to be formed if a majority can be achieved through the support of other members of parliament, known as independents, or from a minor party. This type of government is known as a **minority government**.

1. Research the current composition of the Australian Parliament. Draw a table identifying the following for the House of Representatives and the Senate:

- Which party is the government, and how many seats do they have?
 - Who is the opposition, and how many seats do they have?
 - Are there any independents or minor parties, and, if so, how many seats do they have?
- Does the current government require the support of any independents or minor parties? If so, explain this.
 - Identify two advantages and two disadvantages of a minority government.
 - Do some research and provide an example of minority government within Australia.

Question Time which criticise the actions of the government or a minister. Effective questions can place enormous pressure on a government, especially if it is picked up by the media.

While the government has ministers, the Opposition has shadow ministers. These are senior members of the Opposition, who will usually be appointed as ministers if their party is elected to power. The leader of the Opposition is usually appointed Prime Minister if their party wins office.

Key concept no. 6 – law-making by parliament

The passing of a bill through both houses of parliament is achieved through an extensive process of debate, checking details, and suggesting and pressing amendments. Once passed through both houses of parliament and assented to by the Crown, the bill will become law.

A new law may be needed or a current law may need to change due to:

- changes in community values
- expectations of the legal system
- community awareness
- the needs of government departments
- the nature of business or commerce
- technological change
- the pace of change in the community.

Pressure to introduce a new law or to change an existing law may come from the following places:

Formal mechanisms	Informal mechanisms
Political parties	Petitions
Members of parliament	Demonstrations
Victorian Law Reform Commission	Civil disobedience
Ministerial advisers	Direct Approaches
Public service	Submissions
	Media
	Political action

As a result of either formal or informal pressure placed on parliament, the government may decide to change or introduce a new law. The Executive, made up of the Prime Minister or premier and Cabinet ministers will discuss the change or new law and adopt it as policy. Cabinet will approve a draft bill by the relevant minister. Final Cabinet approval of the bill is usually sought prior to the bill being introduced into parliament.

A government lawyer, known as a parliamentary counsel, prepares a draft bill in consultation with the relevant minister and government department (public service). Prior to going into parliament this bill must be approved by Cabinet and/or the party caucus. Note: Bills may originate from either house of parliament; however, any bill to spend government money or raise taxes must be introduced in the lower house as the government is formed there.



FIGURE 10.6 The Australian House of Representatives

FIRST HOUSE

- First Reading – The bill is presented to the house and all members of parliament get a copy.
- Second Reading – The minister in charge introduces the bill and explains its purpose. The bill is debated.
- Committee Stage – Optional, the bill is examined in detail and amendments can be made.
- Adoption of the Committee Report
- Third Reading – More debate takes place and the bill is voted on.

SECOND HOUSE

- Generally, the process in this house is the same as in the first house, such as First Reading, Second Reading, Committee Stage, Adoption of the Committee Report and Third Reading.

ROYAL ASSENT – The Governor or Governor-General signs the bill

PROCLAMATION – Publicised in the *Government Gazette*

**Activity 10.3****CREATE AND RESEARCH**

1. Create a poster or visual diagram of the steps on how a law is initiated and made.
2. Research a current issue and apply the steps on how a law is initiated and made.

Key concept no. 7 – party platform and mandate

Party platform the policies and promises of a political party seeking election to government

Political party a group representing individuals with similar political views

Mandate the authority of the winning political party to implement its policies as a result of its election campaign

Party platforms are what political parties stand for, their ideas, values, promises and policy intentions. This helps to attract like-minded voters and is a guide or an indication of what work a party will do or accomplish when in government. **Political parties** work tirelessly to have their members elected to parliament so that their ideas can affect the way Australia is governed. Political parties will often use the notion of a **mandate** when they win an election, claiming that they have electoral or voter permission to enact or implement their election promises. The size of the mandate is important in political terms, and provides the ability of a government to implement its program. For example, a sizeable majority will provide the government with great moral purpose to implement its election promises, which then places pressure on the Opposition to support popular policies.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 10.2**

1. There are a number of key concepts of government in Australia. Using this chapter, define each of the following terms:
 - a. democracy
 - b. government
 - c. parliamentary government.
2. Explain the task or role of government in Australia.
3. List three important roles of the Opposition. Explain.
4. What is meant by the concept 'representative government'? Does the role of the Opposition contribute to representative government? What are considered to be the basic functions of government?

10.3 The role of the Australian Constitution

In order to understand how our democracy and government are formed in Australia, we need to have an understanding of two further concepts: **Federation** and the Constitution.

A federation is a union of states (or, in Australia's case, colonies prior to 1901) in which authority or power is divided between a central authority (the Commonwealth), State authorities and local authorities. There are three **tiers of government** in Australia, with each area having power over certain matters. These three tiers are:

- the **Commonwealth (or Federal) Government** – located in Canberra
- the **State (and Territory) governments** – located in the capital cities of the various states (and territories)
- **local government** – located in towns and cities across Australia.

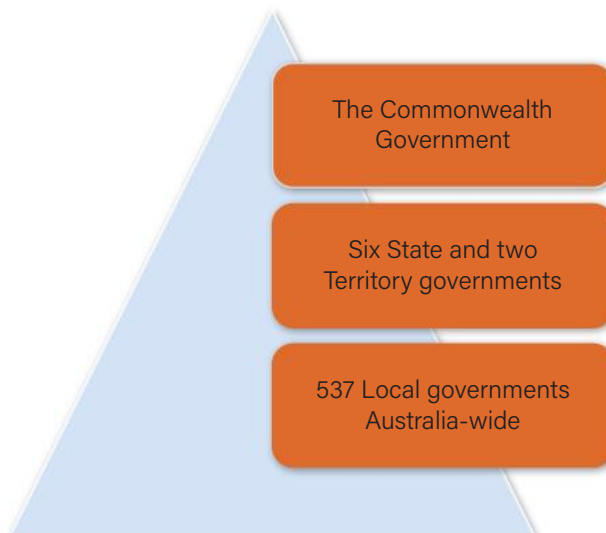


FIGURE 10.7 The three levels of government in Australia



VIDEO 10.1

The Australian Constitution (02:25)

Federation the joining together of individual states for a common purpose

Tiers of government the division of power into federal, state and local government levels

Activity 10.4

RESEARCH



Your representative

Use the internet to find out:

1. the Federal electoral area in which you live
2. the name of your Federal representative
3. the State electoral area in which you live
4. the name of your State representative.



EXTRA ACTIVITY 10.1

Research – local council

Federation

Within a federation, colonies or states join together for a common purpose. In a federal system, there are two layers of government:

- the **national (federal or central) government** that governs the entire country
- the colonies/**state or territory governments** that govern particular states or territories.

Before Federation, a system of local government had been established for towns and cities. This local government tier forms the third layer of our modern system of government.

Why did the colonies federate?

Australia was colonised by the British in 1788, and as they spread across the country, regions were established as separate colonies (see Figure 10.8). The colonies did not need Federation in order to gain the right to self-government. This right was achieved by the colonies of New South Wales and Victoria in the 1850s. They had already made their own laws for trade, transport, immigration and defence. In some ways, the right to self-government was a deterrent to Federation, because colonial parliaments were reluctant to give up the law-making powers they already had.

There were a number of reasons for the colonies wanting to federate. They were concerned about foreign affairs, immigration and defence, trade and commerce, and industrial relations. A central government was also needed to make policies about economic development and international trade.

Federation: a matter of compromise

By 1860, all Australian colonies were self-governing except for Western Australia, which did not gain this until 1890. They were fiercely independent and incredibly jealous of each other. They were suspicious and distrustful.

This was an age in which prejudices flourished. There was dislike for the wealthiest and most populous colonies – New South Wales and Victoria.

Although the colonies saw themselves as part of the British Empire, the governors of each colony answered only to Queen Victoria and the British Parliament.

Commercial and political forces argued that benefits would flow from having a central government. Trade and defence were primary reasons for creating a nation.

There emerged a spirit of Australian nationalism. Sporting teams represented Australia, not the colonies. In the birth of the Ashes, Australia defeated England in a Test cricket match in 1877.

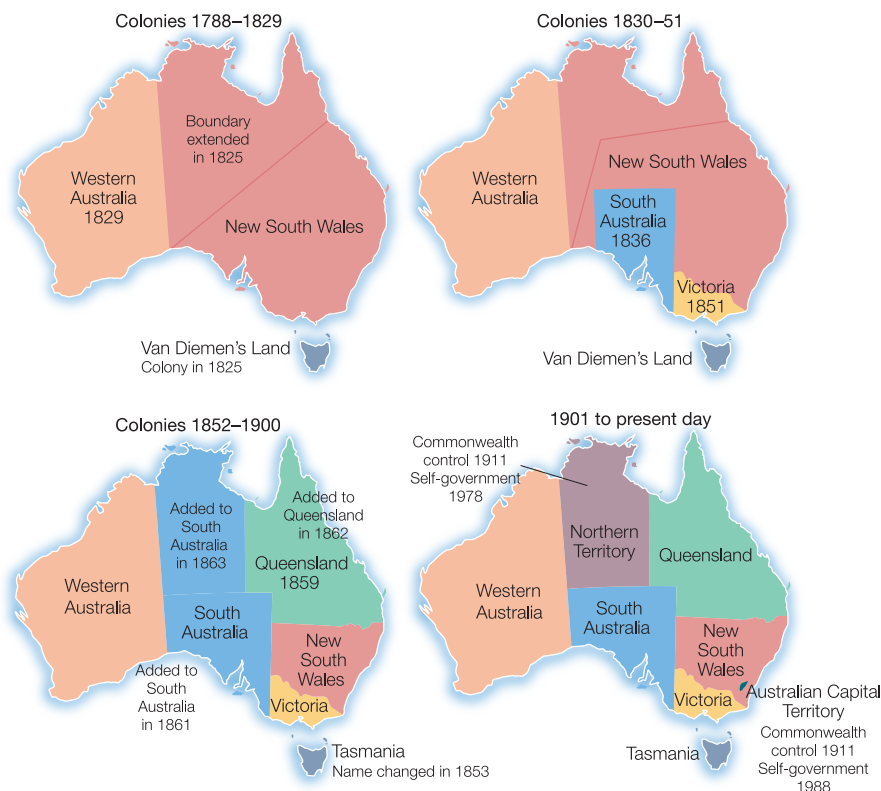


FIGURE 10.8 The historical development of Australia's Federal system of government

Popular authors such as Henry Lawson and Banjo Paterson wrote of Australians battling to forge a living from the harsh environment; painters captured on canvas romantic images of men shearing sheep and Cobb & Co stage coaches being held up by bushrangers. Australia was moving from an age of gold rushes to a period of pastoral wealth, described as ‘riding on the sheep’s back’.

Influential politicians advocating Federation travelled across the country promoting this idea. Inter-colonial conferences were held and nationalistic organisations such as the Australian Natives Association represented the thinking of many native-born Australians, who were Australian-born of European descent.

Constitutional conventions were held, culminating in 1898 with a document ready for the necessary **referendum**. From these meetings came the Constitution of the Commonwealth of Australia. Australia would be governed by the Westminster system with a lower house and a Senate styled on the US house of review.

The new nation of Australia was born on 1 January 1901.

Referendum a formal process to change the Constitution



EXTRA ACTIVITY 10.2

Collaborate –
constitutional
conventions

The Australian Constitution

A constitution is a written statement outlining the basic structure of laws and government. It provides a framework for the operation of government. The formal title of the Australian Constitution is the *Commonwealth of Australia Constitution Act*. This Act was passed by the British Parliament in 1900. It came into force in Australia in 1901, at which time the separate colonies joined to become one nation called the Commonwealth of Australia.

So there is no confusion or conflict between the Commonwealth and States, the Australian Constitution enumerates or lists the responsibilities of the Commonwealth Government: some of these include trade, defence and currency. State governments are responsible for all matters not mentioned in the Australian Constitution, including education, health and transport.

The Australian Constitution also set up the High Court of Australia. The High Court is the highest legal authority in Australia, and has the power to deal with disputes between the Commonwealth and the States



FIGURE 10.9 High Court of Australia, Canberra

Constitutional change through a referendum

The Australian Constitution can only be changed through a referendum. This is a ‘yes’ or ‘no’ vote to a question which can add, amend or delete words from this document. It requires an important vote known as a double majority. Firstly, a majority of voters must agree to this change, and secondly an absolute majority of the States, that is four out of six, must agree to this change. However, if the change directly affects a particular state, then it also requires the majority in that state as well. There have only been 8 out of 45 referendum proposals changed in our history. This is fewer than 20 per cent.

Case study 10.3



The Voice referendum

Background

A referendum is a compulsory 'Yes' or 'No' vote used to change the physical wording of the Constitution by adding words or deleting words, phrases or paragraphs, thereby changing the nature of the Constitution.

The referendum process is set out in Section 128 of the Australian Constitution to allow for any new words to be added or deleted from the Constitution. For a referendum to pass, it must satisfy the 'double majority' provision. This requires a majority of voters nationwide and an absolute majority of voters in a majority of states (4/6) to vote 'Yes' to the proposed change. Prior to The Voice referendum, Australia has had a total of 44 referendums since Federation. Only eight have been successful.

The question put to the Australian people

A Proposed Law: to alter the Constitution to recognise the First Peoples of Australia by establishing an Aboriginal and Torres Strait Islander Voice. Do you approve of this proposed alteration?

The Voice to Parliament

The Voice to Parliament was meant to be an independent advisory body to provide advice or submissions to the Australian Parliament on laws related to First Nations peoples. The government of the day wanted to enshrine a Constitutional Voice via a referendum, instead of a legislative voice, to provide for permanency and protecting it against subjective politics.

The idea for The Voice came about from the Uluru Statement from the Heart which was created by more than 250 Indigenous leaders in 2017 as a request to the people of Australia. The statement highlighted three basic reforms to overcome many of the problems plagued by the Indigenous community. These reforms were a First Nations Voice, a Truth-telling Commission and the formation of a Treaty.

The results of the referendum

State	Yes %	No %
New South Wales	41.04	58.96
Australian Capital Territory (Counted within NSW)	61.29	38.71
Queensland	31.79	68.21
South Australia	35.83	64.17
Northern Territory (Counted within SA)	39.70	60.30
Tasmania	41.06	58.94
Victoria	45.85	54.15
Western Australia	36.73	63.27
Overall, Nationwide Result	39.94	60.06

Source: <https://cambridge.edu.au/redirect/10559>

Why The Voice failed

Historically, the success rate of referendums has been limited to less than 20 per cent. There are many reasons why The Voice referendum failed.

- In order for a referendum to succeed there is a *need for bipartisan support*. In other words, both major political parties must support the change or else it is likely to fail.
- There was a *lack of information* regarding this proposal and the consequence of its introduction.
- As a result of a lack of information, many campaigners used several social media platforms to spread *misinformation* about The Voice.
- This led to a great deal of *confusion* regarding basic questions on how The Voice to Parliament would operate. A lack of understanding also meant that voters tended to be conservative towards the change.
- There was also a *lack of trust in our politicians*, and the political process, in some cases due to the the lack of understanding and misinformation.



Case study 10.3 *continued***The future of any Voice**

Having an advisory body, or a Voice to Parliament, can still occur now through legislation.

Establishing a legislative Voice can still be passed by parliament. This would allow for effective examination by Australia's elected representatives, as well as provide a Voice for First Nations peoples on matters regarding Indigenous issues.

1. Do some research as to why referendums fail, and what is required to be successful in a referendum.
2. Read the Uluru Statement from the Heart. It identifies many issues for the Australian community to think about. Summarise the issues raised in the Uluru Statement from the Heart.
3. Research the arguments for and against The Voice.
4. Identify the pros and cons of a legislative Voice to Parliament.
5. Discuss the extent to which the Australian Government should have attempted a legislative Voice as opposed to a constitutional Voice to Parliament.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 10.3**

1. In your own words, define the term 'federation'.
2. Outline the reasons why the colonies wanted a federation.
3. Describe the mechanism by which the Constitution distinguishes between Commonwealth and State responsibilities.
4. For a referendum to be passed, a double majority is required. Explain what this means.



FIGURE 10.10 A referendum is a vote of the Australian people on a proposed change to the Australian Constitution.

10.4 Political parties and their importance to our democracy

Democratic governments, such as the system of government in Australia, rely on citizens voting for representatives from political parties. These elected people represent citizens' views in debates and proposed laws. In return, the representatives are responsible to the voters. If the voters are not satisfied, the representatives may not be re-elected. The system of representative democracy in Australia is complex and relies on political parties.

A political party is a group of individuals with similar political views. You do not have to be a member of a political party. Membership is voluntary. In some ways a political party is like a club or association; however, its aims are different from the aims of other clubs or associations. The aim of a political party is to have members of its group elected to parliament in order to represent the party's views.



FIGURE 10.11 The great Australian tradition of the sausage sizzle on election day.

Most political parties aim to form a government. By winning government, the elected representatives of political parties can make changes in order to implement their views or ideas. The views or ideas of political parties are called their policies or platforms. The policies of a political party are therefore a statement about what action the political party will take if it forms a government.

People form political parties for a range of reasons, including:

- dissatisfaction with the existing government
- the desire to promote a particular issue
- dissatisfaction with an existing political party – in this case, the group may break away from an existing political party to form a new party.

Political parties in Australia

Countries with democratic governments allow a range of political parties to exist. Two major political parties dominate Australian politics. These are the Liberal Party and the Australian Labor Party. The Nationals generally act in partnership with the Liberal Party to form a coalition. The Greens also have a large presence in the Senate and a small presence in the House of Representatives.

Political parties conduct election campaigns, which aim to gain the support of voters by promoting the party's policies. Such campaigns include:

- organising visits by a candidate to public places in the electorate (touring a factory, visiting a community health centre)
- conducting rallies
- advertising
- delivering pamphlets to homes
- distributing how-to-vote material
- making policy speeches
- writing press releases
- liaising with the media.

Pork-barrelling
promising inappropriate government spending in exchange for political support

Sometimes candidates may make lavish promises during an election campaign. They might promise to reduce taxation, increase spending on schools and hospitals, and build roads. Candidates who make such promises may be said to be buying votes, or **pork-barrelling**.

Australian Labor Party

The Australian Labor Party (ALP) was formed by trade unions before Federation. This makes it the oldest political party in Australia. The ALP's main goal was originally to represent the interests of working-class people. Trade unions continue to maintain close links with the ALP.

The key political ideal of the ALP is democratic socialism. This includes:

- full employment and rights at work
- strong social safety and universal healthcare
- equality and opportunity – particularly for women, Aboriginal and Torres Strait Islander peoples and other groups that experience disadvantage
- advancing reconciliation with First Nations peoples
- redistribution of income, wealth and economic power.

Liberal Party

The Liberal Party was officially formed in 1944, but its origins can be traced to the first Federal Parliament. The Liberal Party was formed to unite anti-Labor groups, and is seen as representing the interests of business and private enterprise.

In recent years, Liberal Party policies have placed an emphasis on:

- individual freedoms of all people
- smaller government and free enterprise
- the promotion of incentives for individuals and private sector initiative.

The Nationals

The National Party was originally formed in 1918 and called the Country Party. It became the National Party in 1982. The National Party represents the interests of rural Australia such as graziers, farmers and country communities. At a Federal level, the National Party works with the Liberal Party to form a coalition.

Their priorities include:

- building stronger regional economies
- providing opportunities for all regional Australians
- ensuring a sustainable environment.

The Australian Greens (The Greens)

The Australian Greens party was founded on four main principles: ecological sustainability; social and economic justice; peace and non-violence; and grassroots democracy.



FIGURE 10.12 The logo of the Australian Labor Party (ALP)



FIGURE 10.13 The logo of the Liberal Party



FIGURE 10.14 The logo of the National Party



FIGURE 10.15 The logo of the Australian Greens



FIGURE 10.16 Craig Kelly announces his leadership of the United Australia Party.

Formed in 1992, The Greens are a national confederation of State and Territory Greens parties. The party has elected representatives at all levels of government. The Greens are a member-centred, grassroots party, with all decisions made by consensus.

Their focus includes:

- tackling the climate crisis
- making big business and billionaires pay their fair share of tax
- tackling economic inequality.

Other parties

Although the majority of voters support one of the major political parties, some people will always be dissatisfied with the views

represented by these parties. Often such people will hold strong views about a particular issue that they feel is ignored by the mainstream parties. When enough people share a common view on an issue, they can form a minor political party. In Australia, there are a number of minor political parties which have representation in the Commonwealth Parliament. They include:

- Centre Alliance
- Country Liberal Party
- Jacqui Lambie Network
- Liberal National Party of Queensland
- Katter's Australian Party
- Pauline Hanson's One Nation
- United Australia Party.

Each of these parties has different aims and ideas about how to govern Australia.

Independents

Independent a member of parliament who does not belong to a political party

You do not need to be a member or representative of a political party to stand for election. A person who stands for election without being endorsed by a political party is called an independent. Although an **independent** can be elected, they cannot form a government. This is because only a political party can form a government in Australia.

Teals: the rise of new politics

There has been a shift away from the traditional Liberal Party. The Teals are a great example of what can happen in politics if political parties do not represent their voter base on important issues such as the environment.



FIGURE 10.17 Independent MP Senator Zali Steggall delivers her acceptance speech.

The rise of the Teals is an interesting phenomenon. Blue is generally the colour associated with the Liberal party; however, Teal is a lighter version of this colour, when you combine it with green or environmental politics.

Several Teal candidates ran on a climate change platform in generally safe Liberal electorates. Teals were backed by a group called Climate 200. These electorates were previously known as safe Liberal seats but after the 2022 election, that view was significantly changed.

The Teals have been able to throw a significant light on a number of issues that the major political parties have either ignored or put aside.

The Teals were able to be successful due to a number of reasons. They also mostly chose professional female candidates who worked on grass roots political efforts in inner-city, blue-ribbon electorates, campaigning on environmental issues and climate action.

Activity 10.5

RESEARCH



Political parties in Australia

There are many political parties within Australia. All political parties must be registered with the Australian Electoral Commission (AEC).

1. Using the search term 'political party registration', go to the AEC website and do an investigation on a political party that you were not aware of:
 - a. Scroll down the list of political parties and identify a party that catches your interest
 - b. Identify when that party was registered
 - c. Find out when that party was last represented in a parliament – Commonwealth and/or State.
2. Select two political parties – one major party and one from the other parties.

Major parties

- Australian Greens
- Australian Labor Party
- Liberal Party of Australia
- The Nationals

Other parties

- Centre Alliance
- Country Liberal Party
- Jacqui Lambie Network
- Liberal National Party of Queensland
- Katter's Australian Party
- Pauline Hanson's One Nation
- United Australia Party

Prepare a class report highlighting the following:

- a. Explain key policies of the party and what they stand for – their values or principles.
- b. Who is the current leader of the party at the Federal and State levels?
- c. How can people get involved in the party, and how does it preselect its candidates?
3. Research a Teal candidate and explain the policies and ideas they represent.
4. Do an investigation of Climate 200. Identify their main ideas (policies).



EXTRA ACTIVITY 10.3

Collaborate – create a political party

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 10.4



1. Why are political parties important in a democracy?
2. Suggest two reasons why an individual may want to form a political party.
3. Identify two similarities and differences between the two major political parties in Australia, such as Labor, Liberal, Nationals, Greens.
4. Election campaigns are important to the democratic process. Provide three examples of how political parties promote their policies to voters.



10.5 Executive government

Executive government

the branch of government that carries the law into force

The political party with a majority of members in the House of Representatives forms the **executive government** of Australia. The political party with a minority of members in this house forms the Opposition. Sometimes political parties may act together (in coalition).

The Prime Minister

The leader of the political party with a majority in the House of Representatives is summoned by the Governor-General to form a government. This leader becomes the Prime Minister of Australia. Although this position is not mentioned in the Australian Constitution, the Prime Minister is the most important and senior minister in the Commonwealth Parliament. The role and powers of the Prime Minister include:

- leading their political party
- exercising control over who should become a minister
- acting as the main spokesperson for the government
- being head of Cabinet, and thus influencing government policy
- representing the country at international events
- chairing National Cabinet meetings
- advising the Governor-General, such as the appointment of ministers.



EXTRA ACTIVITY 10.4

Create – Prime Minister



FIGURE 10.18 Australian Prime Minister Anthony Albanese with his Cabinet ministers during the swearing-in ceremony.

Ministers

Some members of the political party with a majority in the House of Representatives can be appointed as a minister. The Governor-General appoints ministers on the recommendation of the Prime Minister. Ministers can be members of either the Senate or the House of Representatives. Each minister has an area of responsibility known as a portfolio. This usually includes responsibility for a government department. Ministers are responsible for the actions of their departments to the Governor-General, the Prime Minister and the parliament. During Question Time in parliament, members may ask questions about the actions taken by government departments. The relevant minister is expected to answer these questions.



Activity 10.6

RESEARCH

Ministers

Undertake research and prepare a fact sheet about one minister. Answer the following questions:

1. Name the minister.
2. Do they sit in the House of Representatives or the Senate?
3. Name and describe their area of responsibility or portfolio.

The ministry and Cabinet

A meeting of all ministers is called the **ministry**. A meeting of only the most important or senior ministers is referred to as an 'inner ministry', or **Cabinet**. This group has the main responsibility for the administrative decisions of the government.

Ministry a meeting of all ministers

Cabinet a meeting of senior ministers to advise on government policies

National Cabinet comprising the Prime Minister, the State Premiers and the Territory Chief Ministers, who make decisions in the best interest of all Australians

Case study 10.4



National Cabinet - Rethinking our Federation

In order to understand what the **National Cabinet** is, we need to understand the role of Cabinet in general. The Australian Constitution in Chapter II refers to 'The Executive Government'. Here it outlines sections related to executive power and ministers of the state. However, there is no mention of the term Cabinet within the Australian Constitution; through tradition, custom and practice we have what is known as a constitutional convention of Cabinet. Australia inherited the Westminster model of government, and with this also came its traditions, customs and practices. Cabinet is one of these conventions. Cabinet is made up of the senior ministers appointed by the Prime Minister or Premier, depending on the level of government.

The Cabinet is a product of convention and practice. There is no reference to the Cabinet in the Australian Constitution and its establishment and procedures are not the subject of any legislation. Provided the guiding principles of a Cabinet system are met – collective responsibility and solidarity – it is for the Prime Minister of the day to determine the shape, structure and operation of the Cabinet and its Committees.

Source: Australian Government, Department of the Prime Minister and Cabinet, *Cabinet Handbook*, 15th Edition, 2022, p. 5

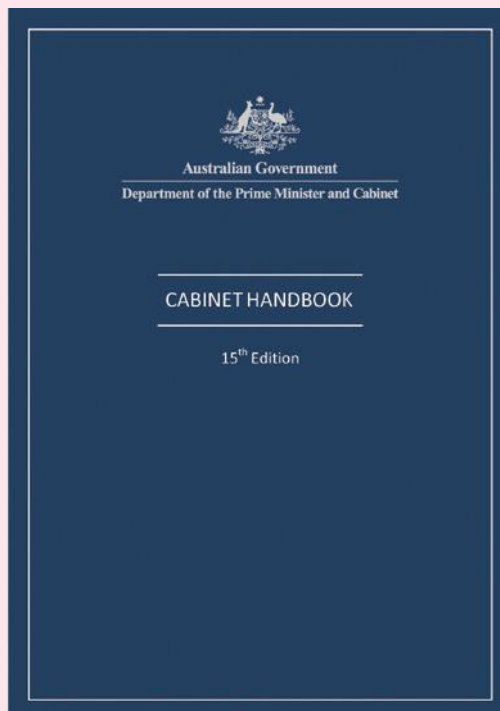


FIGURE 10.19 The Cabinet Handbook

Why National Cabinet?

It was felt that in a situation of an emergency such as the bushfire response, pandemic response or disaster relief, the timeliness of decision-making was crucial in order to positively impact people dealing with a crisis. These decisions should be made in the best interest of all Australians. Replacing the Council of Australian Governments (COAG) with the National Cabinet was designed to significantly reduce bureaucracy, red tape and speed up the decision-making process. The National Cabinet was established on 13 March 2020. How the National Cabinet operates was outlined in the *Cabinet Handbook*, 15th Edition (2020), and placed on the National Cabinet website.

Case study 10.4*continued***National Cabinet terms of reference**

1. National Cabinet comprises the Prime Minister (Chair), the State Premiers and the Territory Chief Ministers.
2. National Cabinet is underpinned by a commitment to genuine partnership between the Commonwealth and States and Territories on issues of national significance.
3. National Cabinet does not derogate from the sovereign authority and powers of the Commonwealth or any State or Territory. The Commonwealth and the States and Territories, as appropriate, remain responsible for implementing outcomes agreed by the National Cabinet.
4. National Cabinet is primarily supported by the First Secretaries Group. National Cabinet may task this group with work to support development and implementation of national priorities, including high priority cross-portfolio issues.
5. The Commonwealth–State Relations Branch, in the Commonwealth Department of Prime Minister and Cabinet, is the National Cabinet Secretariat.

Source: Department of the Prime Minister and Cabinet, 'National Cabinet', Australia's Federal Relations Architecture website

Benefits of a National Cabinet

- **Quick decision-making** – In a fast-moving world, with a 24-hour news cycle, greater speed and flexibility is required to act upon emergencies. Meetings can be held remotely, and decisions can be taken more often. National Cabinet can call in expertise in real time, to assess a situation, make decisions and implement actions, and in some cases reduce bureaucratic red tape.
- **Uniformity of action** – As a result of our Federation, the pandemic has shown that sometimes governments operate independently

of each other. Meeting regularly and deciding on the best course of action provides for greater consistency and uniformity of action across the country. This creates certainty in an uncertain world.

Limitations of a National Cabinet

- **Party politics** – When we have a situation of one political party being in government at a Federal level (such as the Liberal party) and another political party being in government at a state level (such as Labor), leaders can get caught up in political policy or point-scoring, especially if there is an election close by. Decisions in these cases can be stalled.
- **Accountability and transparency** – Decision-making takes place behind closed doors and remains strictly confidential. This style of decision-making can be seen as lacking in checks and balances, especially if the reasoning or evidence is not made available to the Australian people.

1. In your own words explain the term 'National Cabinet.' What is the purpose of this body?
2. Investigate Sections 61 and 64 of the Australian Constitution. How do these sections link to Cabinet? Clue: refer to constitutional convention.
3. One of the guiding principles of National Cabinet is 'collective responsibility and solidarity.' To what extent do you believe the Prime Minister, the State Premiers and the Territory Chief Ministers uphold this principle? In your answer give examples of where each leader supports or opposes decisions.
4. Using the National Cabinet website (<https://cambridge.edu.au/redirect/10450>), investigate a recent decision taken from National Cabinet. Go to the National Cabinet tab and look for the media statements.
 - a. Choose a media statement that catches your interest.
 - b. Read through the statement and summarise the measures taken by the National Cabinet.
 - c. Identify the main actions that each state government will undertake.

The bureaucracy, or the public service

Implementing and upholding the laws passed by parliament is too great a task for ministers to accomplish by themselves. Ministers are assisted in this regard by the **bureaucracy**, or public service. Each level of government in Australia is supported by its own public service, which creates, implements and regulates laws, policies and programs in order to support the community, protect Australia's borders and strengthen the economy. At the Commonwealth level, there are over 1300 organisations that employ more than 350 000 people.

Bureaucracy also known as the public service; government departments responsible for administering government policy

Example

Some public service functions you may be aware of include:

- administering Australia's welfare system (Department of Social Services)
- managing Australia's armed services (Department of Defence)
- protecting Australia's border security (Department of Home Affairs)
- running Australia's electoral system (Australian Electoral Commission)
- receiving our mail and parcel deliveries (Australia Post)
- monitoring TV and broadcasting rules and regulations (Australian Communications and Media Authority).

There are also a lot of things done by the Commonwealth bureaucracy or the public service that might surprise you. For example, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) is a Federal Government agency, as is the Australian Sports Commission. The Australian Federal Police and Border Force are also part of the Australian Government.

Policy-making

Elections give Australia's political parties an opportunity to present their **policies** to the community. While governments are presented with an electoral mandate to put these policies into place, the reality of politics makes **policy-making** an arduous, uncertain process. The exercise of power by the elected representatives is known as policy, which is an outline of a general action or plan. There are many influences on policy-making in Australia. This is discussed in more detail in section 10.7.

Policy a plan of action or a position taken by a political party

Policy-making the process of formulating a policy

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 10.5



1. What is meant by the term 'executive government'?
2. List four roles of the Prime Minister.
3. What is the difference between ministry and the Cabinet?
4. What is a portfolio?
5. What is the bureaucracy or the public service?
6. List five functions carried out by the bureaucracy or public service.

10.6 Australia's system of government compared with that of India



FIGURE 10.20 The Australian coat of arms

Australia and India are both countries that use a system of democracy. They both have regular elections, in which citizens vote to elect representatives to act for them in a national parliament. Both parliaments are bicameral, with a lower house being a people's house and an upper house representing a states' house. India is the largest democracy in the world.

Australia and India hold similar values when forming government:

- **Laws should reflect the will of the people.** This means that both Australia and India enjoy representative democracy and laws are created to reflect community attitudes and values.
- **The rule of law.** Both countries have a written Constitution. This document also provides for ways to add to or amend the Constitution.

- **The right to vote.** Both countries provide their citizens with the opportunity to vote for elected representatives.
- **Free and fair elections.** Elections and political parties are an important part of both democratic societies.
- **Checks and balances.** Both countries believe in good governance through the three branches of government: the legislature (law-makers), the executive (high-ranking government decision-makers) and the judiciary (the Supreme Court of India or the High Court of Australia).

However, Australia operates with a **constitutional monarchy**, whereas India is a Federal **republic**. The essential difference lies in the overall structure of the national parliament and in the powers of the head of state.

Constitutional monarchy the exercise of power by a king or queen under a constitution

Republic the power is vested in the people to elect their leader, such as a president



FIGURE 10.21 The Indian coat of arms

TABLE 10.1 Constitutional monarchy v republic: Australia and India

Australia	India
▪ Australia is a constitutional monarchy. This means that in theory executive power is exercised by the Governor-General on behalf of the King. ▪ The government of the day nominates the Governor-General, who serves a five-year term. ▪ The King is the head of state, while the Prime Minister is the head of government. ▪ Although the Prime Minister and Cabinet are not mentioned in the Constitution, in practice, due to convention, executive power is exercised by the Prime Minister and Cabinet.	▪ The Indian Constitution sets up a Council of Ministers, headed by the Prime Minister, to advise the President, who has formal executive power. ▪ Members of the Federal Parliament and state assemblies form an electoral college. The President is elected by this college and serves a five-year term. ▪ The President is the head of state while the Prime Minister is the head of government.

Activity 10.7

RESEARCH



Constitutional monarchy and republic

1. Research and describe two differences between a constitutional monarchy and a republic.
2. Describe the role of the head of state in both a constitutional monarchy and a republic.

Written constitution

As we saw earlier in this chapter, a constitution is a written statement outlining the basic structure of laws and government. It provides a framework for the operation of government. The formal title of the Australian Constitution is the *Commonwealth of Australia Constitution Act*. This Act was passed by the British Parliament in 1900. It came into force in Australia in 1901, at which time the separate colonies joined to become one nation called the Commonwealth of Australia.

Contemporary India came into existence in August 1947. India once had over 500 princely states under the colonial rule of the British Crown. The Constitution of the Republic of India came into force on 26 January 1950, and is arguably the largest Constitution in the world with 256 pages, 395 articles, 12 schedules and 4 appendices.

Table 10.2 compares the means necessary in Australia and India in order to change each country's Constitution. Table 10.3 compares the election and voting processes in Australia and India.

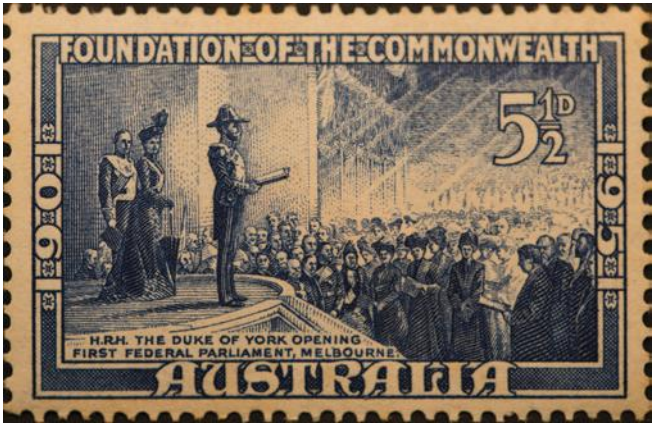


FIGURE 10.22 Commemoration of opening of first Federal Parliament in 1901

TABLE 10.2 Amending the Constitution: Australia and India

Australia	India
To change the Constitution, the following must apply: - A constitutional alterations bill must be passed by parliament. - The people of Australia must vote yes or no to the change via a referendum vote with a double majority – that is, a majority of voters in a majority of states, and a majority of all voters nationwide. - If successful the Governor-General provides Royal Assent and the change is made. - The Australian Constitution has been amended eight times.	To change the Constitution, the following must apply: - Parliament has the power to amend the Constitution just as any ordinary law. - A bill is passed by a majority through both houses of parliament. - In each house there must be at least two-thirds of the members of that house present and voting. - If successful, the bill is presented to the president for assent and the change is made. - The Indian Constitution has been amended 105 times.

TABLE 10.3 Elections and voting: Australia and India

Australia	India
House of Representatives 151 members. - Three-year election terms. Preferential voting. - Government is formed in this house. - One member = one electorate (constituents). Senate - Equal representation from each State = 12 senators and two from each Territory. - Six-year fixed terms, but half-Senate election every three years. Proportional voting. Election every three years. Elections - Compulsory voting. - Australian citizens must be 18 years of age to vote. - Conducted independently by the Australian Electoral Commission.	Lok Sabha 543 members. - Five-year election terms. First-past-the-post system. - Members elect the Prime Minister. - Single-member constituencies. Rajya Sabha - Total of 250 members. - President appoints 12 members; remainder elected indirectly by assemblies of the States and Union Territories. - Six-year terms, but one-third retire every two years. - Proportional representational voting. Elections - Non-compulsory voting. - Universal adult suffrage: any Indian citizen over the age of 18 can vote irrespective of caste, creed, religion or gender. - Conducted independently by the Election Commission of India.

Preferential voting

a system of voting in which votes are allocated to candidates in order of preference

Proportional voting

a system of voting in which political parties receive a percentage of representatives according to the total vote won by the party

First-past-the-post

a system of voting in which the candidate with the most votes wins, irrespective of a majority

**EXTRA****ACTIVITY 10.5**

Collaborate – preambles to the Australian and Indian Constitutions

Separation of powers

the three independent branches of government – the legislature, the executive and the judiciary – working independently but sharing power

Separation of powers

Both Australia and India have been influenced by their practices and traditions of the English Westminster system. One practice that preserves a system of checks and balances is known as the **separation of powers**, which involves three branches of governance: the legislature (law-makers), the executive (law-implementers) and the judiciary (law interpreters).

Under this principle, the power to make and manage laws is shared in order to avoid the misuse of power.

Neither Australia nor India has an absolute separation of powers, as in both systems of government the functions of parliament and the executive branch overlap. The Prime Minister and ministers of Australia must be members of parliament, which is similar to India, where the Prime Minister and Council of Ministers are members of the lower house. In addition, all members of the judiciary branch (the High Court of Australia and the Supreme Court of India) are assigned by the Head of State: the Governor-General and the President, respectively.

Bill a proposed law
Royal Assent the last step in the process of a proposed law in parliament; signed off by the Governor-General

TABLE 10.4 Comparing the separation of powers – the executive

Australia	India
The executive in government - Consists of the Prime Minister and approximately 30 ministers – some senior and some junior. - The Prime Minister is elected by their own party, whose party has a majority in the lower house. - Ministers are appointed by the Prime Minister and are responsible for their department or portfolio and form part of the Cabinet. - The executive is the Cabinet, who deliberate on matters of policy. - The executive can be scrutinised by both houses of parliament through Question Time and Committees.	The executive in government - As per the Indian Constitution, the Council of Ministers cannot exceed 15% of the total number of lower house MPs, hence it cannot be more than 81. - The Prime Minister is appointed by the President, who is the leader of the party in majority in the lower house. - The President is seen as a constitutional head of government, while the Prime Minister is the actual head of government. - The executive can be scrutinised by both houses of parliament. - There are ministers of state and deputy ministers; however, they do not sit in the Council of Ministers.

TABLE 10.5 Comparing the separation of powers – the legislature

Australia	India
The law-making process - All laws in Australia must be debated and passed by both houses of parliament. - Proposed laws (bills) can be introduced by a minister (government bills) generally in the House of Representatives, sometimes the Senate or by a Private Member's bill. - Committees are used for further scrutiny, investigation and recommendations. - When a bill has been passed by the parliament, it receives Royal Assent (is signed into law) from the Governor-General.	The law-making process - Proposed laws are investigated via a research committee which does intensive research and makes recommendations to the government. - If accepted, the Ministry of Law and Justice drafts a bill. - The proposed bill is sent to parliament where it is discussed and debated in both houses. - When passed, the bill is presented to the President for signing into law within 72 days. - In some cases, the President can veto a bill and send it back to the parliament to reconsider. Parliament is not obliged to reconsider the bill and thus the President must give assent, or it becomes law after 14 days.

TABLE 10.6 Comparing the separation of powers – the judiciary

Australia	India
High Court - Set up by the Constitution and is completely independent of the executive and legislature. - Has the power to change the Constitution. - Can review decisions of the executive or legislature if challenged. - A dispute may arise out of legislation or a section in the Constitution. If this occurs, then an individual, a state or the Commonwealth may challenge this section in the High Court.	Supreme Court - The highest court in India and final court of appeal. - Judges are appointed by the President on the advice from the National Judicial Appointments Commission. - The court is free from government intervention in the exercise of justice and is the guardian of the Indian Constitution.

The importance of India to Australia

India is the world's largest democracy, and in April 2023 it became the world's most populous country, overtaking China when its population reached 1.425 billion people.

Comprehensive Strategic Partnership (CSP)

The Australia–India relationship was upgraded to a Comprehensive Strategic Partnership (CSP) in June 2020. It is based on mutual understanding, trust, close connections and a shared vision of a stable, open and prosperous Indo-Pacific. Through the CSP, both countries are committed to working more closely together on science and technology, maritime cooperation, trade and investment, defence ties, agriculture, education and tourism.

Source: Department of Foreign Affairs and Trade website, 'India country brief'.

**FIGURE 10.23** India's place within our region

Bilateral architecture and high-level visits

The Prime Ministers of Australia and India both attend international events such as the G20 and the East Asia Summit, and often arrange meetings with each other while there. The Australian and Indian Foreign Ministers and Defence Ministers also meet regularly.

Trade Ministers from both countries meet at Australia–India Joint Ministerial Commission, in which they discuss economic opportunities and challenges. Other ministers also have working groups, such as on energy and education.

Our bilateral architecture is complemented by regional groupings including in the Quad, Australia–India–France and Australia–India–Indonesia trilateral forums.

Economy and trade

The trade relationship between India and Australia has been growing over recent years. Trade in goods and services between the two countries, in both directions, has grown from \$13.6 billion in 2007 to \$48.4 billion in 2022. Exports from Australia to India came to \$34.8 billion, while Indian exports to Australia were valued at \$13.5 billion.

Australia-India Comprehensive Economic Cooperation Agreement (CECA)

Australia and India first launched negotiations for a Comprehensive Economic Cooperation Agreement in May 2011. There were nine negotiating rounds before both countries decided to suspend negotiations in 2016, pending the outcome of other plurilateral regional agreements.

In September 2021, Australia and India formally re-launched CECA negotiations with the intention of quickly concluding an Economic Cooperation and Trade Agreement (ECTA) to swiftly liberalise and deepen bilateral trade in goods and services, and to then use this foundation to resume negotiations on the more ambitious CECA.

ECTA was signed on 2 April 2022 and entered into force on 29 December 2022.

Negotiations have now resumed for an ambitious Comprehensive Economic Cooperation Agreement (CECA), which will build upon ECTA outcomes to capitalise on the potential for closer economic ties between Australia and India.

Source: Department of Foreign Affairs and Trade website, 'Australia-India Comprehensive Economic Cooperation Agreement (CECA)'.

Australia's largest service export to India is education, which was valued at \$4.4 billion in 2022. In August 2023, Indian students in Australia numbered 146 844, making up approximately 17 per cent of international student enrolments.



FIGURE 10.24 Australia's Prime Minister Anthony Albanese meets India's Prime Minister Narendra Modi during a joint press statement.

the Quad coordinated efforts to share vaccines. Other issues the Quad looks at include technology, infrastructure, security and disaster relief.

In addition to the Quad, Australian and Indian Foreign and Defence Ministers meet in a '2+2' format at least every two years, in order to discuss strategic issues.



FIGURE 10.25 Indian students are the second-largest source of international students in Australia.

that provides grants to businesses and academic institutions that are conducting research into cyber and critical technology. The research projects should contribute to international discourse and policy-making, as well as inspiring innovation and collaboration. AICCTP grants have been given to projects such as cloud computing, artificial intelligence, synthetic biology and big data.

The Australian Government supports Australian and Indian business partnerships through the Australia India Business Exchange (AIBX) program. This program offers insights and guidance for Australian businesses seeking to establish themselves in India. Information about AIBX is available on the Austrade website.

Strategic and security cooperation

Australia is involved in an important partnership with India, Japan and the United States, known as the Quad. This is a diplomatic network that complements our other cooperative arrangements within the Indo-Pacific region, including Association of Southeast Asian Nation (ASEAN). For example, during the COVID-19 pandemic,

Cyber and critical technology

In 2020, the Australian and Indian governments set up an arrangement to cooperate on cyber affairs and critical technology. This is known as the Australia–India Framework Arrangement on Cyber and Cyber-Enabled Critical Technologies Cooperation. Under this arrangement, the two countries agreed to work together to

‘promote and preserve an open, free, safe and secure Internet, enhance digital trade, harness critical technology opportunities and address cyber security challenges’.

Complementing this Arrangement is the Australia–India Cyber and Critical Technology Partnership (AICCTP), a fund

People-to-people links

Australians of Indian origin and Indians resident in Australia together form the fastest growing diaspora in Australia. The 2021 Census showed 673 000 Indian-born Australians, who represented 2.6 per cent of the Australian population.

India is Australia's largest source of skilled migrants and the second-largest source of international students. In May 2023, Australian Prime Minister Anthony Albanese:

- signed the Migration and Mobility Partnership Arrangement with Indian Prime Minister Narendra Modi, which seeks to improve education and business mobility between the two countries, as well as cooperation on irregular migration
- launched the Centre for Australia–India Relations, which aims to develop cultural exchange, support Australian business in the Indian market, support interchange in policy, and capitalise on the expertise of the Indian diaspora in Australia.



FIGURE 10.26 The 'Quad' alliance of Australia, India, Japan and the United States

Activity 10.8

RESEARCH



Current issues between Australia and India

1. Prepare a folio of current issues between Australia and India. You may need to look at the overseas news section of the newspaper. For each newspaper article, record:
 - the source of the article
 - a summary of the article
 - the issue being discussed
 - what is being done by Australia and India
 - how effective you believe the cooperation discussed in the article has been.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 10.6



1. State three values when forming government that Australia holds similarly to India.
2. Explain the difference between a constitutional monarchy and a republic, and identify to which Australia and India conform.
3. Indicate three differences between elections and voting details of Australia compared to India.
4. Define 'separation of powers'.
5. 'Neither Australia nor India has an absolute separation of powers.' Explain why this statement is critical.
6. Explain three differences in the law-making process between Australia and India.
7. List three areas of cooperation between Australia and India, and give one example for ONE of these.

10.7 Shaping government policy

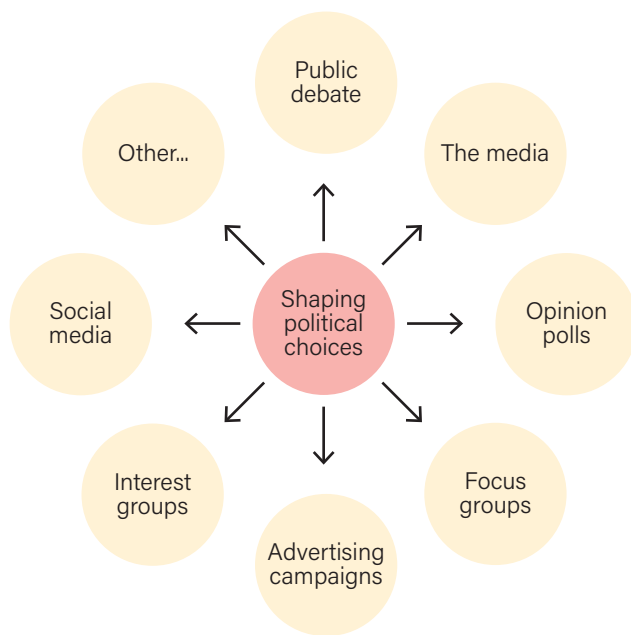


FIGURE 10.27 The influences shaping political choices and decisions

Parliaments are meant to represent the views and wishes of the people, and make laws, policies and other decisions on their behalf. Australian citizens have a right to be involved in this decision-making process, and parliament should be interested in their opinions. There are various ways by which Australian citizens and larger organisations can influence the actions and decisions made in parliament. Democracy provides citizens with many opportunities to take effective action to influence policy-makers.

Public debate

Public debate in any society is crucial to upholding democratic values. Our society works on the principle of representation, and the will of the majority. This also means that citizens need to be active in the decision-making process.

Public debate where citizens actively involve themselves in the decision-making process by putting their views forward

Australians can organise public meetings or protests to share their views. Members of Parliament may be invited to attend public meetings or protests to hear what people have to say and answer questions. Media coverage of these meetings and protests can put pressure on the Parliament to act to address the issue.

People can also start or get involved in public awareness campaigns by participating in online forums and discussions, using social media, writing a letter to the newspaper or calling talk-back radio.

Source: Parliamentary Education Office website, 'Getting involved in Parliament'.

Public debate is crucial to the democratic process. Policy and law-making should reflect the views, values and expectations of the majority in the community. Public debate assists our policy-makers in government to gain an understanding of what issues exist. Government must ensure that the community is working towards common aims, and in order to fulfil this, members of the community need the opportunity to voice their views and opinions.

The media

Free media the freedom of the media to report on political matters without undue interference from government

The hallmark of a democratic society is the notion of **free media**. This means that the media must not have any undue restrictions placed upon them. The reason free media is important for democracy is that citizens need to be able to make informed choices when voting for representatives, and holding them accountable. The media is an important source of information, commentary and opinion.



FIGURE 10.28 Newspapers in Australia have the right to publish what they wish under our right to free speech.

The right to freedom of speech relies on media that are not subjected to government interference. As part of transparency and accountability, the media is sometime referred to as the fourth arm of the separation of powers behind the executive, the legislature and the judiciary.

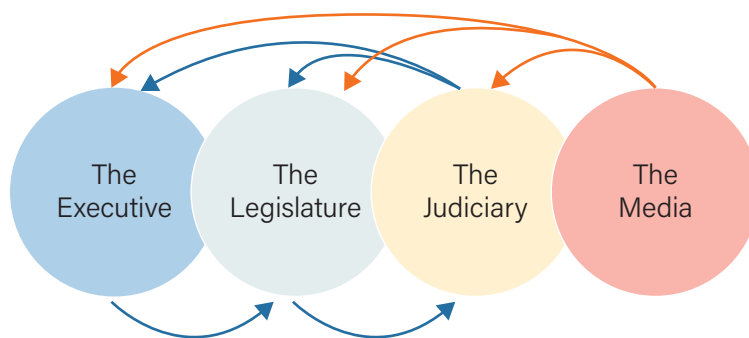


FIGURE 10.29 The checks and balances of the separation of power including the media

Activity 10.9

RESEARCH



Public debate

- Using an online news service, prepare a report on an issue that has caused a great deal of public debate, such as:
 - COVID-19 lockdowns and restrictions
 - climate change
 - vaccine mandates
 - constitutional recognition of Aboriginal and Torres Strait Islander peoples
 - cybersecurity
 - equal pay for women
 - asylum seekers
 - another issue of your choice, chosen in conjunction with your teacher.
- In your report, describe the issue, identify the key stakeholders, describe what they believed and why, and examine the role of the media in promoting this issue. To conclude, explain the government's response to the issue.

Case study 10.5



Freedom of political speech

Freedom of political communication was determined by the High Court in *Australian Capital Television Pty Ltd v The Commonwealth (No. 2)* (1992) 66 ALJR 695, also known as the *Political Advertising Case*.

The High Court found that the Australian Constitution contains an implied right to free political communication, which is necessary for the effective functioning of the representative government that is established by the Constitution.

The case concerned new Commonwealth legislation, which sought to substantially control political advertising on radio and television. In general terms, judges indicated that, as our Constitution established a system of representative government, free political communication was necessary for that system to operate properly.

This protects the rights of people to express opinions on parliamentary or political

affairs – including the political views and public conduct of people who are engaged in activities that have become the subject of political debate. It limits the ability of parliaments to restrict free political communication, rather than guaranteeing the rights of individuals.

Several cases have discussed the extent of this right; however, in *Lange v Australian Broadcasting Corporation* (1997) 189 CLR 520, the High Court decided that the implied right to freedom of political communication was required by sections 7, 24, 64 and 128, and other related sections of the Constitution. There is no absolute right to freedom of communication, only a right in regard to matters that can be described as 'political communications.'

1. What is meant by the term 'political communication'?
2. Discuss the impact of the *Political Advertising Case* on the ability of the media to remain free. How do you think this case promotes democratic government?

Opinion poll a snapshot of the views of voters on a specific issue or political party

Opinion polls

An **opinion poll** is a snapshot of what voters think on a specific issue or political party, and these undoubtedly influence politicians.



FIGURE 10.30 Opinion polls may reflect the views of the voters with regard to political issues and party preferences.

Many opinion polls are published during a government's term, and these increase in frequency during an election campaign. It is suggested that when voters see or hear the results, many Australian citizens could believe that their fellow punters are equally split, at least in terms of their voting intentions.

The impact of political opinion polls on the everyday voter is complex. There are a number of factors that can play a part.

The first is known as 'the bandwagon effect'. This is where people vote for the party they believe will win the election. If the trends in social media suggest that an election has already been won, the bandwagon effect is greater still.

The second, which is more recent, is the use of sports betting to predict election results. The psychology of betting can be compared with the psychology of the election. The trends in sports betting, though, have heightened this psychology further by declaring the winners of an election before the election is even held. Therefore, political opinion polls will not always be a true reflection of broader public opinion. This is not to say that political opinion polls have no effect on voter intentions, or on those who attempt to influence the outcome of an election, such as bet365 or Sportsbet.

Activity 10.10

RESEARCH



Opinion polls

Find an example of a recent opinion poll in the media. You may need to look at the political news section. Answer the following questions:

1. Explain the topic of the poll.
2. Draw up a column graph of the results of the poll.
3. Discuss the reasons for the results of the poll.
4. To what extent do you agree with the results? Explain your views.
5. Discuss the extent to which the 'bandwagon effect' or sports betting agencies can impact an election. As part of your answer, explain the importance of opinion polls in determining government.

Focus groups

In recent times, the power of focus groups has become very important in analysing government policies, decisions or issues to tackle. A focus group is a small group discussion between 8 to 12 people with a trained moderator or professional leader.

Generally, a focus group provides an opportunity for governments or policy-makers to understand the perspectives of undecided voters, and to understand their individual views.

By allowing an individual (or undecided voter) to express their view, it allows government or policy-makers an opportunity to make adjustments to their decisions. Generally, individuals are usually drawn from different parts of a community or an electorate to gain their views.

With the use of a skilled moderator, focus groups can be asked about the issues that are of most concern, or they can be asked to rate what they care for the most from a list. Uncovering what a group collectively feel or believe can assist with better decisions or preferred options for addressing the highlighted issues.

Benefits

- Establishes an understanding of what the community or individuals from an electorate believe as they interact with each other
- Highlights the reasoning behind decisions, views, or beliefs, and allows for better, more effective decision-making
- Provides a community or individuals with a voice to government decisions or policies

Limitations

- Sometimes small groups may not be characteristic of the community or an electorate
- Some decisions and policies need greater discussion than a focus group, and their rationale may be lost
- Requires an independent trained mediator, as one participant's views can sway the group's views



FIGURE 10.31 Focus group in action discussing political issues



Activity 10.11

COLLABORATE

Focus groups

1. Explain what you think is the greatest benefit and limitation of focus groups.
2. Set up a survey and ask your classmates to tell you what they think about a current issue such as climate change, equal pay for women, asylum seekers, or any other current issue.
3. Summarise and analyse your findings. Did they highlight any unexpected views?

Government advertising campaigns

The government is able to 'use advertising campaigns designed to inform, educate, motivate or change behaviour'. The government must follow a number of principles when advertising its policies.

Australian Government Guidelines on Information and Advertising Campaigns

Entities subject to the Guidelines must be able to demonstrate compliance with the five overarching principles when planning, developing and implementing publicly-funded information and advertising campaigns. The principles require that campaigns are:

- relevant to government responsibilities
- presented in an objective, fair and accessible manner
- objective and not directed at promoting party political interests
- justified and undertaken in an efficient, effective and relevant manner, and
- compliant with legal requirements and procurement policies and procedures.

Source: Commonwealth of Australia, Australian Government Guidelines on Information and Advertising Campaigns by non-corporate Commonwealth entities, 2022.

Activity 10.12**RESEARCH****Government advertising**

Find a current government advertisement such as Australia Day, ANZAC Day. Apply the government guidelines and illustrate how they apply.

Interest groups

Interest groups attempt to exert pressure on governments or in the political debate. They can do this through face-to-face access to ministers or through advertising their position to influence public opinion. This is particularly effective during election campaigns. The methods that interest groups use to influence government include:

- hiring lobbyists
- running campaigns during elections to put pressure on the major political parties
- networking and gaining access to ministers or senior public servants by running publicity campaigns
- using their expertise in a particular area to garner community support on matters of policy
- using oppositional or protest power to pressure governments by disrupting the public
- interacting with the media
- galvanising members via non-traditional means such as social media to pressure parliament.

Interest groups have become far more sophisticated at finding ways to influence governments. However, they tread a fine line, as interest groups may not be successful if their views are too radical. Sometimes the methods and strategies used may harm their approach, which leads to a lack of public support. In recent times, interest groups have used lobbying as a way to promote their interests.

Interest group an organised group of people who share interests in common

Activity 10.13**COLLABORATE****Interest groups**

Interest groups can use many methods to influence government. In pairs, copy the following table in your notes and discuss the strategies used by various interest groups.

Strategy	Identify a current example of an interest group attempting to influence government	Discuss the effectiveness of the influence by the interest group on government
Hiring lobbyists or a spokesperson		
Running campaigns or advertisements during elections		
Networking with ministers or public servants		
Publicity campaigns to highlight an issue		
Using expertise or research to garner community support		
Using demonstrations or protest power		
Media releases or interacting with the press		
Using a range of social media platforms		



EXTRA
ACTIVITY 10.6

Research – GetUp!

Social media

Social media online applications that enable users to share views, opinions and social networking

Social media include many platforms such as Facebook, WhatsApp, TikTok, Instagram and X (formerly Twitter). These forms of communication provide citizens with up-to-date information on current events. They provide an opportunity for active citizenship – in other words, sharing views and opinions about issues that affect people directly, as well as forming groups and networks to influence government.



FIGURE 10.32 Many interest groups use social media platforms.

The use of social media in political campaigns is now an important part of the way political parties influence how people think about issues. Political parties and candidates regularly post their views on social media platforms. Each leader and political party has its own social media accounts, and provides content on a range of platforms.

The internet, social media and politics have collided in some interesting ways over the last few years. Nowadays politicians, candidates or newcomers can speak directly to voters on policy to their views on issues of the day, without the filter of the media. Some countries around the world have trialled the idea of online voting. Imagine a situation whereby,

prior to casting their vote, a voter has access to their social media account and is bombarded with views and opinions online prior to voting.

Reaching a wider audience

Political reporting from newspapers or television is free and generally reaches a wide mainstream audience. However, what gets coverage tends to be dictated by editors. In some cases, political parties and candidates will take out paid advertising to promote a specific message or policy position. This can be expensive to mount a campaign for four to six weeks.

However, setting up a social media account does not require a great deal of money or resources.

A number of platforms provide candidates with a platform to communicate with their followers and inform them about their ideas or policies for the future, and what they hope to achieve, if elected. However, more importantly, social media provides an opportunity for candidates to provide people with a human touch, such as a snapshot of who they are, what they stand for, their likes and who they barrack for in the AFL.

The 24-hour news cycle

One of the ways in which social media have influenced politics is through the 24-hour news cycle. Prior to the advent of social media and the internet, members of the community consumed political issues in traditional ways, such as printed newspapers, TV news services or talkback radio, all of which discussed events that had happened over the past 24 to 48 hours. However, with the use of social media and online news services, people can consume news and political issues as they break, anytime, anywhere, in real time. There is no need to wait, and this provides political organisations with trending news stories and opinions.



FIGURE 10.33 The rise of social media has influenced the 24-hour news cycle.

Targeting your audience

Members of parliament use social media to target their message to a specific audience within an electorate. This is done to great effect by Google, Facebook and their competitors. A great deal of data is collected, which can lead to the personalisation of messages. This is known as ‘internet of you’ – that is, technology tailored to you personally, with your own data driving the experience. Members of parliament use their social media accounts to target messages to specific audiences. For example, if a politician wants to be re-elected and there are issues of crime against the elderly, then they will target the older audience. In this case, it seems that the parliamentarian is talking directly to the affected individuals.

Polls, polls and more online polls

Polls, polls and more polls. Not only do the media report on opinion polls, they now report on online polls from a range of social media platforms. These polls have increased in number due to the ease of collating a multitude of opinion polls on any issue, at any time. As we saw earlier in this chapter, opinion polls can impact an election through the bandwagon effect or sports betting odds. The effect of political opinion polls on voters is a complex matter; however, they do place pressure on candidates to respond to polling and their results, favourable or otherwise. Social media has made it much easier to poll opinions quickly and accurately.

Direct contact with members of parliament

Before social media, Australians used methods such as writing to or visiting a member of parliament, when they were in their office, to discuss particular subjects (such as asylum seekers, COVID-19 restrictions and lockdowns or any other issue trending at the time). Contact details of members of parliament are available on the Parliament House website. However, social media has made contact with politicians far more accessible. Many of these members of parliament have a social media presence such as a Facebook page or X account, and respond quickly to the concerns of their constituents. On some occasions, voters are able to attend online streaming events where they can interact with the politicians and answers are virtually instant.

Fake news: the first casualty of an election campaign is the truth

Fake news the sharing of views, opinions, rumours and gossip in the guise of genuine news on social media

It is often stated that ‘the first casualty of war is truth’. This also applies to the use of social media in an election campaign. In some cases, it can now be stated that ‘the first casualty of an election campaign is the truth’. This is mainly due to the proliferation of what has been termed **fake news**. Stories in an election campaign can take hold like a bushfire. True or not true, social media can spread this story through many platforms. Unfortunately, social media can make the distinction between truth or rumour very confusing, and in some cases almost impossible. Social media rely on the links between people. For example, if a reader receives a post from a friend or colleague that they trust, there is an assumed expectation that it must be true.

Organisations also use the fake news strategy to mislead readers or to place pressure on a member of parliament to respond to a particular story or policy position. In this case, they can then attack the position stated or mount a defence. This in turn places greater pressure on the politician to respond carefully.

Groupthink

The friends you have on social media platforms most likely share a number of common factors and views. When an opinion is shared, it is not unreasonable to expect that a high majority of the people on that site will agree with the view expressed. In terms of politics, we tend to follow people, groups or parties with which we agree, therefore reinforcing our view. In this case, social media can give the impression that we all think the same way. In terms of controversial political issues, social media can make it difficult for people to express an alternative viewpoint. Can you remember the social media exchanges that occurred on the issue of the Victorian Government lockdowns due to coronavirus?

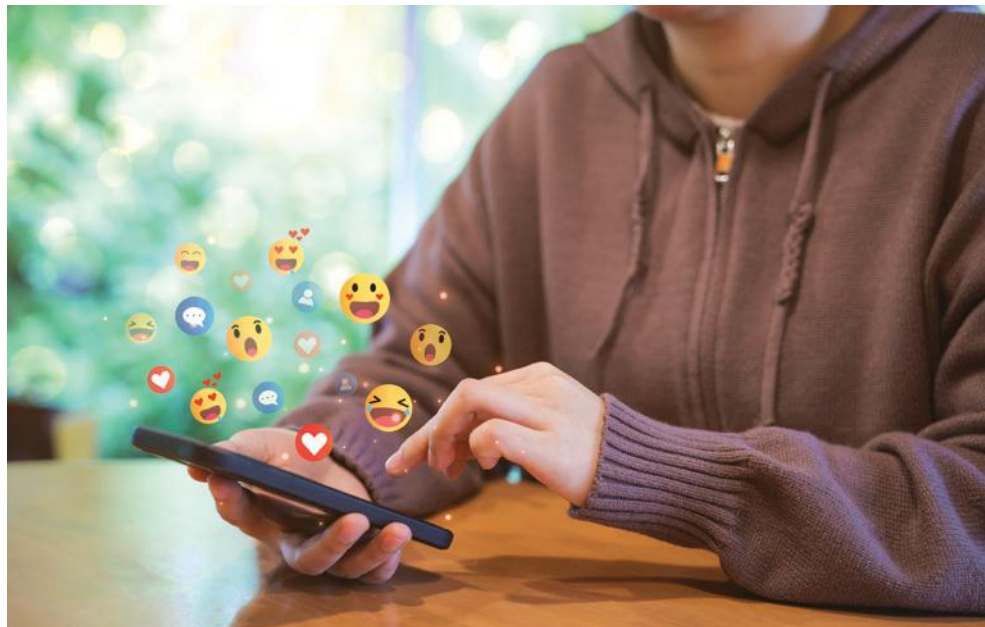


FIGURE 10.34 The friends you have on social media platforms probably share a lot of your views.

Activity 10.14**RESEARCH****Government policy**

- Choose a current government policy such as:
 - Climate change and the environment
 - Digital technology, public data and cybersecurity
 - Economic security for women, women's safety
 - Energy, nuclear power
 - Family violence reform, criminal justice
 - First Nations peoples' recognition in the Australian Constitution
 - Immigration, asylum seekers, citizenship
 - National COVID-19 coordination
 - National recovery and disaster resilience
 - National Disability Insurance Scheme (NDIS)
 - Paid parental leave and childcare funding
 - Public or private education
 - Public or private health
 or another important government policy.
- Using a range of digital resources, prepare a three-column table that discusses the development of one of the government policies in Question 1.
 - In one column, identify the influence on the government policy.
 - The next column should provide an example of this influence.
 - The last column should provide the benefit or positive impact of this policy on the Australian people.

**EXTRA
ACTIVITY 10.7**

Research –
influences on
government policy

*Complete the automarked quiz in the Interactive Textbook,
and answer the Review questions on paper or in the Interactive Textbook.*

**Review 10.7**

- Explain the importance of opinion polls in determining policy or even government.
- Describe the bandwagon effect.
- What role can sports betting play in predicting an election?
- State two reasons why public debate is crucial to the democratic process.
- What is the notion of free media?
- Describe the bandwagon effect as a factor on the impact of opinion polls.
- Define the term 'interest group'.
- Name three methods that interest groups use to influence government.
- 'The government is able to use advertising campaigns designed to inform, educate, motivate and change behaviour.' However, the government must follow a number of guidelines when advertising its policies. Name three of these.
- How has the 24-hour news cycle changed the way we consume news and political issues?
- Provide an explanation for the way social media can target individual audiences.
- How do social media platforms provide direct contact to members of parliament?
- Define 'fake news' and discuss its impact on politics in Australia.



Consolidate your learning

Different political systems

- The ancient Greeks were the first to establish a system of participatory democracy. This system of government has become very popular around the world; however, it is not the only system that governs the lives of people. Find out more about different political systems. Using text or web-based resources, explain the following terms and provide examples.

Type of government	Explain this type of government	Countries that use this style of government
Autocracy		
Communism		
Constitutional monarchy		
Despotism		
Dictatorship		
Junta		
Military regime		
Monarchy		
Oligarchy		
Republic		
Socialism		
Theocracy		
Totalitarian		
Other ...		

- Choose two countries from the third column of the table you completed in Question 1. Using your own knowledge and additional research, compare and contrast the key concepts of government in Australia with those of the two countries to complete the following table.

	Australia	Country 1	Country 2
Strategies on representing the views of the people			
Political representation, such as political parties, an opposition			
Constitution			
Decision-making, such as parliamentary majority			
Checks and balances, such as bicameralism, separation of powers			

3. Fill out the following table, which outlines the civic knowledge required to understand our system.

Political system	Australia
What is the full title of our Constitution?	
When did Australia become a nation?	
How many levels of government exist in Australia? Name them.	
Name the three arms of government.	
What is the role of the Federal Parliament?	
How many politicians make up the Federal Parliament? Clue: Upper House + Lower House = Total	
Identify the head of state.	
Who is the Governor-General?	
Other than Royal Assent, name two functions of the Governor-General?	
What is the upper house of the Federal Parliament called?	
How many members are elected to the upper house?	
What electoral system does the upper house of the Federal Parliament use?	
For how many years is an upper house politician elected to parliament?	
What is the lower house of the Federal Parliament called?	
How many members are elected to the lower house?	
What electoral system does the lower house of the Federal Parliament use?	
For how many years is a lower house politician elected to parliament?	
What electorate do you live in?	
Who is your local member of the Federal Parliament?	
Name the Prime Minister.	
What is the National Cabinet?	
Describe the role of the National Cabinet.	
What is the local council called in your area?	
What is the local council responsible for, and what types of laws can it make? Provide three examples.	
Name the highest court in our country and state how many judges sit in this court?	
Name the last three Prime Ministers in chronological order.	

Chapter 11

Law and citizens: law, courts and justice

FIGURE 11.1 Lady Justice symbolises law, order and justice

This chapter explores the key features of Australia's court system, including the jurisdictions of the courts and the operation of tribunals. It examines the role of the courts in applying and interpreting laws, resolving disputes and making law through judgments. It also investigates the role of the High Court in interpreting the Australian Constitution and protecting rights. Emphasis is placed on the key principles of the Australian justice system: fairness, equality and access. Throughout this chapter, we investigate contemporary issues and examine recent cases.

First Nations readers are advised that this chapter contains images and names of deceased persons.



This chapter contains some content applicable to levels 7&8. The relevant sections are marked with an icon and can be used if the material was not studied in levels 7&8 or as background for levels 9&10.



11.1 Key features of Australia's court system

The courts perform two essential functions in the community:

- they deal with wrongdoers
- they provide a means of resolving disputes between individuals.

Decisions made by the courts are final.

Court hierarchy

The system of courts is organised as a **hierarchy**, or a ranking in order. Courts are ranked according to the types of cases they hear and determine. Some courts operate at a Federal level. These courts hear cases throughout Australia. Some courts operate at a State level. These courts only hear matters relating to a particular State.

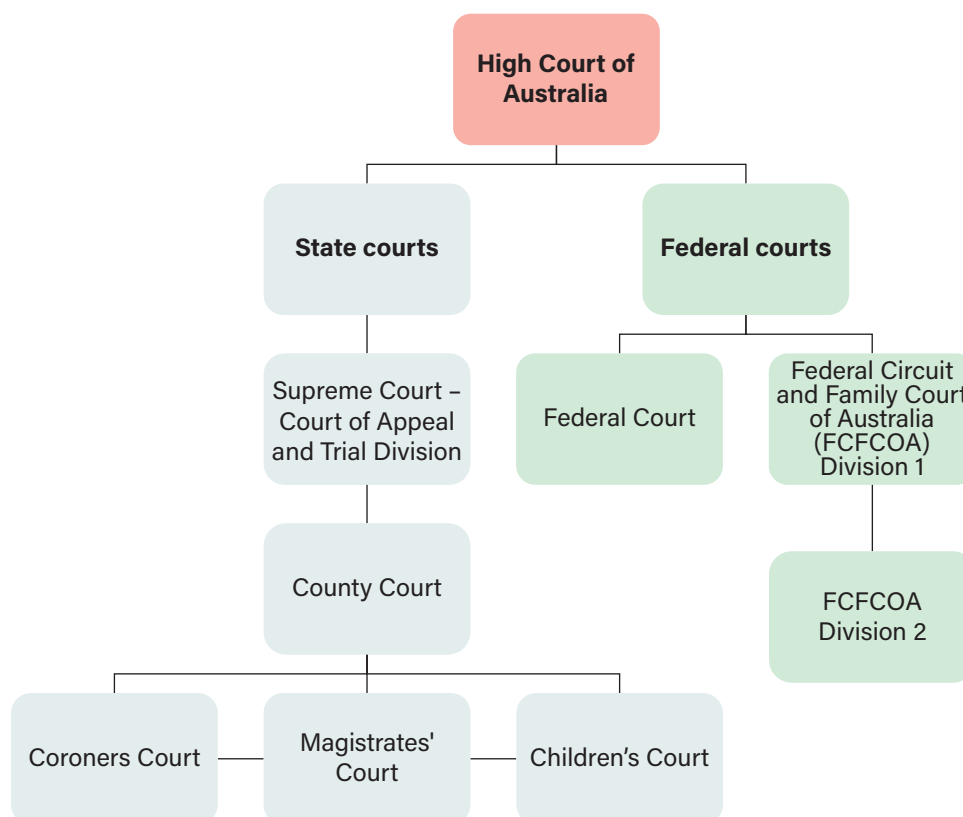


FIGURE 11.2 Court hierarchy

Organising our courts in a hierarchy has a number of advantages, including:

- **Appeals.** **Appeals** provide for higher courts to review the decisions made by lower courts. A system of appeals is essential to the concept of natural justice and fairness. A system of appeals could not exist without a court hierarchy.
- **Precedent.** A hierarchy of courts is essential to the operation of the **doctrine of precedent**. By referring to past decisions as a guide to determining what the law should be, courts provide consistency. The operation of the doctrine of precedent is discussed in more detail in section 11.7.
- **Specialisation.** Courts can develop special processes and procedures to deal with specific types of disputes. For instance, the Children's Court uses procedures that take into account the age of the children with whom it is dealing. Having specialist courts also allows judges and magistrates to develop expertise in dealing with specific types of disputes.

Hierarchy a ranking in order

Appeals when a higher court reviews the decision of a lower court

Doctrine of precedent a principle where judges follow previous rulings of judges in higher courts where a case has similar facts or issues

- **Administrative convenience.** A hierarchy of courts provides for an administrative structure that allows cases of a similar nature to be heard by a particular court. This allows for the effective allocation of appropriate resources and personnel.

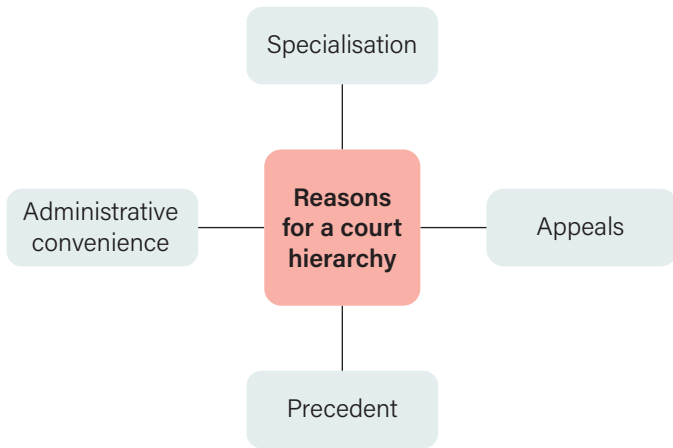


FIGURE 11.3 Reasons for a court hierarchy

Court jurisdictions

The power of a court to hear and determine a case is known as the court's **jurisdiction**. Each court within the hierarchy has its own jurisdiction. A court can be described as having original and/or appellate jurisdiction:

- **Original jurisdiction.** The court has the power to hear and determine a case in the first instance – that is, the case has not been heard and determined in another court.
- **Appellate jurisdiction.** Some courts also have an appellate jurisdiction. This means that they have the power to review a decision made in a case by another court in the same hierarchy.

Jurisdiction the right, power or authority to administer justice by hearing and determining disputes

Summary offences minor offences heard by a magistrate

Indictable offences serious offences that are heard before a judge and jury

Defendant a person against whom either a criminal or civil matter is taken to court; someone charged with a criminal offence in a court

Prosecution the party (Crown) that brings a legal action in court against the person accused of a crime

There are two main types of law: criminal law and civil law. Courts can also be described as having either criminal or civil jurisdiction:

- **Criminal jurisdiction.** Criminal jurisdiction is the power of a court to hear and determine a criminal case.
- **Civil jurisdiction.** Civil jurisdiction is the power of a court to hear and determine a civil matter.

Criminal law

Criminal law is concerned with cases in which a person has committed an offence against the wellbeing of the community. It includes offences against:

- **the state**, such as treason or sabotage
- **a person**, such as murder or assault
- **property**, such as theft or damage
- **public order**, such as traffic offences and abusive language.

Criminal offences are classified according to the seriousness of the offence. Less serious offences are referred to as **summary offences**. They include offences relating to public order, speeding offences and jaywalking. The more serious offences are referred to as **indictable offences**. These are the more serious crimes that are heard before a judge and jury. Indictable offences include theft and homicide.

To prosecute someone is to accuse them of a crime and take them to court in order for the court to determine their guilt or innocence. A person being prosecuted for a criminal offence in court is known as the **defendant** or accused. People accused of committing a crime are considered to be innocent until proven guilty. This means that it is up to the **prosecution** to prove that the accused is guilty.

Case study 11.1



Senseless deaths lead to coward punch laws

It is called the coward's punch or the king hit: death caused by one unprovoked punch to the head.

There have been numerous cases of death caused by a punch to the head. Many have shocked the community, such as the death of 22-year-old David Cassai in Rye in 2012. In an unprovoked attack, 18-year-old Dylan Closter hit Cassai on the side of the head. This knocked Cassai to the ground, fracturing his skull. He died later that day from brain injury. Closter was sentenced to nine years and three months jail.

Justice Elizabeth Hollingworth said:

'You repeatedly chased after him, trying to punch him, even though he and his friends were trying to back away from you and defuse the situation.'

Cassai's death led to State Parliament passing the *Sentencing Amendment (Coward's Punch Manslaughter and Other Matters) Act 2014* (Vic), which ensures that adult offenders who cause death by inflicting a coward's punch or in circumstances of gross gang violence will go to jail for at least 10 years.

The law states that a single punch or strike that leads to the victim's death is to be taken to be a dangerous act if the death is caused either directly by the punch, or indirectly, as was the case with David Cassai.

Patrick Esmaili became the first person to receive a mandatory 10-year jail sentence under the new laws when he fatally punched Melbourne heart surgeon, Patrick Pritzwald-Stegmann, 41, in 2016.

Stegmann was knocked unconscious when Esmaili struck the surgeon with a single punch over an argument about smoking near the entrance of the Box Hill Hospital. Stegmann fell to the floor, hitting his head and causing catastrophic brain injury. His life support was switched off a month later. Esmaili was sentenced to 10 years and six months jail.

In March 2020, the Court of Appeal rejected Esmaili's attempt to appeal his sentence. The Court stated:

'[You] ... unleashed the dreadful blow suddenly and without any warning, at a time when Mr Pritzwald-Stegmann had his arms by his side, and in circumstances where he had no chance of defending himself.'

A 2019 report led by Jennifer Schumann of the Monash University Institute of Forensic Medicine found that despite community awareness, one-punch offences keep occurring although these deaths are completely preventable. The report found that 127 people were killed by a coward's punch in Victoria between 2000 and 2016. Ninety-four per cent of victims were male with an average age of 37 years, with 73 per cent of fatalities involving alcohol.

1. The media started using the term 'coward's punch' rather than 'king hit' when describing these situations. Why do you think they did this?
2. Identify the two situations covered by the *Sentencing Amendment (Coward's Punch Manslaughter and Other Matters) Act 2014* (Vic).

Civil law

Civil law is concerned with cases in which there is a dispute between two private individuals. (For the purpose of the law, a corporation or a company is considered to be an individual.) The courts hear civil cases in order to determine the rights of individuals and to settle the dispute. Examples of civil cases include:

- ownership of property
- **contracts** or other legally binding agreements
- divorce.

Contract a legally binding agreement

Tort a civil wrong | An important area of civil law is known as **torts**. Tort is a French word meaning 'civil wrong'. A tort is a wrongful act committed by one individual against another. Examples of torts include:

- **negligence** – failing to take adequate care that your acts or omissions (failures to act) do not adversely affect another person
- **nuisance** – causing an obstruction, inconvenience or damage to property
- **defamation** – harming a person's reputation
- **trespass** – entering another person's property without permission, handling another person's possessions without permission, threatening to attack or harm a person (this is also known as a civil law assault).

Case study 11.2



Rebel Wilson defamation case

In 2017, film actor Rebel Wilson won a major defamation case against international media company Bauer Media.

Ms Wilson alleged that eight articles – published in *Woman's Day*, *Australian Women's Weekly*, *New Weekly* and *OK!* – claimed she was a serial liar about her name, age and childhood in order to make it to Hollywood. She further claimed that the articles resulted in her failing to get several

lead roles, as well as being sacked from two films, *Kung Fu Panda 3* and *Trolls*.

A six-woman jury spent two days deliberating, during which they considered 40 questions about the articles. The jury found that the eight articles portrayed Wilson as a serial liar, that each article was substantially untrue and that Wilson had suffered serious harm because of their publication.



FIGURE 11.4 Actor and comedian Rebel Wilson with her legal team

Case study 11.2 *continued*

Justice Dixon concluded that a large award of damages was necessary to vindicate Ms Wilson: Only a substantial sum in damages could convince the public that Ms Wilson is not a dishonest person and bring home the gravity of the reputational injury established before the jury. In the full media glare, Bauer Media's defence of this case attempted to characterise its articles as true or as trivial or not likely to be taken seriously. Unless substantial damages are awarded there is a real risk that the public will not be convinced of the seriousness of the defamation, but will rather wrongly conclude that the articles were trivial or not that serious. The jury comprehensively rejected the defences and only a substantial damages award can now vindicate the plaintiff.

Justice Dixon found that the conduct of the defendant in the circumstances of the publication entitled Ms Wilson to an award of aggravated damages. For that reason, the cap on general damages in defamation proceedings (currently \$389 500) imposed by the *Defamation Act 2005* (Vic) did not apply.

Source: Supreme Court of Victoria (2017).

She was awarded \$4 567 472 in damages, reportedly four times the previous record for an Australian defamation case at the time. Ms Wilson said she would donate the money to the Australian film industry and to various charities. However, the case was appealed, and in June of 2018, the Victorian Court of Appeal set aside the decision as it found 'there was no basis in the

evidence for making any award of damages for economic loss.' It also found that Justice Dixon had made a number of 'critical inferences' in regards to the trajectory of Ms Wilson's career that 'could not be upheld.'

1. Outline the facts of this case.
2. Explain why such a large amount of damages was awarded.

Activity 11.1**CREATE****Legal terms**

1. Prepare a poster or other visual display that presents terms you can think of that are used when describing criminal offences and civil matters.
2. On your display:
 - include a definition for each of these terms
 - indicate any terms that are used in both criminal and civil cases.

**EXTRA
ACTIVITY 11.1**

Research – create a folio

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 11.1**

1. What is the difference between a summary offence and an indictable offence?
2. What is a court hierarchy? Why would courts be arranged in a hierarchy?
3. What is the difference between original jurisdiction and appellate jurisdiction?
4. List the differences between criminal law and civil law. Are there any similarities between the two areas of law?

11.2 Victorian state courts

Courts in the Victorian court hierarchy include the Magistrates' Court, the County Court and the Supreme Court (including the Supreme Court – Court of Appeal). Specialist courts have also been established to deal with specific types of cases such as the Children's Court and the Coroners Court.



FIGURE 11.5 The Magistrates' Court of Victoria

The Magistrates' Court

The Magistrates' Court hears relatively minor cases. In criminal matters, this court deals with minor or summary offences. In civil matters, it deals with most disputes over money up to the value of \$100 000.

Criminal jurisdiction

The criminal jurisdiction of the Magistrates' Court of Victoria hears and determines all summary offences and some indictable offences. Summary offences are offences of a less-serious nature, such as traffic offences, property damage and offensive behaviour.

The Magistrates' Court also conducts **committal hearings** in relation to indictable offences. A committal hearing is held to determine whether there is sufficient evidence against the

accused person charged with a serious criminal offence to stand trial in a higher court. If a magistrate is satisfied that there is sufficient evidence, the accused will be committed to a hearing of the charges in the County Court or Supreme Court. If a magistrate decides there is not enough evidence, the accused will be discharged.

Some indictable offences may be heard and determined by a magistrate with the accused's consent. This process is known as 'indictable offences heard summarily'. Indictable offences that can be heard summarily are listed in section 28 *Criminal Procedure Act 2009* (Vic) and include burglary and theft where the amount does not exceed \$100 000. Not all indictable offences can be heard summarily. For example, the indictable offences of murder and rape must be heard in a higher court.

Bail applications

The Magistrates' Court hears **bail** applications. Bail is the conditional release from **custody** of a person charged with an offence. It is on the undertaking that the accused will appear in court on a date set. Conditions such as reporting regularly to a police station or surrendering a passport can be placed on the accused to ensure that they do appear in court or do not constitute a risk to the community.

Bail can be refused if there is an unacceptable risk – for example, if the accused will not appear in court, will commit further offences while in the community, interfere with witnesses in their case or endanger the safety and welfare of any person. If a person is not granted bail, they will be held on **remand** in custody.

Committal hearing a hearing to determine whether there is sufficient evidence against an accused person charged with a serious criminal offence to have them stand trial in a higher court

Bail to allow a person charged with a criminal offence to be released from police custody until the trial starts

Custody legal authority to control, detain or care for a person

Remand when a person is held in custody awaiting trial

The granting of bail is consistent with the concept of being innocent until proven guilty. A person who has been charged with an offence is not guilty until found guilty by a court. They are therefore entitled to their liberty unless there is a good reason not to release them. Bail applications can be heard by the Magistrates' Court or, in some circumstances, by the officer in charge of a police station or a bail justice.

Civil jurisdiction

The civil jurisdiction of the Magistrates' Court is determined by the monetary value of the case. The Magistrates' Court will hear civil matters up to the value of \$100 000. Note that juries are not used in the Magistrates' Court. Civil matters heard by the Magistrates' Court include claims for debts, breach of contract, damage to property, fencing disputes and claims for compensation for workplace injuries.

Recidivism reoffending, when a person relapses into criminal behaviour

Case study 11.3

Victoria's Drug Court

Victoria's Drug Court – a division of the Magistrates' Court – is designed to keep people out of prison and to break the cycle of crime. It focuses on rehabilitation of offenders with a drug and/or alcohol dependency by addressing the underlying factors that contribute to offending and assist them to reintegrate into the community.

The operation of the Drug Court is straightforward: drug users who have committed non-violent crimes can opt for an intensive treatment program if they plead guilty. The treatment order, which is the responsibility of the Drug Court Magistrate, has conditions attached. If the conditions are broken, the order results in sanctions or a cancellation of the order, leading to a prison term.

The court's process starts with a screening to determine the offender's suitability to participate in the Drug and Alcohol Treatment Order (DATO). There are two components to a DATO: a custodial sentence of no more than two years, completed in the community; and drug and/or alcohol treatment supervision.

The court suspends the custodial sentence while the offender undertakes a rehabilitation program which has been specifically designed for the offender. This program will include drug testing three times a week, with separate testing for alcohol, for the duration of the person's original sentence. Participants must also meet individual requirements such as weekly meetings with counsellors and attend any employment or vocational training.



FIGURE 11.6 The Drug Court of Victoria focuses on the rehabilitation of an offender.

The Drug Court was first established as part of the Dandenong Magistrates' Court in 2002, and was so successful in reducing **recidivism** that it expanded to the Melbourne Magistrates' Court in 2017. Legislation introduced in 2020 has now expanded the Drug Court to Shepparton and Ballarat Magistrates' courts, as well as to the County Court (where participants are sentenced to four years jail or less).

One way to measure the success of the Drug Court is to examine the rate of reoffending. According to the Victorian Alcohol and Drug Association, people who complete drug treatment orders have a recidivism rate of 25 per cent lower than other drug offenders. People are twice as likely to be in full-time employment after completing drug treatment orders.

Case study 11.3 *continued*

One program offered within the Family Division of the Children's Court is the Family Drug Treatment Court (FDTC). This began at the Broadmeadows Children's Court, and was also taken up by the Shepparton Children's Court. It aims to help defendants who are parents to stop using drugs and alcohol, and to promote family reunification. The court is chaired by a Children's Court magistrate and is supported by a multi-disciplinary team. Upon being assessed as suitable for the FDTC, parents must attend court as required, be drug tested up to three times a week, attend treatment appointments that may include residential rehabilitation programs, and play their role in a Family Recovery Plan.

The program involves working with various agencies providing services, such as accommodation, drug and alcohol counselling, mental health counselling and parenting programs. Evaluations of the FDTC have found that participants are between 1.6 and 2.6 times more likely to be reunited with their children compared to those who go through the mainstream courts. It has also been found that FDTC outcomes are more sustainable than those within the mainstream court system.

1. The Drug Court focuses on the rehabilitation of the offender. What is the meaning of rehabilitation?
2. How does the Drug Court focus on the rehabilitation of an offender with a drug and/or alcohol dependency?
3. Explain how the Drug Court functions as part of the Magistrates' Court.
4. What evidence is presented in the case study to indicate that the Drug Court process is successful?
5. In each of the following situations, identify whether the offender would be able to appear before the Drug Court. Give your reasons.
 - a. Suzie has been charged with theft. She will plead not guilty.
 - b. Adam has pleaded guilty to damaging property. He has had an alcohol problem since secondary school and drinks heavily on a daily basis.
 - c. Mason was high on ice when he king-hit someone outside a pub. The victim later died in hospital.
6. How has the Drug Court process been adapted for use in the Children's Court?

**VIDEO 11.1**

Criminal case scenario introduction (02:10)

**EXTRA CASE STUDY 11.1**

County Court
Victoria – criminal case

County Court

The County Court has both a criminal and a civil jurisdiction. It also has the power to hear appeals.

Criminal jurisdiction

The County Court hears the more serious criminal matters, but not the most serious offences such as murder, which are heard in the Supreme Court. The County Court is presided over by a judge. Juries may also be used when the defendant pleads not guilty. A jury in a criminal case has to decide the guilt or innocence of the defendant.

Extra Case Study 11.1, available in the Interactive Textbook, will walk you through a County Court criminal case involving dangerous driving causing death. Video 11.1 is an introduction to this case: there are further videos available in the Interactive Textbook.

Civil jurisdiction

The County Court can hear civil cases involving unlimited amounts of money. In civil matters, a jury will be used if one of the parties requests it. In a civil matter, the jury must decide who is liable and/or the level of damages to be awarded. (In defamation cases, juries cannot determine the level of damages.)

Appellate jurisdiction

The County Court also hears appeals against conviction or sentence (severity or leniency) in criminal matters that were heard in the Magistrates' Court.



FIGURE 11.7 The County Court of Victoria

Supreme Court

The Supreme Court is divided into a Trial Division and a Court of Appeal. The Supreme Court is the highest Victorian court and the decisions of the Supreme Court can only be reviewed by the High Court of Australia.

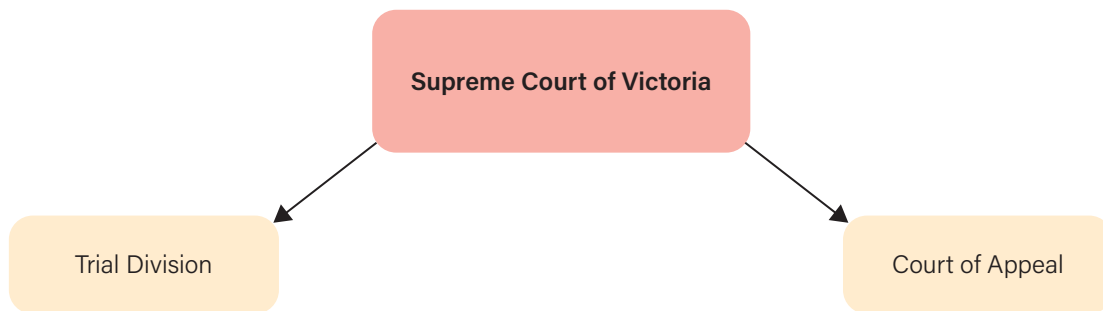


FIGURE 11.8 The Supreme Court of Victoria has two divisions

Trial Division

The Supreme Court – Trial Division has both a criminal and a civil jurisdiction. The criminal jurisdiction of the Trial Division is to hear the most serious criminal cases such as murder and attempted murder. A judge and jury hear all cases in which the defendant pleads not guilty. The jury will make the final decision regarding guilt or innocence and the judge will determine the sanction. The civil jurisdiction of the Trial Division includes civil actions for unlimited amounts or involving complex legal issues. The Trial Division can also hear appeals from the Magistrates' Court on a point of law.

Court of Appeal

The Supreme Court – Court of Appeal hears appeals from the County Court or the Supreme Court – Trial Division in both criminal cases and civil matters. Three judges (known as 'judges of appeal') usually hear appeal cases. If an appeal is successful, the Court of Appeal may:

- order a retrial of the case
- change the decision (such as reducing or increasing a sentence).

Alternatively, the Court of Appeal may decide that there has not been an error made by the earlier court and uphold the decision of the earlier court.



Activity 11.2

RESEARCH

Folio of cases

1. Collect six articles about cases heard in the Magistrates' Court, Supreme Court and/or County Court. The articles can be from the newspaper or online. Include the source and date of each article.
2. For each case, discuss:
 - a. the facts of the case
 - b. whether the case is criminal or civil
 - c. the court involved and the jurisdiction of that court
 - d. the outcome of the case.

State courts with special functions

In addition to the Magistrates' Court, County Court and Supreme Court, specialist courts have evolved to deal with specific matters. These courts feature processes and procedures that are specific to the different types of matters that they hear.

Coroners Court

The Coroners Court is a specialist court responsible for conducting independent investigations into reportable and reviewable deaths and fires. The aim is to establish the facts – when, where, how and why the death or fire occurred. Where possible, the coroner will use the evidence to comment or make recommendations on ways to prevent similar deaths based on the evidence (although they are not permitted to make comments about any person being guilty of an offence).

The coroner is responsible for calling and questioning witnesses, although family members and other interested parties may employ a legal representative who may ask further questions of a witness.

Coroners are supported by several organisations in their investigations – for example, the Victorian Institute of Forensic Medicine (VIFM) undertakes medical examinations, autopsies and toxicology scans as directed, and provides expert reports on the cause of death for the investigating coroner. The Police Coronial Support Unit (PCSU) provides support by compiling thorough coronial briefs and other areas of assistance as required.

At the conclusion of an inquest, a coroner must, if possible, find:

- the identity of the deceased
- the cause and circumstances of reportable deaths
- the cause and origin of reportable fires.

The findings, comments and recommendations from the inquest must be published on the internet unless directed otherwise by the coroner.

Types of investigations

A coroner will investigate deaths connected with Victoria that are either 'reportable' or 'reviewable', as well as fires that are reported for investigation.

Reportable deaths include instances where:

- the death was unexpected, unnatural or violent
- the death resulted directly or indirectly from an accident or injury
- the identity of the person or their cause of death is not known
- the death occurred during or after a medical procedure where a registered medical practitioner would not have reasonably expected the death
- a medical practitioner has not signed, and is not likely to sign, a death certificate certifying cause of death
- the death was of a person in custody or care, such as:
 - a patient within the meaning of the *Mental Health Act 1986* (Vic)
 - a person under the control or custody of the Secretary to the Department of Justice and Regulation or a member of the police force
 - a person who was subject to a non-custodial supervision order under section 26 of the *Crimes (Mental Impairment and Unfitness to be Tried) Act 1997* (Vic).

A reviewable death is the death of a second or subsequent child of a parent (with some exceptions). A child is defined as anyone under 18 years.

The coroner will investigate a reportable fire after receiving a request to investigate from the Country Fire Authority or Metropolitan Fire and Emergency Services Board.

Findings and recommendations

The coroner will make findings and recommendations on any matter connected with a death or fire. In making recommendations, the coroner may influence changes in the law and public policies. If the coroner makes recommendations to a statutory body, then that body must respond within three months, stating what action, if any, has been taken.

A coroner is also able to comment on any matter relating to a death, including matters relating to public health and safety or the administration of justice.

In the period 2022–23, there were 7480 investigations commenced in Victoria's Coroners Court.

Case study 11.4



Open flued gas heaters removed from public housing

A woman referred to as Ms S died in her Department of Health and Human Services (DHHS) unit. The cause of death was not immediately clear, although the people who found the body said they had difficulty breathing in the unit, and that it was intensely hot.

Findings

The investigating coroner found that the death was caused by carbon monoxide released from the Open Flued Gas Heater (OFG) in Ms S's unit. The carbon monoxide had built up to fatal levels because:

- the unit was not adequately ventilated, as weather seals had been added to the doors

- an exhaust fan being used in the kitchen created a situation of 'negative pressure', which meant that the heater did not effectively flame, causing a release of high levels of carbon monoxide
- the heater had not been tested for carbon monoxide leaking.

At the time of the inquest, there were over 6500 heaters installed in DHHS public housing.

Recommendations and response

The coroner made eight recommendations, including:

- OFG heaters should be phased out

Case study 11.4 *continued*

- it should be mandatory for gas fitters and plumbers to undergo professional development
- the dangers of OFG heaters should be highlighted in a public awareness and media campaign.

The Coroners Court reported that:

In response to the recommendations the Victorian Government committed to a complete replacement of all heaters in public housing, and Energy Safe Victoria banned further sales of this type of heater in Victoria. The Australian Gas Association also committed to supporting the coroner's recommendation to phase out all OFG heaters.

The manufacturer of the heater published a consumer safety notification in *The Age* and the *Herald Sun* about the necessity

of regular servicing and maintenance of these heaters. The Victorian Building Authority in partnership with Energy Safe Victoria delivered negative pressure and carbon monoxide testing training to more than 2500 plumbers and gasfitters, provided online instructional training videos, and introduced an online exam in order to renew a plumbing or gas fitting registration or licence.

Source: Coroners Court of Victoria, Annual Report 2018–19, page 24.

1. Outline the facts of this case.
2. Why would this case be heard in the Coroners Court?
3. What is the role of the coroner in this case?
4. What issues did the coroner identify and what action has been taken to fix those issues?

Children's Court

The Children's Court of Victoria is a specialist court that deals with cases involving children and young people. The Children's Court is divided into two divisions: a Criminal Division and a Family Division.

In the financial year 2022–23, a total of 30 965 cases were finalised in the Victorian Children's Court. The Criminal Division made up 36 per cent of these and the Family Division 64 per cent.

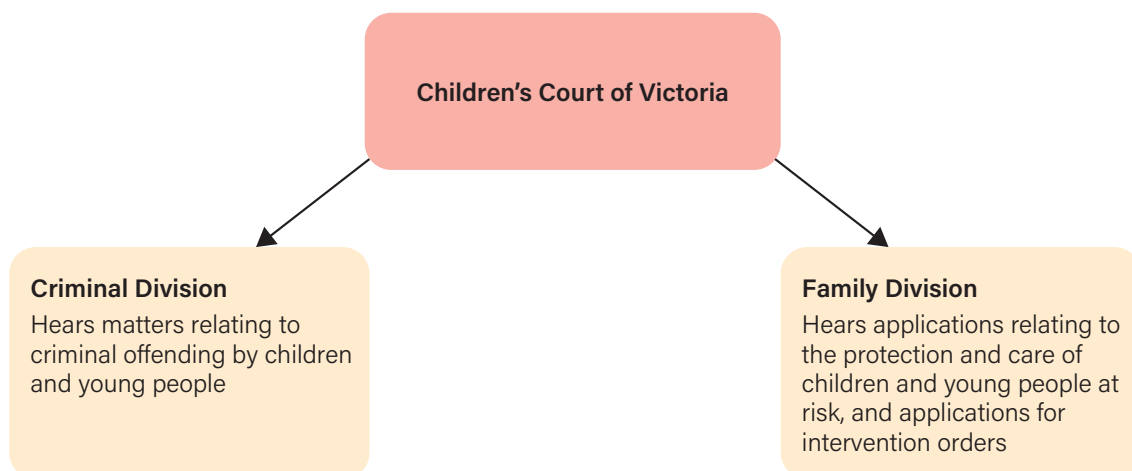


FIGURE 11.9 Divisions of the Children's Court of Victoria

Criminal Division

When are you old enough to commit a crime?

If a person is aged 18 or older when they committed the crime, the law assumes that the person knew what they were doing at the time of the offence. However, the law treats people under the age of 18 (juveniles) in a special way:

- Young people under 10 years cannot commit an offence because they are believed to be too young to know the difference between right and wrong.
- Young people between 10 and 14 years can be found guilty of committing an offence if it can be established that they knew what they were doing was wrong.
- Young people between 15 and 18 years are treated as being capable of committing a criminal offence; however, they are not punished in the same way as adults.

The Criminal Division of the Children's Court hears cases where the defendant was aged between 10–17 years at the time of the alleged offending and under 19 years when proceedings commenced in the Court. The Court can hear and determine summarily all offences except those that are classified as a Category A and Category B serious youth offence. Note that the Victorian Government has committed to raising the age of criminal responsibility to the age of 12 years by the end of 2024, and to 14 years in 2027 (with exceptions for certain serious crimes).

Since 2018, where a Category A serious youth offence is alleged when the child is 16 years or older, the offence will be heard in a higher court. Category A offences include:

- murder
- attempted murder
- child homicide
- homicide by a firearm
- culpable driving causing death
- arson causing death.

Category B serious youth offences include:

- recklessly causing serious injury in circumstances of gross violence
- rape
- home invasion
- carjacking.

In these cases, the Court must consider whether the charge should be heard in a higher court. This is because higher courts have a full range of options for sentencing, not all of which are available to the Children's Court.

The Children's Court will conduct the committal proceedings for young people charged with these offences.

Family Division

The Family Division of the Children's Court hears cases about children under the age of 17 years who are in need of care and protection. These are known as protection applications.



EXTRA
ACTIVITY 11.2
Reflect – Children's
Court Criminal
Division

A protection application can be made by a police officer or a community welfare worker who believes that the young person is at risk for the following reasons:

- they have been abandoned by their parents
- the parents are dead or incapacitated
- they have suffered physical injury
- they have suffered sexual abuse
- they have suffered emotional or psychological harm
- they have been neglected.

These cases differ from criminal cases. The court hears evidence relating to the welfare of the young person and makes a decision about what is in the best interests of that young person.



Activity 11.3

RESEARCH

Understanding specialist courts

The Koori Court was created to provide a fair, accessible and understandable justice system for Indigenous peoples. Research the Koori Court at either the Magistrates' Court, County Court or Children's Court in Victoria. Either write a report or create a poster that sets out the jurisdiction and operation of the Koori Court that you have selected. Provide and explain details of an actual case to demonstrate your understanding of the operation of the Koori Court.



EXTRA

ACTIVITY 11.3

Research – Victoria crime statistics



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 11.2

1. What is a committal hearing? Why do you think a magistrate needs to determine that there is enough evidence against an accused before they go to trial in a higher court?
2. What is bail? What is the purpose of bail?
3. Explain the difference between bail and remand.
4. What is the purpose of an inquest by the Coroners Court?
5. Identify two differences between a criminal trial in the Magistrates' Court and an inquest by the Coroners Court.
6. Suggest reasons why a separate court has been established to hear cases concerned with children and young people.
7. What is the difference between the Criminal Division and the Family Division of the Children's Court?

11.3 Federal courts

Federal courts include the High Court, the Federal Court and the Federal Circuit and Family Court of Australia.

Federal Circuit and Family Court of Australia (FCFCOA)

In February 2021, the Commonwealth Parliament passed the *Federal Circuit and Family Court of Australia Act 2021* (Cth) combining two previously separate courts (the Family Court of Australia and the Federal Circuit Court) into the one.

The Federal Circuit and Family Court of Australia has two Divisions:

- Division 1 is the continuation of the Family Court, dealing with family law matters
- Division 2 hears some family law, migration and general Federal law matters.

All applications to the FCFCOA will be filed into Division 2 with the more complex matters, including appeals, filed in Division 1. Appeals will be heard by a single judge unless the Chief Justice of the Court considers it appropriate for the appeal to be heard by a Full Court (three judges). An appeal from Division 1 of the FCFCOA will only be heard by the High Court if granted special leave.

The new structure is expected to improve efficiency of the family law system, reduce backlogs of cases, thereby making the resolution of disputes faster and cheaper, while minimising risk to children and vulnerable parties. The new structure and approach to family law will provide:

- a single point of entry for all family law matters (Division 2)
- a nationally consistent case management pathway
- improved early risk identification for the safety of children and vulnerable parties
- where appropriate, more means of dispute resolution which will allow smarter ways for couples to separate with less animosity and less cost
- specific court lists with specialist judges
- increased and improved use of technology that will allow access to justice nationally, including for vulnerable parties and regional communities
- less delays: the FCFCOA is aiming to resolve 90 per cent of cases within 12 months.

Federal Court

The Federal Court was established in 1976. It has a broad jurisdiction, including developments in Commonwealth legislation, such as taxation, native title, trade practices, intellectual property, corporations, industrial relations, bankruptcy, admiralty and immigration.

The Federal Court also handles applications for judicial review of the decisions made by the officers of the Commonwealth. In this regard, the court hears appeals on speculations of law and taxation matters as referred from the Administrative Appeals Tribunal. The Federal Court also handles the appeal of decisions made by single judges of the court.

In cases relating to intellectual property – issues of patents, trademarks, circuit layouts, designs and copyright – and in maritime claims, the Federal Court shares jurisdiction with the Supreme Courts of the states and territories. Appeals in these cases, including those from the Supreme Courts, are given to a Full Court of the Federal Court.



FIGURE 11.10 The High Court of Australia

High Court

The High Court is the final court of appeal in the Australian judicial system. The High Court consists of seven justices. A panel of all seven justices will preside over the most important cases. This includes cases involving interpretation of the Australian Constitution or where the court considers the principle of law involved to be one of major public importance. Appeals against the decisions of State or Territory Supreme Courts, the Federal Court of Australia and the Federal Circuit and Family Court of Australia are heard by not less than two justices. These cases are determined by a majority decision. In addition, there are certain matters that can be heard and determined by a single justice.

The High Court is the highest authority on the interpretation and application of all Australian laws. It is also the ultimate authority on the application of common law rules or principles in Australia. As the High Court plays an important role in the interpretation of the meaning of the words and phrases in the Australian Constitution, it is often regarded as the 'guardian' of the Constitution.

Original jurisdiction

The original jurisdiction of the High Court is set out in sections 75 and 76 of the Australian Constitution.

Section 75 Original jurisdiction of the High Court

In all matters:

- (i) arising under any treaty;
- (ii) affecting consuls or other representatives of other countries;
- (iii) in which the Commonwealth, or a person suing or being sued on behalf of the Commonwealth, is a party;
- (iv) between States, or between residents of different States, or between a State and a resident of another State;
- (v) in which a writ of Mandamus or prohibition or an injunction is sought against an officer of the Commonwealth. [A Mandamus is a writ or order to an inferior court ordering a person to perform a public or legislative duty.]
- (vi) the High Court shall have original jurisdiction.

Section 76 Additional original jurisdiction

The Parliament may make laws conferring original jurisdiction on the High Court in any matter:

- (i) arising under the Constitution or involving its interpretation;
- (ii) arising under any laws made by the Parliament;
- (iii) of Admiralty and maritime jurisdiction;
- (iv) relating to the same subject matter claimed under the laws of different States.

Source: The Australian Constitution, Chapter III. The Judicature.

Appellate jurisdiction

The High Court hears appeals from the State and Territory Supreme Courts. It may also hear appeals from the Federal Court and the Federal Circuit and Family Court of Australia. Parties who wish to appeal must seek 'leave' to do so. The High Court will hold a hearing to determine whether there are special reasons to cause the appeal to be heard. Appeals to the High Court will only be permitted if the matter concerns an important legal or constitutional issue.

Case study 11.5**The Roach case**

The case of *Roach v Electoral Commissioner* [2007] HCA 43 is an example of original jurisdiction in the High Court. The Australian Constitution does not expressly guarantee a right to vote, but rather provides that the Senate and the House of Representatives will be directly chosen by the people according to Sections 7 and 24.

At the time of Federation, the term 'the people' did not include women, First Nations peoples or men under 21, and non-white people could be excluded from citizenship. Exactly who can vote is left to the parliament and is determined by the *Commonwealth Electoral Act* (1918), and not the Constitution.

In 2006 the Howard Government passed the *Electoral and Referendum Amendment (Electoral Integrity and Other Measures) Act 2006* (Cth) to prohibit all prisoners currently serving a prison sentence from voting in a federal election. Prior to this Act, only prisoners serving terms of three years or more were disqualified.

On 5 March 2007, the Human Rights Law Resource Centre commenced legal action in the High Court of Australia to challenge the constitutionality of legislation which removed the right of all sentenced prisoners to vote in federal elections. The plaintiff in the matter was Yuin woman Vickie Roach, a prisoner at the Dame Phyllis Frost Centre in Deer Park who was serving a six-year term of imprisonment for five offences. She was enrolled to vote in Kooyong, Victoria.

In a majority decision, the High Court held that the Constitution's requirement for representative

government was a restriction on the Commonwealth Parliament's power to decide who may vote. In a landmark case, the Court held that there is now constitutional protection of the right of Australians to vote. The High Court found that the 2006 Act was unconstitutional because Sections 7 and 24 of the Constitution require the parliament to be chosen 'directly by the people'. The Court found that there cannot be representative government if a group of people are excluded.

A complete ban on prisoners voting was unreasonable since many were serving short sentences for minor offences; however, the previous ban was valid. In the end Ms Roach won her legal point but not the right to vote as she was sentenced to more than three years' imprisonment. The High Court found that prisoners serving more than three years were appropriately excluded from voting. The Court also stated that the right to vote could be limited by parliament for substantial reasons to preserve representative government, such as being an Australian citizen, being over the age of 18, being of sound mind, or not convicted of treason, or committing serious criminal misconduct.

1. Explain what is meant by compulsory voting in Australia.
2. Why is the right to vote considered to be an important human right?
3. Explain who is entitled to vote in Australia.
4. Discuss the extent to which voting should become voluntary instead of compulsory in Australia.

The decisions of the High Court are final. The High Court is the final court of appeal and the decisions of the High Court are binding on all other courts throughout Australia.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 11.3**

1. The Federal Circuit and Family Court of Australia (FCFCOA) is a new court which came into effect in 2021. What benefits does this new court bring for law reform?
2. What is the original jurisdiction of the FCFCOA?
3. What types of cases does the Federal Court of Australia deal with?
4. Which court in Australia is the highest court of appeal?
5. What is the original and appellate jurisdiction of the High Court of Australia?
6. Why is the High Court often regarded as the 'guardian' of the Australian Constitution?

11.4 Courts, dispute resolution and justice

Adversary trial a trial before an impartial judge in which each party is responsible for the preparation and presentation of their case

Court cases are conducted according to the **adversary trial**. Under this system, the parties to a case are responsible for preparing and presenting their case to the court. Usually, they will employ a legal representative to act for them. Each party will put their case before the court by presenting witnesses and other evidence to support their case. Each party has the right to question witnesses and the evidence presented against them.

In an adversary trial, the judge or magistrate acts as an impartial umpire. They do not present an argument for or against one side, but are responsible for deciding the admissibility of evidence and questions of law. In cases where there is no jury, the judge or magistrate is also responsible for making a decision in favour of one of the parties. In a criminal case, this means deciding whether the defendant is guilty or not guilty. In a civil case, it means deciding which party is liable.

The adversary trial relies on evidence given orally by witnesses in an open court. The case is conducted by strict rules of evidence and procedure. These rules ensure that only reliable evidence is presented in court and the cases are conducted in an orderly and fair manner.

An adversary trial has the following features:

- an impartial judge
- parties who prepare and present their case
- lawyers who may present a case for the parties
- strict rules of evidence and procedure
- the requirement that the party bringing the action to court must prove their case.

People in the court

An individual may become involved in the legal system by:

- being the victim of a crime
- suffering damage and seeking compensation under civil law
- being a defendant in a criminal or civil claim.

Alternatively, a person could become involved in the legal system by:

- being a judge, magistrate or lawyer
- serving as a jury member.

The jury

The jury system is based on a person's right to be tried by fellow members of the community. We know this as 'the right to trial by one's peers'. There are a number of reasons why this right is seen as so important. The use of the jury system gives the community a say in the decisions made by the courts and ensures that community values are represented in the courts. The community, through the members of the jury, also sees how the courts work. This is seen as a safeguard against the possible abuse of power by the courts.

Jury service is considered to be one of the duties of a citizen and is compulsory. Any person eligible to vote in state elections may be called for jury service. Jury members are selected at random from the electoral roll. Penalties may be imposed for refusing to do jury service. However, some people may not be required to complete jury service. You do not have to undertake jury duty if you are disqualified, ineligible or excused for a good reason.

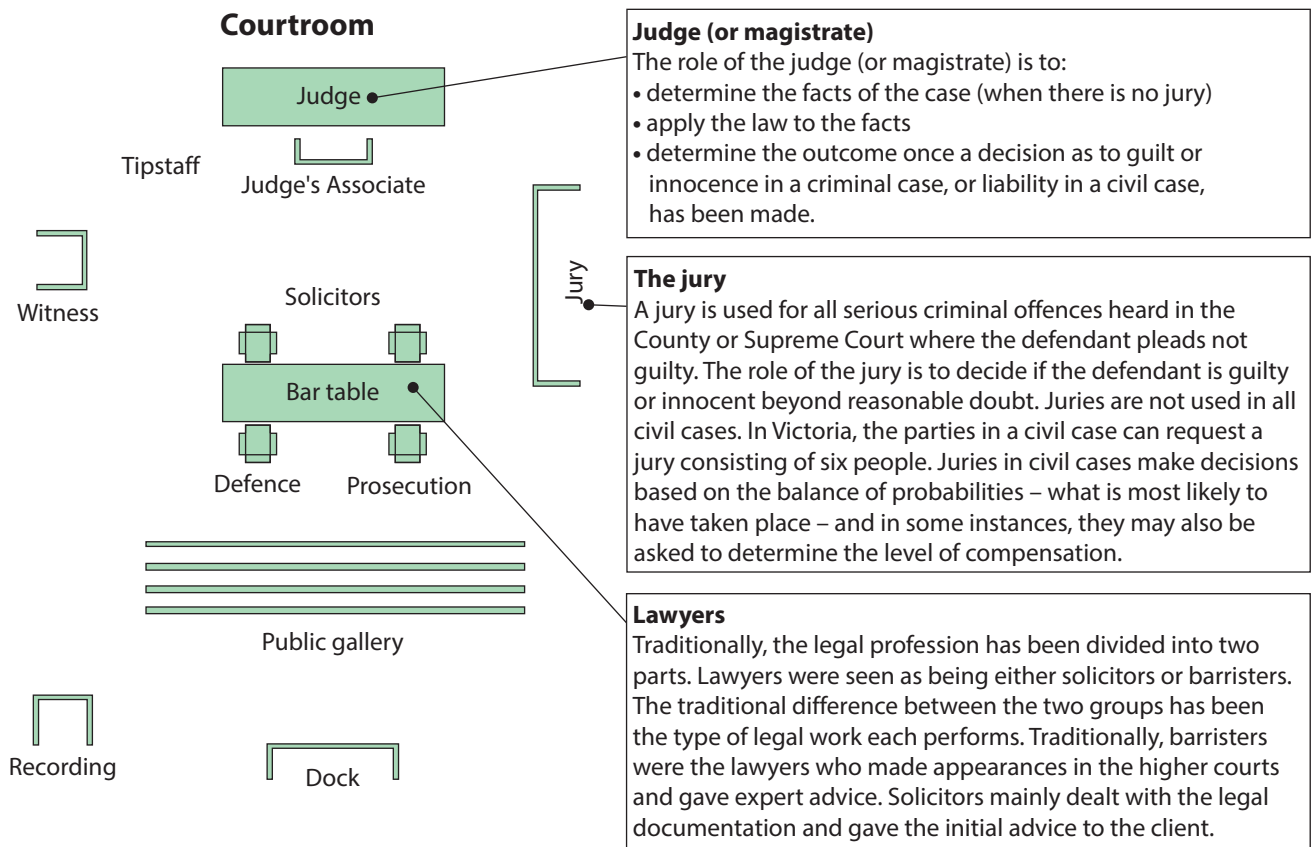


FIGURE 11.11 Diagram of a courtroom

Potential jurors are sent a questionnaire to determine whether they are eligible for jury service. The questionnaire will identify whether people fall into one of the following categories:

- **disqualified** – people who are not permitted to do jury service for a particular reason, such as being in prison or currently serving a Community Corrections Order
- **ineligible** – this includes court officers, lawyers and police officers
- **excused for a good reason** – people who may be excused from duty if they provide a good reason why they cannot attend.

To be a member of a jury, a person must be able to speak and understand English. Following the responses to the questionnaire, a list of names of jurors still eligible for jury service will be compiled. People still eligible for jury duty may be sent a summons. This is a court order. The summons will set out the address of the court and the time and date that the person is expected to appear at the court for jury service.

Jurors will be called to form a jury pool, from which jurors are selected to form jury panels that will hear court cases (generally, several cases will be heard at a court building). Jurors usually do not know which case they will be hearing when they are called up for jury service.



FIGURE 11.12 A randomly selected jury is the cornerstone of our justice system.



EXTRA CASE STUDY 11.2

Jury service in
Victoria

In criminal cases, the defendant is permitted to challenge potential jury members. These challenges may be with or without cause. A challenge without cause, also known as a peremptory challenge, is when the defence makes a challenge without giving any reason. The prosecution can ask a potential juror to 'stand aside' without giving any reason. Challenges without cause are limited. The defendant can only make three peremptory challenges and the prosecution can ask three potential jurors to stand aside (the number of challenges will vary where there is more than one defendant). Both the defendant and the prosecution have the right to challenge an unlimited number of potential jurors with cause, provided the judge thinks that the cause is reasonable. In civil cases, the plaintiff and the defendant have two peremptory challenges each.

Extra Case Study 11.2, available in the Interactive Textbook, is a 23-minute video about juries, filmed in the Supreme and County Courts of Victoria.

Criminal cases

In an adversary trial, the onus to prove a case is always on the party bringing the case to court. In a criminal case, this means that the prosecution must prove the case. The prosecution must prove the defendant is guilty 'beyond reasonable doubt'.

If the defendant has been charged with a summary (minor) offence, their case will be heard in the Magistrates' Court. The court will hear the charge and the defendant will be asked whether they plead guilty or not guilty.

If they plead guilty, the magistrate will impose an appropriate **sanction**. If they plead not guilty, witnesses will be called. Each witness is sworn in – by **oath** or **affirmation** – and questioned. After hearing the evidence and witnesses by both the prosecution and the defence, the magistrate must reach a decision.

A judge and a jury will hear the case when the accused pleads not guilty in a higher court. If the accused pleads guilty, a jury is not needed. The role of the jury in the case is to determine whether the accused is guilty or not guilty. Both the prosecution and the defence will present their case. If the accused is found guilty, the judge will determine the appropriate sanction.

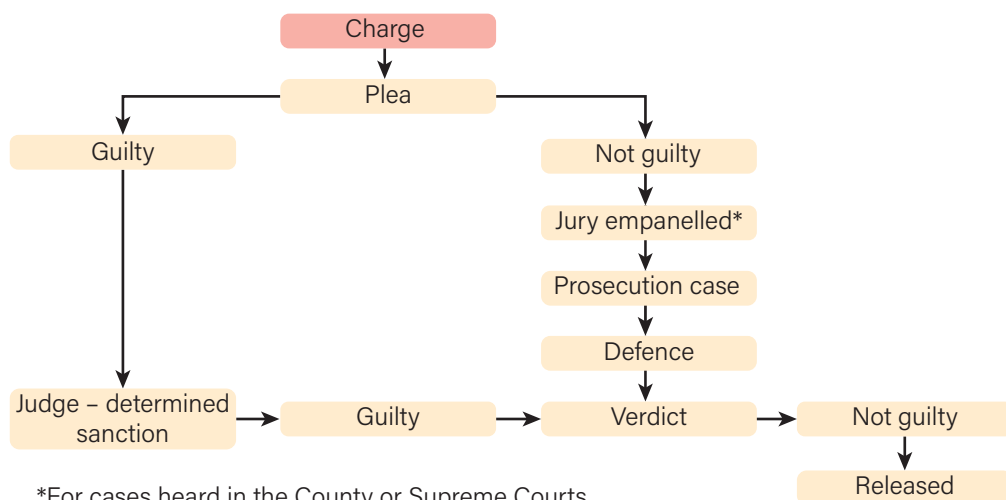


FIGURE 11.13 Hearing a criminal case

Sanction a penalty (e.g. fine, imprisonment) imposed by a court on a person who has been found guilty of a criminal offence

Oath a formal pledge to tell the truth

Affirmation a declaration that is accepted in place of an oath

Civil cases

A civil case starts when the **plaintiff** issues a **writ**. This is a legal document ordering the defendant to appear at court on a set date to answer a claim against them. If the defendant intends to argue the case, they lodge a document called an Appearance with the court. This indicates that they will be contesting the case.

The parties exchange details about the case in a process known as **pleadings**. During this process, the parties clarify the issues. They may even negotiate a settlement to the case. This means they reach an agreement that puts an end to the claim without the need to go to court. The process of **discovery** allows the parties to find out more about each other's case by requesting copies of documents that may be used in court and requesting answers to specific questions.

During the pre-trial stages, the parties will attend what is known as a Directions hearing. This hearing allows the court to oversee the pre-trial stages. During Directions, the judge can set time frames for the completion of the pre-trial stages as well as direct the parties to attend mediation.

If the parties cannot resolve the issue, the case proceeds to court. In court, each party is required to present witnesses and evidence to support their claim. The court will decide, on the balance of probabilities, which party is liable for the claim. The court will also determine an appropriate **remedy** to the problem. Often the remedy is monetary compensation for the damage suffered.



FIGURE 11.14 Each party in a civil trial will present evidence to support their claim.

Plaintiff a person bringing a civil action to court

Writ a court order informing a person that there is a claim against them; a legal instruction

Pleadings the exchange of information leading up to the hearing of a civil matter in court

Discovery the exchange of documents leading up to the hearing of a civil matter

Remedy the outcome of a civil case aimed at restoring the injured party to their original position

Case study 11.6

Justice in the time of a pandemic

An effective legal system is one that provides justice for all, ensuring that all people are treated equally in the law and that they have the same opportunity to present their case.

But what happens in a pandemic when it is necessary to keep a safe distance from others, wear a mask and keep to an open, well-ventilated space? This was something the legal system had to grapple with during the COVID-19 pandemic of the early 2020s.

Some procedures such as bail applications, plea hearings and sentencing were able to be heard via video link. But the jury trial underpins our justice system and ensures that an accused is tried by a cross-section of people representing different backgrounds.

The Supreme Court and County Court initially suspended jury trials in response to the pandemic. As a result, a backlog of cases occurred in Victoria, particularly in criminal matters, with



Case study 11.6 *continued*

concerns that victims and witnesses may have to wait up to two years before a trial.

As a result of the backlog, legislation was introduced in 2020 to allow temporary changes to the Victorian justice system. Jury trials were suspended from mid-March 2020 in the Supreme Court and the County Court, with judge-alone trials introduced where the accused provided consent (repealed in April 2021). Urgent matters were prioritised and an increased use of technology, including telephone and videoconferencing, were used for remote and virtual hearings. Electronic filing systems were used for the submission of documents.

Physical changes were made to the courtrooms. In the Supreme Court, for instance, the jury box was moved from the side of the court to the body of the courtroom where jurors could be seated with a greater distance between each other and with privacy screens.

Other measures introduced to deal with the backlog of cases included staggered times of trials to reduce the physical number of people in court buildings, bypassing the committal process and 'fast-tracking' homicide matters to the Supreme Court (with the consent of parties), and all criminal and civil appeals heard online.

'Open justice' is fundamental to a fair trial to maintain confidence in the integrity and independence of the court system. The pandemic caused a barrier to the public having access to the courts and this also needed to be addressed. Changes were made so that the public were able to phone in to hearings, transcripts of

proceedings recorded and made available, and judges who had to make decisions 'on the papers' provided additional reasons for their decisions.

The Federal Court, while determining the suitability on a case-by-case basis, had courtrooms open to the public with physical distancing measures in place. The Supreme Court of Victoria permitted virtual hearings to be recorded and public access to the transcripts of trials. Other jurisdictions, such as in New South Wales, allowed a streaming of proceedings on YouTube.

Governments allocated funding to assist in the provision of justice and reduce delays caused by the pandemic. In its 2020–21 Budget, the Victorian Government allocated \$47.3 million to increase audio and video conferencing technology, and \$300 million for new and upgraded courts to help reduce delays. The 2021–2022 Victorian Budget set out \$210 million to speed up court and tribunal dispute resolution through the appointment of additional judicial officers, expansion of IT and digital upgrades, and additional support for case management services.

1. Why is it necessary to have courts open to the public and media for justice to prevail?
2. What would be the difference between a jury trial and a judge-only trial in the County Court or Supreme Court? What impact do you think a judge-only trial would have on achieving justice? Why would it be necessary for the accused to agree to a judge-only trial?
3. Describe the possible effect on parties of having a delay in the resolution of their cases.



Complete the autemarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 11.4**

1. Define an adversary trial. What are the features of an adversary trial?
2. What is the role of a magistrate or judge in an adversary trial?
3. What is the role of a judge in a jury trial?
4. How does the hearing of a civil matter differ from the hearing of a criminal case?
5. What is meant by finding a person guilty 'beyond reasonable doubt' in a criminal case? How does this differ from 'on the balance of probabilities' in a civil matter?

11.5 Is it just?

The Victorian justice system includes policymaking and law reform, policing, courts and tribunals, dispute resolution, penalties and fines, prisons, corrections and parole, legal assistance and victim support.

Source: Victoria State Government, Justice System (2020).

The term justice is seen as a universal principle which provides all individuals in a society with the entitlement of a range of rights and responsibilities. Justice can mean different things to different people in different circumstances. The notion of what is just can change over time and is judged by individual and community standards.

In many courts and parliaments in Australia, and around the world, the symbol of justice is displayed as an image of a woman wearing a blindfold with scales in her right hand and a sword in her left hand. This figure is commonly known as 'Lady Justice' and as a symbol of justice she is a very powerful figure. The **blindfold** represents impartiality; this is regardless of wealth, position or status. For example, an accused, regardless of who they are, would expect a fair and unbiased hearing. The **scales** represent balance; that is, the ability of our legal system to consider both sides in a case and give all parties in either civil or criminal matters the same opportunities to present their version of the truth. The **sword** represents the legal system's authority and the ability to make and stand by its decision.

It is generally easy to identify what is unjust. In fact, many people have most likely used the phrase 'that's unfair'. Therefore, achieving justice is complex, and can mean different things to different people, at different times. Take, for example, someone accused of a crime. The concept of justice for them would be to obtain a fair and unbiased hearing, whereas for the victim, it could be to have the wrong doer punished severely. Although justice can have many meanings, our legal system aims to provide all individuals with three basic concepts of fairness, equality and access.

The justice system aims to protect the rights of citizens and to maintain a fair society. The key principles of the Australian justice system are as follows.

Fairness before the law

Fairness relates to the processes, procedures and principles in our legal system that ensure all are treated impartially without fear or favour. Examples of this, but not limited to, can be demonstrated through the following:

- burden and standard of proof
- presumption of innocence
- the right to legal representation
- the right to a fair trial
- the right to trial by jury
- the right to appeal
- the right to give evidence as a vulnerable witness and to make a victim impact statement
- procedural fairness and natural justice.

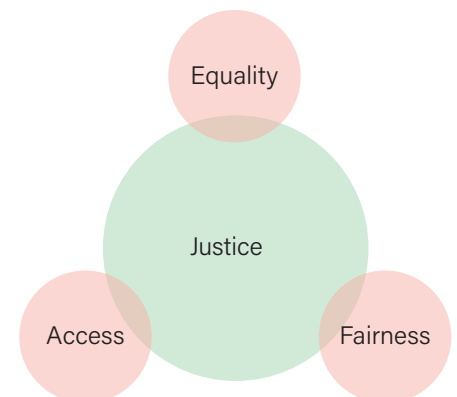


FIGURE 11.15 The key principles of the Australian justice system

The importance of an independent and impartial judiciary is also recognised by the Victorian Charter of Rights and Responsibilities.

Section 24 – Fair hearing

1. A person charged with a criminal offence or a party to a civil proceeding has the right to have the charge or proceeding decided by a competent, independent and impartial court or tribunal after a fair and public hearing.

Source: Victorian Charter of Human Rights and Responsibilities Act 2006, Part 2 – Human Rights

Equality before the law

Equality before the law is the principle that each human being must be treated equally by the law and all people are entitled to equal protection by the law (without discrimination).

Equality before the law is a fundamental concept of our legal system. All judicial officers take an oath to administer the law without fear, favour, affection or ill will.

Judicial officers must treat all parties fairly regardless of gender, ethnicity, disability, sexuality, age, religious affiliation, socioeconomic background, size or nature of family, literacy level or any other such characteristic.

Respect and courtesy should be the hallmarks of judicial conduct.

Paternalistic or patronising attitudes have no place in the courtroom.

Equality before the law is sometimes misunderstood. It does not necessarily mean 'same treatment'. As McHugh J succinctly explained: 'discrimination can arise just as readily from an act which treats as equals those who are different as it can from an act which treats differently persons whose circumstances are not materially different'.

Source: Judicial Commission of NSW, Equality Before the Law Bench Book (2023).

The importance of equality before the law is recognised by the Victorian Charter of Rights and Responsibilities.

Section 8 Recognition and equality before the law

1. Every person has the right to recognition as a person before the law.
2. Every person has the right to enjoy his or her human rights without discrimination.
3. Every person is equal before the law and is entitled to the equal protection of the law without discrimination and has the right to equal and effective protection against discrimination.
4. Measures taken for the purpose of assisting or advancing persons or groups of persons disadvantaged because of discrimination do not constitute discrimination.

Source: Victorian Charter of Human Rights and Responsibilities Act 2006, Part 2 – Human Rights



FIGURE 11.16 To have a just society it is necessary to treat some people differently.

Various features of our legal system promote the equal treatment of individuals. For instance, the operation of the adversary trial treats individuals equally by providing that every individual has the opportunity to prepare and present their case before an independent and impartial judge. The presumption of innocence also ensures that all individuals are equal before the law by providing that every person is considered to be innocent until proven guilty.

Access before the law

Access relates to the establishment of a range of methods and institutions used to ensure all individuals have the means or opportunity to obtain a range of methods to resolve their disputes, or to redress a wrong. Providing suitable access can take many forms such as:

- a variety of dispute resolution methods, such as mediation, conciliation or arbitration
- acknowledgement that individuals who present at court with special needs have access to a range of court, government and community services to assist in their justice or rehabilitation
- use of interpreters for First Nations offenders or migrants
- use of a number of complaints bodies such as:
 - the Ombudsman
 - government authorities such as consumer or complaints services
 - specialist courts and tribunals.



FIGURE 11.17 Retiring High Court Justice Michael Kirby at his farewell sitting at the High Court of Australia in Canberra, a few weeks before his 70th birthday.



Case study 11.7

The Victorian Charter of Rights and Responsibilities

In 2006, the Victorian Parliament passed the *Charter of Human Rights and Responsibilities Act*.

The Charter sets out the basic rights, freedoms and responsibilities of all people in Victoria. The Charter imposes specific responsibilities on parliament and the courts, as well as a range of government authorities such as state and local government departments and agencies, to act in line with the human rights in the Charter.

Parliament

The Charter places an obligation on parliament to consider human rights when a new law is made. When a bill (proposed new law) is introduced into parliament, a Statement of Compatibility is prepared. The Statement of Compatibility informs parliament if the bill is consistent with the standards set by the Charter. If a law does not meet human rights standards, then the government is expected to provide an explanation.

Legal institutions

Legal authorities such as courts and tribunals are required to consider human rights when interpreting and applying legislation to be compatible with the Charter. If a law is challenged in the Supreme Court as a result of a human rights issue relating from the Charter, the court can issue a Declaration of Incompatibility. This requires the government to reconsider the legislation. A response to a declaration made by the Supreme Court is made to parliament by the responsible minister. Parliament will determine the final outcome regarding changing the law or not.

Government authorities

Public authorities, including local government and agencies, must act in ways that are compatible with human rights.

Those who work for the government such as public servants, local councils, statutory authorities and others must act in a way that is consistent with the human rights protected under the Charter. When new laws or policies are made or implemented, government authorities must observe the rights in the Charter.

Twenty fundamental human rights are covered by the Charter.

- Right to recognition and equality before the law (section 8)
- Right to life (section 9)
- Right to protection from torture and cruel, inhuman or degrading treatment (section 10)
- Right to freedom from forced work (section 11)
- Right to freedom of movement (section 12)
- Right to privacy and reputation (section 13)
- Right to freedom of thought, conscience, religion and belief (section 14)
- Right to freedom of expression (section 15)
- Right to peaceful assembly and freedom of association (section 16)
- Right to protection of families and children (section 17)
- Right to take part in public life (section 18)
- Cultural rights (section 19)
- Property rights (section 20)
- Right to liberty and security of person (section 21)
- Right to humane treatment when deprived of liberty (section 22)
- Rights of children in the criminal process (section 23)
- Right to a fair hearing (section 24)
- Rights in criminal proceedings (section 25)
- Right not to be tried or punished more than once (section 26)
- Retrospective criminal laws (section 27)

1. In your own words, explain the Victorian Charter of Rights and Responsibilities.
2. Explain how the Victorian Charter of Rights and Responsibilities protects human rights.
3. Choose one right covered in the Charter and research what is contained in that right. Report your findings back to your class.
4. Research the difference between a constitutional bill of rights and a statutory bill of rights. In your response, identify the five main similarities and five main differences between the two methods of protecting human rights.
5. Discuss the extent to which you believe Australia should have a constitutional bill of rights as opposed to a statutory bill of rights such as the Victorian Charter.

Justice and the adversary trial

The features of the adversary trial reflect the key principles of the Australian justice system. But to what extent? The adversary trial provides that each party prepares and presents their case before an independent and impartial judge or magistrate. Each party may be represented by a lawyer.

However, in most cases there is no absolute right to legal representation. The individual parties must pay for their own lawyers and legal representation can be expensive. In civil cases, this may mean that many people cannot afford to go to court to enforce their rights. In a criminal case, the consequences may be more serious. Without legal representation, an accused may not be able to present a defence and can therefore risk possible imprisonment.

The cost of legal representation in court is not the only problem. To exercise your rights, you need to know what your rights are. There are many groups of people in the community who may not know their rights, may not know how to find out about their rights or do not have an adequate understanding of English to exercise their rights. The impact of social media has also raised questions about the capacity of the system of trial to provide for a fair and unbiased hearing.



EXTRA CASE STUDY 11.3

Trial by social media?

Access to Victim support

In many cases, a crime that is prosecuted through the court system has one or more victims. This is almost always distressing, and may leave the victim severely traumatised. Having to cope with the criminal justice system can also be challenging and upsetting, and may add to the trauma the victim is already struggling with. Having access to a range of services and information can assist in providing justice for victims.

In 2006, the Victorian Government introduced the *Victims' Charter Act*.

Victims of crime have rights and entitlements under the Victims' Charter, which aims to minimise the harms of being victimised a second time by the justice system.

The principles in the Victims' Charter require justice agencies and victims' services to:

- Treat the victim with dignity, respect and courtesy.
- Give the victim a say in how you are communicated with.
- Ensure the victim has the information they need to engage with the justice system.
- Give the victim certain information during an investigation, prosecution and court processes.

Source: Victims of Crime Commissioner



Activity 11.4

RESPOND

1. In your own words, define the term 'justice.'
2. Using a recent criminal or civil case, or an issue reported in the media, describe how justice has been demonstrated. Use fairness, equality and access to explain how these principles have been achieved.
3. Discuss the extent to which the principles of justice apply in our legal system.
4. A legal practitioner stated that justice means different things to different people at different times. To what extent are the principles of justice achieved in the Victorian criminal and civil justice system? In your answer provide an understanding of the impact of fairness, equality and access.



Activity 11.5

RESEARCH

You have examined ways in which the question 'what is just?' can be answered. Undertake research to compare 'justice' in Australia with one other legal system in the Asia-Pacific region – for example, India, Thailand, Vietnam. Present your findings according to the methods suggested to you by your teacher.



FIGURE 11.18 Supreme Court buildings in India, Thailand, Vietnam and New Zealand.



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 11.5

1. Explain what is meant by a judge being independent and impartial. Why is it an important principle of the Australian justice system that the judge or magistrate is independent and impartial?
2. Explain why it would be important to have a system of appeals to achieve justice.

11.6 Other ways of resolving disputes

Many different types of disputes may occur daily in a community – for example, a dispute at home or at school. Not all of these disputes result in court action; usually they can be resolved without the need to go to court. Minor disputes can be resolved quickly and efficiently through cooperation.

There are a number of bodies in the community – other than courts – that have been set up to help people resolve disputes. However, anyone who wants to resolve a dispute without going to court must know where to go for help. For example, disputes between a landlord and a tenant can be resolved by seeking the assistance of the real estate agency, a tenants' union, a citizens' advice body or the Victorian Civil and Administrative Tribunal. Numerous community organisations can provide assistance and advice to help resolve minor disputes.

Alternative methods of dispute resolution

The main forms of alternative dispute resolution (ADR) are **mediation**, **conciliation** and **arbitration**.

Mediation can be used to resolve minor disputes. Mediation involves a neutral third party, known as a mediator. The mediator helps the parties to discuss their problem and identify the issues. However, the mediator does not make a decision. They help the parties to identify ways to solve their dispute. The parties make the final decision. The aim of mediation is for the parties to reach a mutually acceptable agreement about how to put an end to their dispute.

Conciliation is a process whereby a third person, known as a conciliator, discusses the issues with both parties. The conciliator attempts to get the two parties to agree to a solution to the problem. Although the conciliator can suggest ways to resolve the dispute, they cannot force the parties to reach agreement.

Arbitration is a dispute-resolution method in which a third person, known as an arbitrator, acts like an independent umpire and attempts to help them reach a solution. The arbitrator discusses the issues with the parties and attempts to reach a solution with which the parties agree. If there is no agreement, the arbitrator will reach a decision that is binding on the parties.

Mediation where an impartial third party assists the parties in a dispute to identify issues and reach an agreement

Conciliation where an impartial third person assists the parties to identify the issues and, if the parties cannot reach an agreement, suggests possible solutions to help the parties reach an agreement

Arbitration where an impartial third party discusses the issues, suggests ways to resolve the dispute and, if the parties cannot agree, makes a binding decision for them

Tribunal a body set up as an alternative to a court to settle disputes

Tribunals

State and Federal governments have established special bodies known as **tribunals**. These tribunals deal with specific legal problems, such as disputes between consumers and traders or between tenants and landlords. Tribunals are generally less formal than courts. Tribunals do not have strict rules of evidence and parties to a dispute may not need to have a lawyer.

Victorian Civil and Administrative Tribunal

The Victorian Civil and Administrative Tribunal (VCAT) deals with a range of disputes. It consists of five divisions: Civil, Administrative, Residential Tenancies, Human Rights, and Planning and Environmental. Each division has lists specialising in particular types of cases.



FIGURE 11.19 Horse trainer Mark Kavanagh outside VCAT. Kavanagh and fellow trainer Danny O'Brien were fined for administering cobalt to horses under their care.

TABLE 11.1 VCAT divisions

Division	Types of cases
Civil	Disputes about: ▪ consumer matters ▪ owners corporation matters ▪ property sale and ownership ▪ water flow between properties ▪ retail tenancies
Administrative	Inquiries about professional conduct Applications for government and other authority decisions to be reviewed
Residential tenancies	Disputes between tenants/residents and the owners/managers of the property: ▪ landlords ▪ rooming house operators ▪ Director of Housing (for public housing tenants) ▪ caravan park owners ▪ site owners
Human rights	Matters related to: ▪ guardianship and administration ▪ powers of attorney ▪ medical treatment and advance care directives ▪ equal opportunity ▪ racial and religious vilification ▪ health and privacy information ▪ the <i>Disability Act 2006</i> (Vic) ▪ decisions made by the Mental Health Tribunal
Planning and environment	Applications for: ▪ use and subdivision of land ▪ heritage ▪ gaming premises approval ▪ water and EPA licensing and approvals ▪ valuation of land for rates ▪ compensation for compulsory acquisition of land



EXTRA ACTIVITY 11.4

Collaborate –
disputes



*Complete the automarked quiz in the Interactive Textbook,
and answer the Review questions on paper or in the Interactive Textbook.*



Review 11.6

1. Explain the differences between conciliation and mediation as methods of dispute resolution.
2. Explain the similarities between conciliation and mediation as methods of dispute resolution.

11.7 Courts and law-making

The courts play an important role in applying and interpreting the law. In the process of resolving disputes, the courts can interpret the application of statutes or develop the principles of common law.

Common law

Australia inherited its system of common law from the United Kingdom. This law originally developed from customs and has evolved over centuries. If judges make a decision on an issue not covered by legislation, their decision is recorded. Other judges hearing similar cases refer back to this decision to decide what the law should be.

This process of judges referring back to past decisions, recorded in law reports, to decide what the law should be is known as **precedent**. A precedent is a legal principle developed by the courts. Precedents are found in the recorded decisions of judges – the precedent is the legal reason for the decision. Judges hearing cases in which the facts are similar refer to these past decisions as a guide in determining how the law should be applied. This system is also sometimes referred to as case law or judge-made law because judges decide what the law should be by referring to past cases.

Precedent a principle developed through court decisions that establishes a point of law



FIGURE 11.20 Australia inherited its system of common law from the United Kingdom.

What is a law report?

A law report records judgments that lay down a new principle of law, or change and clarify an existing principle. The law report is a formal statement outlining the facts of the case, the decision between the parties and the reasons given by the judge for the decision reached.

When a court creates a new precedent or interprets an existing precedent to apply to a new situation, it is adding to the body of law known as common law. However, judges are not free to interpret the common law whenever they feel a change is needed. They can only interpret the common law when:

- a case comes before them in court
- there is no existing statute, or parliament-made law, that applies
- they are not bound to follow an existing principle of common law.

Courts cannot interpret the law in a way that contradicts the laws made by parliament. Parliament, as the elected body that represents the people, has the final say on what the law should be.

Example

The case of the snail in the ginger beer bottle

A woman and a friend went to a café. The friend bought the woman a 'Scottish Floater', which is made of ice cream and ginger beer. The ginger beer was sold in bottles made of dark glass. The shop assistant opened the bottle and poured out half the ginger beer for the woman. Later, when the woman poured the rest of the ginger beer into her glass, she discovered the decomposed remains of a snail and became very ill as a result.

This 1932 case, *Donoghue v Stevenson*, was the first case in which a consumer successfully sued a manufacturer for not taking reasonable care in manufacturing products. The woman argued that the manufacturer had presented the ginger beer in bottles that were not transparent and that the manufacturer knew that the consumer would be drinking the product without the opportunity to inspect the contents. She argued that the manufacturer therefore had a duty of care and that not exercising that duty was negligence.

The court agreed and said that manufacturers owed consumers a duty of care. The court said, 'You must take reasonable care to avoid acts or omissions which you can reasonably foresee would be likely to injure your neighbour.' Your neighbour is any person who you can reasonably foresee may be affected by your actions. This case helped to define a legal precedent still important today – the duty of care towards your 'neighbour'.

Doctrine of precedent

The rules that guide judges in how to apply precedents are known as the doctrine of precedent. When looking at past decisions, judges will look at the legal reason given for the decision. This part of the judgment is known as the *ratio decidendi*. Judges in lower courts in the same court hierarchy will apply the *ratio decidendi* of past cases when hearing a case with a similar fact situation. The principle of courts following the past decisions of higher courts in similar or like cases is known as *stare decisis*.

Stare decisis means to stand by what has been decided. In other words, when a lower court is hearing a case with a 'like' factual situation to a past case determined by a higher court, the lower court will be bound to decide that case by applying the same legal principle. The adherence to the principle of *stare decisis* allows for consistency in the way the law is applied.

Some decisions are binding

Some past decisions are considered binding and must be followed in future cases. A precedent is considered binding when the facts in the previous case are similar to the case being considered by the judge and the precedent was set by a higher court in the same court system. For example, the Supreme Court of Victoria is hearing a case. The case concerns a similar fact situation to a case that has already been decided in the High Court. The judge in the Supreme Court would be bound to apply the legal principles from the High Court.

Some decisions are persuasive

A persuasive precedent is a past decision that does not have to be followed by a court. Judges do not have to follow precedents made in lower courts, courts of the same level or decisions from other court systems. Other court systems include courts from other states or other countries. Although a court is not bound by these decisions, if there is no binding precedent, a court may refer to these decisions.

Can precedent change?

Higher courts do not have to follow the decisions of lower courts. The doctrine of precedent provides a number of ways in which a court may avoid following a precedent. Refer to Figure 11.21.

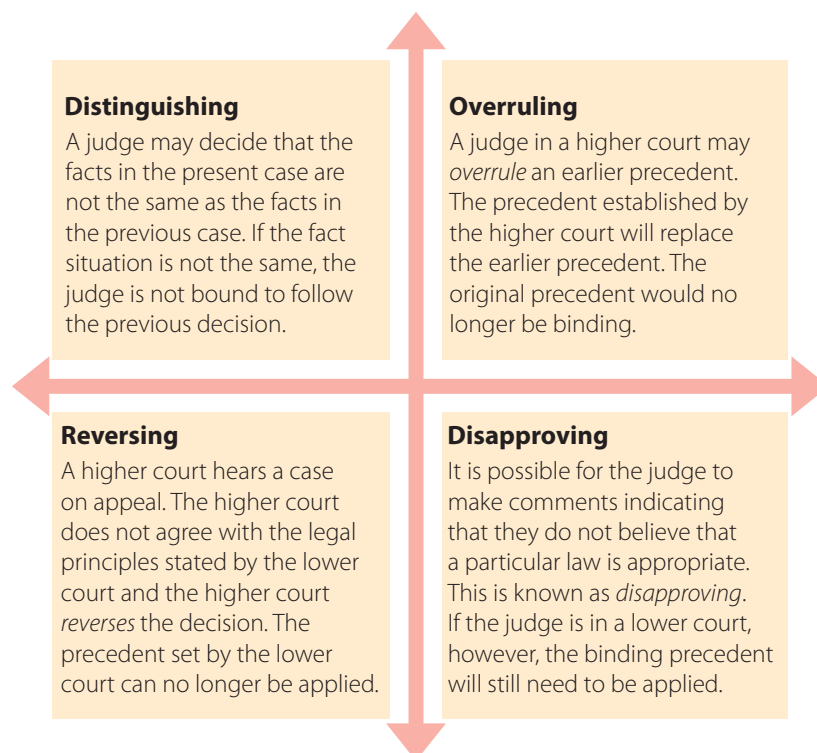


FIGURE 11.21 Flexibility and precedent

Interpreting Acts

When hearing a case, a judge must apply the provision of a statute to the specific circumstances. In some instances, the meaning of the terms used in the Act are clear and the application is straightforward. However, in some cases judges may need to interpret the meaning of the words or terms used in the Act in order to apply it to the case they are hearing.

When a judge interprets the meaning of the terms used in an Act, they will give reasons for the decision they have made. These reasons for the interpretation of the Act will form a precedent. In future cases, where the meaning of the terms used in the Act are questioned, the courts will refer back to these reasons to decide what the words or terms in the Act mean.



EXTRA CASE STUDY 11.4

Does Uber supply taxi travel?

Activity 11.6

CREATE



Doctrine of precedent

Design a poster to explain the operation of the doctrine of precedent.

Case study 11.8



Aboriginal and Torres Strait Islander peoples and native title

The recognition of Aboriginal and Torres Strait Islander peoples' native title in Australian law is an example of the relationship between statute law made by parliament and common law developed through the courts.

Terra nullius

When the British claimed possession of the continent that would be known as Australia, they falsely declared the land to be *terra nullius* – a land that belonged to no one. Prior to 1992, Australian law did not recognise the rights of Aboriginal and Torres Strait Islander peoples to claim native title. Native title is not the same thing as land rights. Native title recognises rights and interests in land and water according to traditional law and customs. It does not replace someone else's rights to use the land. It does not apply where the land is privately owned.

Mabo Case

In the *Mabo Case*, the High Court of Australia changed the legal principle that Australia was *terra nullius* at the time of British colonisation. In overturning this common law principle, the High Court said that the common law of Australia does recognise that land ownership by Aboriginal and Torres Strait Islander peoples had existed before 1788.

The case began in 1982, when five Meriam people from the Eastern Torres Strait presented a case to the High Court for legal ownership of the island of Mer (Murray Island). The plaintiffs were Eddie Koiki Mabo, Father David Passi, Sam Passi, Celuia Mapo Salee and James Rice, and the basis of their case was that for hundreds of years the eight Mer clans had lived in clearly defined territories on the island.

In 1986, High Court Chief Justice Sir Harry Gibbs referred the case to the Supreme Court of Queensland. However, the year before, Queensland Parliament had passed the *Torres Strait Islands Coastal Islands Act 1985* (Qld), which 'extinguished without compensation' any Torres Strait Islander claims to their traditional lands.

The Supreme Court hearing was adjourned when the plaintiffs brought a new case to the High Court, arguing that the Queensland Act was

in contravention of the *Commonwealth Racial Discrimination Act 1975* (Cth). This case was known as *Mabo v. Queensland (No. 1)*, and the High Court found the Queensland Act to be invalid.

Thus *Mabo v. Queensland (No. 2)*, the original land rights case, returned to the High Court for a legal judgment. On 3 June 1992 – 10 years after the proceedings had begun – the Court found that the Meriam people continued to possess and enjoy their traditional lands.

The High Court said that native title existed where the people could prove a continuing traditional connection to the land and where governments had not extinguished that connection. Rights were extinguished where private ownership had been granted to another person.



FIGURE 11.22 Father Dave Passi, Eddie 'Koiki' Mabo, barrister Bryan Keon-Cohen and James Rice

Native Title Act 1993 (Cth)

The government responded to the *Mabo* decision by passing the *Native Title Act 1993* (Cth). The Act was passed to clarify the law about native title. The Act established a National Native Title Tribunal and set out a process for hearing native title claims.

Wik Case

In 1996, the High Court heard a case concerning the Wik people. The Wik people claimed native title rights to use land covered by pastoral leases in Far North Queensland. A pastoral lease is when the government leases land to farmers or other businesses. In this case the government had leased land to farmers to graze cattle. The

Case study 11.8 *continued*

High Court decided that native title rights and the rights of leaseholders should coexist. Where there is a conflict, the rights of the leaseholder prevail. This means that Aboriginal and Torres Strait Islander peoples can go onto leasehold land to, for example, hunt and fish, perform ceremonies, visit and protect important places and sites according to traditional and customary practice.

Changes to the *Native Title Act* (Cth)

The government amended the *Native Title Act 1993* (Cth) in 1998. These changes either extinguished or limited native title on some pastoral leases and areas of government-owned land in towns and cities. It also changed native title rights over waterways and airspace. The Act provided that people could negotiate agreements about rights to land.

In 2009, the *Native Title Act* was again amended. These changes gave the Federal Court a central role in managing all native title claims. The Federal Court can settle native title claims using mediation. Alternatively, the Federal Court can send a claim to the National Native Title Tribunal.

The *Native Title Legislation Amendment Act 2021* (Cth) was introduced to provide improved flexibility for native title claim groups in relation

to how their claims are managed, streamline processes and agreement-making in claims, and improved transparency and accountability in relation to the Native Title Bodies Corporations.

Follow up:

The film, *Mabo*, starring Deborah Mailman and Jimi Bani, directed by Rachel Perkins, tells of the remarkable life story of Eddie 'Koiki' Mabo, a man who left school at 15 yet was central to the successful High Court challenge that changed Australian law and history.

1. What does *terra nullius* mean? What was the significance of the High Court overturning the principle of *terra nullius*?
2. Why did the High Court have to make a determination on the *Torres Strait Islands Coastal Islands Act 1985* (Qld) before it could hear the *Mabo No 2* case?
3. How do land rights differ from native title?
4. What was the *Mabo* case about?
5. Why did the Commonwealth Parliament pass the *Native Title Act*?
6. What did the High Court decide in the *Wik* case?
7. How did the government respond to the High Court decision in the *Wik* case?

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 11.7**

1. When will judges use precedent to determine what the law should be?
2. What is the doctrine of precedent?
3. What is the significance of the *ratio decidendi*?
4. Can a precedent be changed? Explain.
5. Can a court's interpretation of an Act of Parliament become a precedent?

**EXTRA
ACTIVITY 11.5**

Create – recognition of Aboriginal and Torres Strait Islander rights

**EXTRA
ACTIVITY 11.6**

Research – Aboriginal and Torres Strait Islander leaders



Consolidate your learning

Know your rights

One reason why people end up in disputes is because they do not understand their rights and responsibilities. If the legal system is to function effectively, people must know how to resolve disputes. Working as a class, plan a 'Know Your Rights' booklet or web page. The booklet or web page should explain the basic laws that affect young people. Your booklet should also explain how disputes relating to these issues can be resolved.

- Working in groups, find out more about the law. Each group should select one of the following areas of law:
 - driving offences
 - young people and the law
 - consumers and the law
 - employment
 - police powers
 - family law
 - neighbourhood disputes.
- Write one chapter of your class booklet or build one screen of your web page. Your chapter or screen should:
 - outline the rights and responsibilities of young people in your chosen area
 - describe the relevant law
 - discuss the relevant courts and/or tribunal
 - identify possible sources of legal advice or assistance
 - include a glossary of terms.

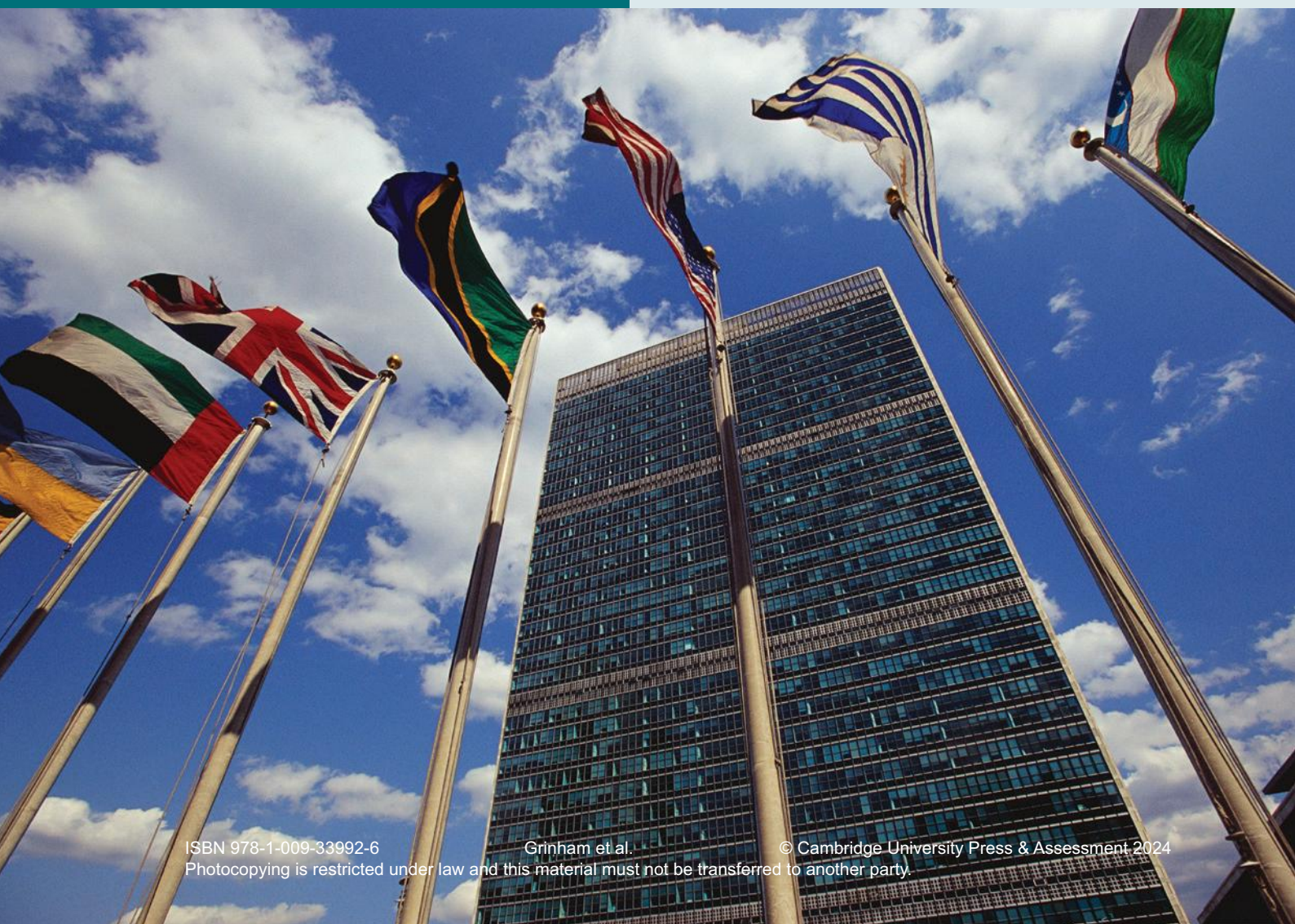
Remember that your booklet or web page is designed for young people and aims to help them to become aware of their rights. Present your work in a format that you think will be easy for young people to use. Each group should present its completed chapter or web page to the class.

Chapter 12

Law and citizens: global citizenship and international legal obligations

In this chapter, we move from domestic government and legal arrangements into the international domain. We analyse the roles and responsibilities the Australian Government has at a global level, including provision of foreign aid, peacekeeping and as a member of the United Nations (UN). From the legal perspective, we consider how international obligations have shaped Australian law and government policies, including in relation to Aboriginal and Torres Strait Islander peoples. Contemporary issues and recent cases are investigated.

FIGURE 12.1 The United Nations is made up of 193 member states.



12.1 Global citizenship

The United Nations and Australia



FIGURE 12.2 United Nations Secretary-General, António Guterres

Human rights the rights considered by most societies to belong automatically to everyone



VIDEO 12.1 The United Nations

The United Nations (UN) is a global body with 193 member states and two non-member observer states – the Holy See and the state of Palestine. (However, as of June 2024, the state of Palestine is recognised as a sovereign state by 145 of the 193 member states.) The UN deals with international peace and security, **human rights**, sustainable development, climate change and international law. It was formed in 1945 after World War II. The UN is called on to have a global view of issues, to consider matters that extend beyond national boundaries and to broker peace. In times of hostility or international difficulty, UN troops can be called on to quell conflict, assist innocent civilians and try to work with dissenting groups to resolve disputes. The UN has set up a number of bodies to protect and report on human rights: the Human Rights Council, the Human Rights Committee and the International Court of Justice.

Australia's contribution to the United Nations

Australia was one of the founding members of the UN in 1945, and in 1946 held the first Presidency of the Security Council (a role that rotates monthly). An Australian, William Roy Hodgson, was one of the eight members of the committee formed to draft the Universal Declaration of Human Rights.

Australia has been a member of the UN Security Council five times, most recently in 2013–14, and is seeking election for another term in 2029–30.

We are firmly committed to the UN philosophy of global cooperation and have been involved in international peace and security activities, including the promotion of global disarmament. Since 1947, Australian personnel have taken part in 62 UN and other multilateral peace and security operations.

Australia provides significant financial support to the UN. Australia was the eleventh largest contributor to the UN budget in 2023. We also provide voluntary funding to many UN agencies. Decisions about which agencies to support is guided by how relevant they are to the priorities of Australia's aid program, the extent to which they deal with the Asia–Pacific region and how effective their performance is proving to be.



FIGURE 12.3 Humanitarian aid, northern Iraq

Australia and the Human Rights Council (HRC)

The Human Rights Council is made up of 47 member states, which are elected by the UN General Assembly as a majority vote in a secret ballot. Its main role is to report on human rights violations and make recommendations on addressing those violations.

Membership of the Human Rights Council is based on equitable geographic distribution among the five UN regional groups. For example, Asia-Pacific states have 13 seats. A term on the Council runs for three years, with one-third of members being renewed each year.

Australia was elected to serve on the Human Rights Council for the 2018–20 term. Areas of interest to Australia during its term included the following:

- gender equality – a prerequisite for development
- good governance – essential for promoting a positive human rights environment
- freedom of expression and association – a key ingredient for democracy, development and a human rights-orientated society
- transparent working methods for the Human Rights Council – ensuring the Council is impartial, equitable and pragmatic to encourage clarity and predictability.

Source: United Nations Association of Australia, 'Australia and the UN'.

Activity 12.1

REFLECT



Australia's Human Rights Council (HRC) membership

Scan the QR code to watch a video made by the Department of Foreign Affairs and Trade when Australia took a seat on the Human Rights Council.

1. What are human rights?
2. What do human rights depend upon?
3. According to Fiona McLeod SC, why is taking a seat on the Human Rights Council considered so important?
4. What is Justice Michael Kirby's opinion of Australia's human rights?
5. How is good government said to be reflected in Australia?
6. Why should Australia not be afraid to hear voices of criticism and voices of dissent?



VIDEO 12.2

Australia's Human Rights Council membership (03:42)

Australia and UNESCO

The UN Educational, Scientific and Cultural Organization (UNESCO) is responsible for coordinating international cooperation in education, the natural sciences, the social and human sciences, culture and communications/information technology. UNESCO was established in 1946 as a specialised agency of the UN, and Australia is a founding member.

The Australian Government also set up the Australian National Commission for UNESCO. This body acts as a point of liaison between government, the community and UNESCO in Australia. It provides expert analysis and policy advice to the Australian Government on UNESCO matters, and assists in many projects around the world.



FIGURE 12.4 Uluru–Kata Tjuta National Park is a UNESCO World Heritage site for both its natural and cultural values.

UNESCO also runs the World Heritage program, and decides what sites will be on the World Heritage List. The World Heritage List was established by an international treaty, the *Convention Concerning the Protection of the World Cultural and Natural Heritage* (adopted in 1972). Australia is a signatory to the treaty and currently has 20 sites inscribed on the World Heritage List, with an additional seven on the tentative list for consideration.



Activity 12.2

RESEARCH

Australia's involvement with the United Nations

1. Research and investigate Australia's involvement with the United Nations. What role did Australia have in forming the United Nations?
2. Why do you think UNESCO was introduced by the United Nations? Describe Australia's role in assisting UNESCO. Research and provide examples of Australia's assistance around the world.

Australia and international law

Types of international agreements

International legal obligations can have a significant influence on Australian Government policies and law. The international legal obligations are known as treaties. A treaty may also be called a 'convention', a 'protocol', a 'covenant' or an 'exchange of letters'. A treaty is a formal written agreement between countries. Under international law, these agreements are not binding unless the countries signing the agreement intend it to be a binding treaty.

TABLE 12.1 Types of international agreements

Type of treaty	Description
Bilateral treaty	A treaty between Australia and one other country
Multilateral treaty	A treaty between three or more countries
Convention	A legally binding agreement between countries
Covenant	A formal agreement between two or more countries
Protocol	A document that describes the detail of a formal agreement between countries

A **convention** is a binding formal agreement or instrument that is between states (also known as countries or nations), or between states and non-state entities, like the UN.



EXTRA ACTIVITY 12.1

Create – Australia's role in international affairs

Convention a binding formal agreement or instrument that is between states (also known as countries or nations), or between states and non-state entities

Sometimes countries will agree to an international agreement called a 'declaration'. A **declaration** is an international agreement, or instrument, which is also used and relied upon by states for various international purposes. This agreement is not always legally binding, but it can be influential on the parties to the agreement. Declarations can form a system of rules and values concerning the relationships between governments (states) and international organisations such as the UN. A declaration is not a treaty as it is not intended to be legally binding. A declaration may, however, be part of the process that leads to the negotiation of a convention.



FIGURE 12.5 Eleanor Roosevelt holding a poster of the Universal Declaration of Human Rights

The Australian Constitution

The Australian Constitution came into operation on 1 January 1901, when the six colonies decided to combine into one nation, also known as a federation. As part of this, a constitution was required to establish the law-making powers of each of these parliaments. This is known as the division of powers, where the Commonwealth looks after the national interest, while the States deal with and administer local or state issues. Conventions and declarations are covered by section 51(xxix), also known as 'external affairs'. The external affairs power provides the Australian Government with the power to make laws on:

- conventions and declarations – for example, signing and ratifying the International Covenant on Civil and Political Rights covered by the Universal Declaration of Human Rights
- matters physically external to Australia – for example, sending troops on peacekeeping missions overseas
- Australia's relationship with other countries – for example, trade agreements.

Declaration an international agreement or instrument, which is also used and relied upon by states for various international purposes

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 12.1

1. Why was the United Nations formed?
2. Explain the role of the Human Rights Council.
3. Explain the difference between a convention and a declaration.



12.2 Conventions and declarations

Australia is a party to many conventions and declarations that cover important national and international priorities.

Universal Declaration of Human Rights a declaration passed by the United Nations outlining the basic human rights of all people

Universal Declaration of Human Rights

The **Universal Declaration of Human Rights** (UDHR) is an example of a declaration. It was adopted by the General Assembly of the UN on 10 December 1948. The UDHR recognises that 'the inherent dignity of all members of the human family is the foundation of freedom, justice and peace in the world'.

Preamble

Whereas recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world.

Whereas disregard and contempt for human rights have resulted in barbarous acts which have outraged the conscience of mankind, and the advent of a world in which human beings shall enjoy freedom of speech and belief and freedom from fear and want has been proclaimed as the highest aspiration of the common people.

Whereas it is essential, if man is not to be compelled to have recourse, as a last resort, to rebellion against tyranny and oppression, that human rights should be protected by the rule of law.

Whereas it is essential to promote the development of friendly relations between nations.

Whereas the peoples of the United Nations have in the Charter reaffirmed their faith in fundamental human rights, in the dignity and worth of the human person and in the equal rights of men and women and have determined to promote social progress and better standards of life in larger freedom ...

Article 1. All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood.

Article 2. Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. Furthermore, no distinction shall be made on the basis of the political, jurisdictional or international status of the country or territory to which a person belongs, whether it be independent, trust, non-self-governing or under any other limitation of sovereignty.

Article 3. Everyone has the right to life, liberty and security of person.

Article 4. No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.

Article 5. No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment.

Article 6. Everyone has the right to recognition everywhere as a person before the law.

Article 7. All are equal before the law and are entitled without any discrimination to equal protection of the law. All are entitled to equal protection against any discrimination in violation of this Declaration and against any incitement to such discrimination ...

Universal Declaration of Human Rights

Activity 12.3

COLLABORATE



Standing up for human rights

Scan the QR code to watch a video made by the Office of the United Nations High Commissioner for Human Rights, and then have a class discussion on the question of why it is important to stand up for human rights.

The UDHR is not a treaty. It is a statement of the principles shared by members of the UN, which are shared by all members of the international community. However, it has had a significant impact on the development of human rights law – both internationally and within Australia. Many of the rights stated in the UDHR have been restated in legally binding agreements that have been signed by Australia.



VIDEO 12.3 Standing up for human rights (02:48)

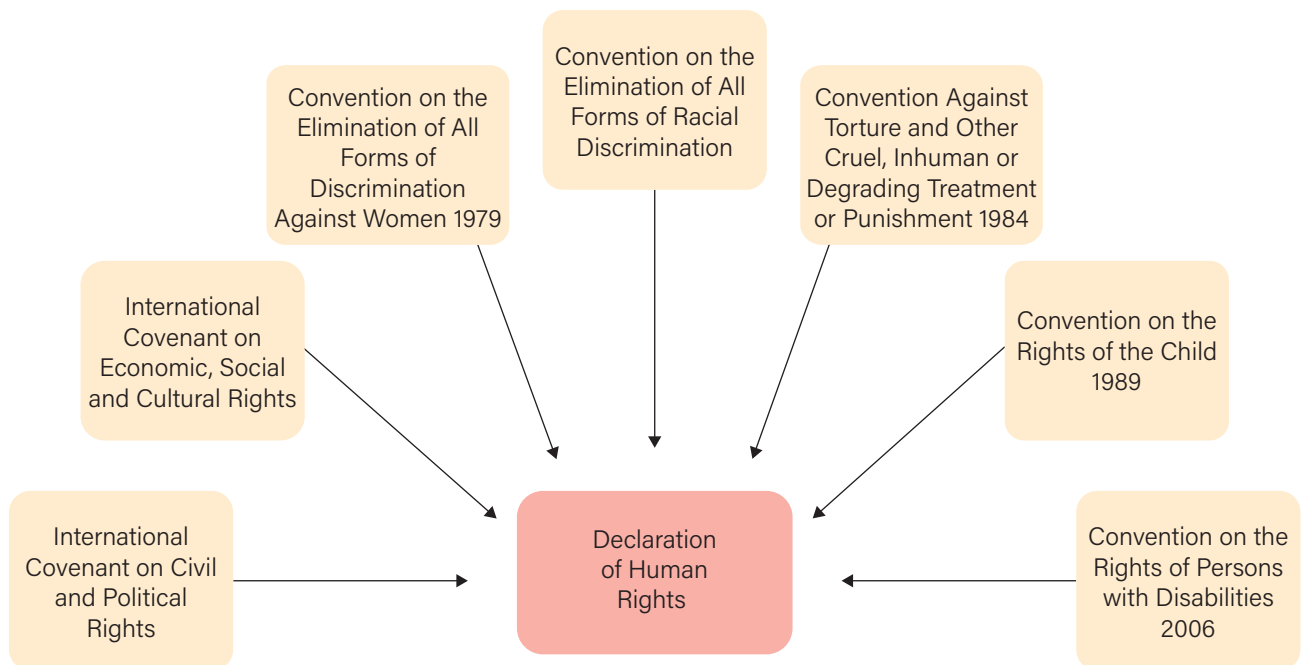


FIGURE 12.6 Human rights agreements signed by Australia

Activity 12.4

RESEARCH



The Universal Declaration of Human Rights

The Universal Declaration of Human Rights covers 30 Articles related to human rights. Using the United Nations website, research two Articles and answer these questions:

1. Identify and explain two Articles that interest you.
2. Provide examples of human rights abuses around the world that relate to these Articles.
3. What can be done by the United Nations to overcome these abuses?
4. Explain how these Articles are demonstrated in Australian law.

International Covenant on Civil and Political Rights

Since 1980, the Australian Government has been bound to promote and observe the International Covenant on Civil and Political Rights (ICCPR). Although Australia is a signatory to the covenant, the covenant is not part of the law in Australia, unless the convention has been specifically enacted into Australian law through legislation. For example, the *Human Rights (Sexual Conduct) Act 1994* (Cth) and the Human Rights and Equal Opportunity Commission, established in 1986, enforce many of the provisions contained in the ICCPR.

The ICCPR gives legal force to the UDHR. The UDHR covers the rights to life and liberty; to be free from slavery and torture; to be equal before the law; and to freedom of thought, conscience and religion.

For example, the ICCPR includes an extensive list of rights such as:

- the right to life
- the right to freedom from torture and inhuman or degrading treatment
- the right to freedom from slavery and forced labour
- the right to liberty and security
- the right of detained persons to be treated with humanity
- the right to privacy
- the right to freedom of thought, conscience and religion
- prohibition of propaganda for war and of incitement to national, racial or religious hatred
- the rights of the child
- the right to equality before the law
- the rights of minorities.

United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)

In September 2007, the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) was accepted by the UN General Assembly by a significant number of votes. Initially, Australia was one of the few countries that voted against the UNDRIP, but agreed to it in 2010.

UNDRIP is a non-legally binding declaration which sets out minimum standards for the recognition, protection and promotion of basic needs of indigenous peoples considered essential to a fair life including the rights to education, health and housing. Other rights covered include the right to self-determination, participation in decision-making, respect and protection of culture, equality and non-discrimination.

UNDRIP did not aim to create new rights for indigenous peoples, but rather to address existing rights through various topics – such as reconciliation to restore and protect culture.

UNDRIP is a resolution, meaning that it is not a law-bearing document. (See section 12.1 of this chapter.)

UNDRIP provides a global framework for all indigenous peoples and contains 46 Articles. Many of these specify a desire for how the state should promote and protect the rights of indigenous peoples.

Major themes of the Articles include:

- Rights of self-determination of indigenous individuals and peoples (*Articles 1–8; 33–34*)
- Rights of indigenous individuals and people to protect their culture through practices, languages, education, media and religion, including control of their intellectual property (*Articles 9–15, 16, 25, and 31*)
- Right to indigenous peoples' own type of governance and to economic development (*Articles 17–21, 35–37*)
- Health rights (*Articles 23–24*)
- Protection of subgroups – for example, the elderly, women and children (*Article 22*)
- Land rights from ownership including reparation or return of land (*Article 10*) to environmental issues (*Articles 26–30 and 32*)
- How this document should be understood for future reference (*Articles 38–46*).

Source: 'Content' section of the Wikipedia article on the United Nations Declaration on the Rights of Indigenous Peoples,
<https://cambridge.edu.au/redirect/10558>

A full listing of each individual article can be found at:
<https://cambridge.edu.au/redirect/10775>

Activity 12.5

RESPOND



From the major themes of the Articles of the Declaration on the Rights of Indigenous Peoples, ascertain and note down the detail behind five individual Articles. The Articles chosen can be from within one theme or chosen from several.

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 12.2



1. Explain the difference between the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights. Are there any similarities?

12.3 Treaties

Are treaties law?

Treaties set out rights and obligations. Under the Australian Constitution, the executive government has the power to enter into treaties. However, the rights and responsibilities stated in a treaty do not automatically become law in Australia. For the terms of a treaty to become law in Australia, parliament must pass legislation recognising the rights and obligations stated in the treaty. A treaty is generally tabled in both Houses of the Commonwealth Parliament after it has been signed at least 15 sitting days prior to binding treaty action being taken. At the time the treaty is tabled in parliament, the government will also table a National Interest Analysis, which sets out the reasons why Australia should be a party to the treaty.

To implement the rights set out in the key human rights covenants that Australia has signed, the Commonwealth Parliament has passed the legislation listed in Table 12.2.

TABLE 12.2 International treaties and domestic legislation

International treaty	Australian legislation	Victorian legislation
International Convention on the Elimination of All Forms of Racial Discrimination	<i>Racial Discrimination Act 1975</i> (Cth)	<i>Equal Opportunity Act 2010</i> (Vic)
Convention on the Elimination of All Forms of Discrimination Against Women	<i>Sex Discrimination Act 1984</i> (Cth)	<i>Family Violence Protection Act 2008</i> (Vic)
Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment	<i>Crimes (Torture) Act 1988</i> (Cth)	<i>Charter of Human Rights and Responsibilities Act 2006</i> (Vic)
Convention on the Rights of Persons with Disabilities 2006	<i>Disability Discrimination Act 1992</i> (Cth)	<i>Disability Act 2006</i> (Vic)
The Universal Declaration of Human Rights (1948)	<i>Migration Act 1958</i> (Cth)	<i>Charter of Human Rights and Responsibilities Act 2006</i> (Vic)
Convention on the Rights of the Child (1989)	<i>Family Law Act 1975</i> (Cth)	<i>Commission for Children and Young People Act 2012</i> (Vic)
Convention relating to the Status of Refugees (1950)	<i>Migration Act 1958</i> (Cth)	

Australian Constitution

Section 51(xxix) of the Constitution gives the Commonwealth Parliament the power to make laws on 'external affairs'.

This section of the Constitution enables the Commonwealth Parliament to make laws to give effect to treaties and international agreements. The position of the Commonwealth Parliament in relation to treaties was clarified in the *Tasmanian Dam Case* (see Case study 12.1). This case indicated that the Commonwealth Parliament has broad powers to make laws to implement the terms of an international agreement.

Case study 12.1

**Commonwealth v Tasmania (1983) 158 CLR 1; 46 ALR 625**

In 1978, the Tasmanian Hydro-Electric Commission, a business owned by the Tasmanian Government, made a proposal to build a dam on the Franklin River, an area of untouched wilderness that contained many unique features. Following national and international protests, the Commonwealth Government nominated the area on the Gordon River (below its junction with the Franklin River) to be included in the World Heritage List.

The Gordon below Franklin River was granted World Heritage listing by UNESCO in 1982. The following year the Commonwealth Parliament passed the *World Heritage Properties Conservation Act 1983* (Cth) to prohibit the building of a dam in protected areas. The Tasmanian Government challenged the validity of this Act.

The High Court had to make a judgment as to whether it was within the power of the

Commonwealth Parliament to ban the building of a dam in Tasmania.

The High Court determined that under its external affairs power, the Commonwealth Parliament could make laws that fulfilled Australia's obligations under international treaties, such as the treaty to protect World Heritage areas.

Today, the validity of much of our national environmental law depends on the decision in the *Tasmanian Dam Case*. This includes the protection of World Heritage areas, including the Great Barrier Reef, as well as threatened and migratory species.

1. According to the decision in the *Tasmanian Dam Case*, what is the law-making power of the Commonwealth in relation to external affairs?
2. Why do you think it is important for Australia to enter into international treaties?



FIGURE 12.7 A 'no dams' protest on the Franklin River, 15 December 1982

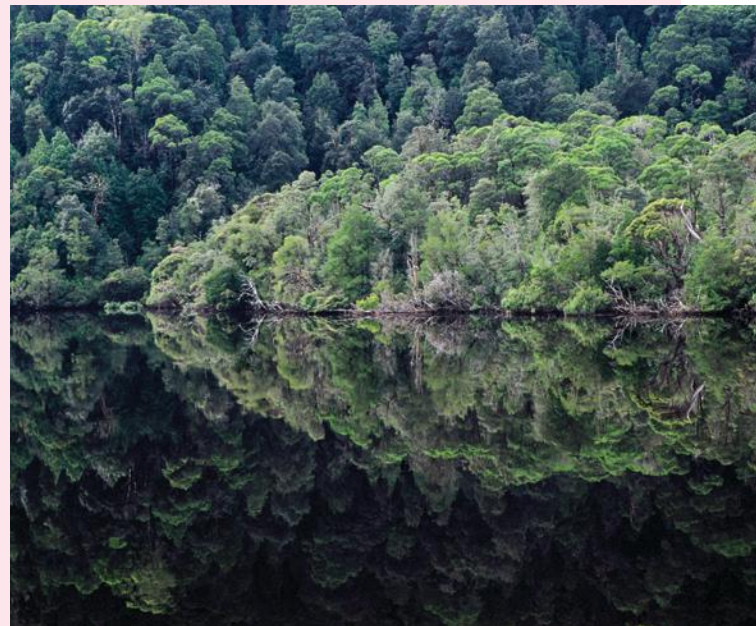


FIGURE 12.8 Untouched wilderness on the Gordon below Franklin River



EXTRA
ACTIVITY 12.2

Research – more about the *Tasmanian Dams* case

The courts and treaties

Treaties can also influence how the law is applied by our courts. The courts may look at treaties when interpreting legislation and as a guide to developing the common law. High Court decisions have emphasised the importance of treaty obligations.

Case study 12.2



Minister of State for Immigration & Ethnic Affairs v Ah Hin Teoh **(1995) 183 CLR 273**

Mr Teoh was a Malaysian citizen with a wife and children who were Australian citizens. He was living in Australia on a temporary entry permit and applied for resident status. While this application was being processed, Mr Teoh was convicted for heroin importation and possession. The Immigration Minister of Australia ordered that Mr Teoh be deported from Australia. The case went to the High Court, with the issue being how Mr Teoh's deportation would impact his wife and children.

During the appeal, the Court was asked to consider the extent to which the Convention on the Rights of the Child applied in Australia law, given that Australia had ratified the Convention but not incorporated the provisions in to Australian legislation. The Court decided that

agreeing to a treaty agreement could lead to the 'legitimate expectation' that government decision-makers might make decisions in accordance with treaty provisions. With regard to this case, the immigration official determining Mr Teoh's deportation should have taken the Convention on the Rights of the Child into consideration, regardless of the fact there was no Australian legislation in place.

This decision was considered to be very controversial. Critics suggested that the right of Australian law to recognise treaty provisions should instead stay with the democratically elected parliament.

1. What was the basis of the *Teoh Case*? Why was the decision in this case considered controversial?

Impact of treaties on government policies

There are many issues with which governments deal that are not restricted to national boundaries. Global issues, such as climate change, extend beyond national borders and require solutions to be worked out by nations in collaboration. Issues such as global warming, depletion of the ozone layer and threats to biodiversity cannot be addressed effectively by nations working alone. Treaties play an important role in setting expectations for governments to implement policies to address these problems.

Some treaties relate to fundamental values. These agreed values are also reflected in government policies. Australia is a signatory to the UN Convention on the Rights of the Child. The values set out in this convention are reflected in 'Safe & Supported', a national framework for the development of child welfare services in Australia to protect children from abuse and neglect. The framework was developed by the Australian Government, State and Territory governments, and with representatives from First Nations peoples and the non-government sector.

Principles

- Access to quality universal and targeted services designed to improve outcomes for children, young people and families
- Excellence in practice and policy development, based on evidence, data and information sharing
- Listening and responding to the voices and views of children and young people, and the views of those who care for them
- Clear responsibilities and strong monitoring, evaluation and achievements of outcomes
- Trauma-informed, culturally safe, and inclusive policies and actions
- Embedding the five elements of the Aboriginal and Torres Strait Islander Child Placement Principle – Prevention, Partnership, Placement, Participation and Connection

Source: Australian Government Department of Social Services, Safe & Supported: The National Framework for Protecting Australia's Children 2021–2031 (2021).

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 12.3

1. What is the difference between a treaty and a declaration?
2. When a country signs a treaty, do the principles set out in that treaty automatically become law?
3. Outline the role of the High Court in relation to treaties.
4. What is the external affairs power?
5. Explain why treaties relating to fundamental values are reflected in government policy.



EXTRA CASE STUDY 12.1

Explain how laws in Australia can be affected by decisions in the United Nations.



FIGURE 12.9 A treaty gives rise to international legal rights and obligations.

12.4 Australia's involvement in the Indo-Pacific, Asia and internationally: foreign policy

Foreign policy a government's policy on dealing with other countries – for example, in matters relating to its relationships, trade, defence or national interests



VIDEO 12.4 Australian foreign policy in action (06:20)

The Australian Government understands that we live in a complex, international environment and interconnected region where countries need to coordinate their responses to the major challenges we all face today. Australia's strategy in relation to other countries is known as its **foreign policy**. This allows the Australian Government to be firmly committed to effective involvement with the Indo-Pacific, within Asia and internationally by engaging with multilateral systems such as the Quad (Australia, India, Japan and the United States), which is a key pillar of Australia's foreign policy. Involvement within our region and internationally presents both opportunities and challenges in terms of promoting Australia's national interests. The Australian Government participates in a range of programs that also promote the security and prosperity of Australians. The programs are funded through our foreign aid budget, and include commitments to help our neighbours and promote a stable and prosperous Indo-Pacific, including peacekeeping, keeping Australia and Australians safe and secure, and representing Australia through diplomacy.

Responding to COVID-19 within our region

When the COVID-19 pandemic began, governments across the globe took action to protect their citizens from the impact of the pandemic. This action was strongly influenced by health advice and has impacted economic progress, social cohesion and the wellbeing of individuals. It was clear that without an international response, social and economic recovery from the pandemic would be very difficult. The Australian Government was aware that a coordinated global response to a global problem was required. Although Australia was shut off from the world for a period, the government recognised that it could not remain that way. The government was aware that Australia's economy would struggle to recover without a global recovery, and that, as a nation, we would not be safe until others were safe.

The Australian Government engaged with many worldwide organisations to assist in a global response, which assisted in directing resources to our near neighbours and in the Indo-Pacific region.

Case study 12.3



The COVID-19 pandemic in the Indo-Pacific region



FIGURE 12.10 Australia's global response

On the 27 March 2020, then Prime Minister of Australia Scott Morrison joined G20 leaders for an extraordinary meeting about the COVID-19 pandemic. He emphasised the need to protect the Indo-Pacific region, and listed some areas of support Australia had provided to Pacific Island countries since January:

- laboratories
- medical equipment
- health expertise
- public information campaigns.

Case study 12.3 *continued*

Australian development assistance was reconfigured to ensure critical health services could be maintained throughout the pandemic, and continued to support the region in managing its recovery.

A two-year \$304.7 million COVID-19 Response Package was established to help address the economic and social costs of the pandemic.

In March 2020, the Australian Government established a 'Corridor' to uphold critical connectivity to the Pacific and Timor-Leste by facilitating the movement of people and essential supplies from and through Australia. Since the Corridor was set up, over 500 flights and vessels have delivered essential goods and services, as well as enabling Australian, Pacific Island, and Timorese nationals to move around the region. Through this corridor, Australia has sent to the Pacific:

- more than 235 tonnes of medical and humanitarian supplies

- nearly 300 000 GeneXpert PCR testing cartridges
- more than 450 000 rapid antigen tests
- over 2.8 million vaccine doses.

1. Describe two reasons why foreign aid is important to Australia.
2. Research when COVID-19 was declared a pandemic. In your response, identify which organisation made this declaration.
3. Explain three reasons why managing the social, economic and health impacts of COVID-19 remain a central challenge for our region.
4. Evaluate why it is important for the Australian Government to provide essential services and humanitarian aid. In your answer, explain two advantages and two corresponding disadvantages of this type of aid.
5. Research how much money is spent on foreign aid related to Australia's response to COVID-19 within our region.



FIGURE 12.11 Children wear plastic bottles as personal protective equipment.



**EXTRA
CASE STUDY 12.2**
Education or
exchange programs

Peacekeeping and peacebuilding

As part of its charter, the UN is tasked with upholding international peace and security by taking combined measures to prevent and remove threats to peace. Peacekeeping is also known as peacemaking or peacebuilding. This includes monitoring ceasefires, re-establishing law and order, removing land and sea mines, educating others in mine detection and clearance, intercepting merchant ships, detecting and examining weapons and, if required, supervising their elimination. Support is also given by assisting asylum seekers and refugees with medical, dental services and the means to communication. The UN also provides support for the preparation and supervision of elections – for example, electoral education – and for assuming responsibilities in transitional administrations.

Since 1947, Australia has been involved in multilateral peace and security operations across the world, including playing a prominent role in successful regional peacekeeping missions within the Asia–Pacific region. As at the start of 2024, Australian peacekeepers were serving in:

- the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA)
- the Middle East UN Truce Supervision Organisation (UNTSO)
- the UN Mission in the Republic of South Sudan (UNMISS).



VIDEO 12.5 What is United Nations peacekeeping (01:05)



FIGURE 12.12 The increase in naval activity in the South China Sea by the Chinese Navy has created an area of concern for countries within this region.

Australian peacekeepers are also serving in the Multinational Force and Observers (MFO).

Peacekeeping by Australia not only includes military personnel, but also other experts: police, scientific specialists and public servants such as those from Department of Foreign Affairs and Trade (DFAT), AusAID, the Australian Electoral Commission and Treasury.

The Australian Government understands how important partnerships are within our region and cultivates these relationships. An example of this occurs between Australian and Indonesian Foreign and Defence Ministers who meet to discuss regional and security issues.

Extract from the Joint Statement on the Sixth Indonesia–Australia Foreign and Defence Ministers 2+2 Meeting (2019)

The Ministers welcomed and reaffirmed their commitment to efforts to broaden and deepen peacekeeping cooperation between the Australian Defence Force (ADF) and Indonesian Armed Forces (TNI). The Ministers announced their intent for Australia and Indonesia to co-deploy on a United Nations peacekeeping mission. They agreed to the establishment of a permanent Indonesian instructor position at the Australian Peacekeeping Operations Training Centre, as an avenue to strengthen training cooperation. The Ministers highlighted that these developments signalled a new chapter in the Australia–Indonesia peacekeeping partnership.

Source: Department of Foreign Affairs and Trade website, 'Joint Statement on the Sixth Indonesia–Australia Foreign and Defence Ministers 2+2 Meeting', 6 December 2019.

Activity 12.6**RESEARCH****Australian peacekeepers**

Research a recent Australian peacekeeping mission and answer the following questions:

(Clue: Go to the DFAT website and use the key term 'Peacekeeping' or 'Peacebuilding' in the search function):

1. Name the peacekeeping mission and the country.
2. Explain why Australian peacekeepers were used.
3. What role or function did our peacekeepers undertake?
4. Assess the effectiveness of this mission.

Election monitoring

The Australian Electoral Commission (AEC) is an independent, government-funded body that exists to ensure the delivery of free and fair elections within Australia. However, the AEC also offers a number of international electoral services. The aim is to enhance democracy and good governance by developing and implementing programs for electoral assistance, with an emphasis on developing local expertise to run elections. The international electoral services offered by the AEC also enhance the standing of Australia in the eyes of our regional and the international community.

International engagement

The AEC is internationally known for its support of emerging democracies and for its close collaborations with partner electoral agencies. This reputation enables the Australian Government to include electoral support as a key element of development assistance.

Working alongside the Department of Foreign Affairs and Trade, the AEC partners with election management bodies (EMBs) primarily across the Pacific. We help these EMBs to deliver their elections while we continue to further build their technical capacity. As a development partner, the AEC is recognised globally and its knowledge and experience in election delivery is unrivalled.

By building trust, mutual respect and a shared vision, the AEC promotes peaceful and inclusive societies through sustainable development. Our partners in these bilateral endeavours include EMBs, academic institutions and international development agencies.

AEC activities may include:

- technical assistance
- strategic planning and advice
- training courses
- reviewing and updating policies and manuals
- knowledge exchange programs
- workshops
- designing, printing and supplying electoral materials.

The Pacific Islands, Australia and New Zealand Electoral Administrators (PIANZEA) network is an Australian Government-funded electoral support program led by the AEC. The network has helped share programs and resources for more than 25 years to strengthen the capability of Pacific Island EMBs. Through PIANZEA, the AEC supports voter registration through the Generic Voter Registration System (GVRS) for a number of Pacific Island nations. Designed and hosted by the AEC, GVRS is a software application that provides users with a technologically appropriate system to manage their electoral rolls. With the support of DFAT, the AEC is now upgrading GVRS to meet evolving EMB and user requirements and to make it more sustainable into the future.

The AEC also continues to play an integral role as a founding partner of the Building Resources in Democracy, Governance and Elections (BRIDGE) partnership.

This professional development program is focused on electoral processes and is the only initiative of its type delivered to electoral officials around the world. As well as the AEC, BRIDGE partners are:

- International Institute for Democracy and Electoral Assistance
- International Foundation for Electoral Systems
- United Nations Development Programme
- United Nations Electoral Assistance Division.

Source: Australian Electoral Commission, Corporate Plan 2023–24.



FIGURE 12.13 Bangladeshi voters wait in line outside a polling station while security police officials watch, Dhaka, 30 December 2018.



EXTRA
CASE STUDY 12.3
BRIDGE

Water programs

Water is fundamental to all life on earth and underpins all human activity: food and energy production, physical health, life in cities, social stability. Yet, water scarcity is a growing global threat. Rising global population growth, increasing prosperity, the industrialisation of agriculture, urbanisation and pollution of water sources are placing unsustainable demands and pressures on the world's clean freshwater resources. COVID-19 has highlighted the importance of water to maintain most basic of hygiene practices – handwashing with soap – as the most cost-effective defense against virus transmission.

In responding to COVID-19, access to water, sanitation and hygiene (WASH) services is as important as using personal protective equipment (PPE). Our water resource management and WASH programs have responded to COVID-19 in a range of different ways from using established networks to provide technical assistance to water utilities and boosting behaviour change programs to setting up emergency water services in public institutions such as schools and hospitals. In many ways, WASH services not only reduce COVID-19 transmission but also other diseases, contributing to broader health benefits.

The World Economic Forum has rated water crises as a 'top five global risk' in terms of impact since 2012. Climate change, which impacts through the water cycle, acts as a multiplier of the risks of water scarcity by increasing the variability and unpredictability of water resources.

According to the United Nations, 3.6 billion people worldwide, nearly half the global population, already live in water scarce areas at least one month per year and this could increase to some 4.8–5.7 billion in 2050. At the same time, some 2.2 billion people around the world do not have safely managed drinking water services, 4.2 billion people do not have safely managed sanitation services, and 3 billion lack basic handwashing facilities.

Water including water resource management as well as water, sanitation and hygiene (or WASH) is a key development, foreign policy and security issue for Australia and our partners in the region.

Source: Department of Foreign Affairs and Trade website, 'Australia's development program – Australia's assistance for water'.



FIGURE 12.14 Cambodian workers cook river shells along a polluted canal for food vendors to sell in Phnom Penh, 29 March 2019.



EXTRA
CASE STUDY 12.4
WASH

Case study 12.4



Water for Women

Our flagship water, sanitation and hygiene program, Water for Women (WfW) manages 18 projects across 15 countries in the Indo-Pacific.

WfW changes behaviours and attitudes to give women greater access to water and control over local and household water management. For example, in Timor-Leste WaterAid and CARE are working with authorities and villages across two large municipalities. The big emphasis in this program is on sanitation by providing toilets for households and educating people that open defecation and not washing your hands is unhealthy.

It was originally designed to improve water, sanitation and hygiene services and practices for over three million people. However, Water for Women was able to quickly respond to COVID-19 thanks to established relationships and networks on the ground, extending its reach.

These initial early pivots focused mostly on hygiene promotion and rapid supply of hygiene facilities and equipment in key locations such as

health facilities, schools and other public places and institutions.

Most Water for Women projects were also able to develop additional longer-term COVID-related work programs and a further \$3.4 million in funding was approved for these activities which are now well underway.

We estimate Water for Women has reached an extra 3.5 million people through additional COVID-19 related activities, primarily through hygiene promotion campaigns.

Source: Department of Foreign Affairs and Trade website, 'Australia's development program – Water initiatives.'

1. Find one of the projects on the Water for Women website (<https://cambridge.edu.au/redirect/10451>). Complete a brief report on the impact of this project covering the following headings:
 - a. context
 - b. aim
 - c. outcomes.

Disaster management

Australia is susceptible to natural disasters, and we are recognised globally for our disaster risk-management expertise in governance, preparedness, hazard identification and technological innovation. Through its aid program, Australia also supports partner countries in the Indo-Pacific region to protect the most vulnerable communities and to build a platform for strengthening disaster resilience. This includes supporting hazard mapping and forecasting, working to develop resilient infrastructure and connecting geo-hazard data with decision-making groups.

The Australian Government recognises that investing in disaster risk reduction (DRR) is a precondition for making development efforts sustainable. Disasters destroy lives, livelihoods and infrastructure; they undermine development, create instability and reverse economic growth. DRR protects lives, health, livelihoods and assets, and it enables service and business continuity when natural disasters and hazards occur.

The impact of disasters in the Indo-Pacific region prevents millions of people from breaking out of the cycle of poverty. The impact is a direct result of vulnerability related to a range of complex, interrelated factors, such as poverty, environmental degradation, disability and gender inequality. Reducing risk and building resilience to future disasters is a priority not only to save lives but also for sustainable economic growth.

Example**Australian Medical Assistance Teams (AUSMAT)**

As part of our disaster management and humanitarian response, Australia assists with medical teams to provide people within our region with life-saving medical care. The National Critical Care and Trauma Response Centre based in Darwin helps strengthen health systems of countries to respond to emergencies within our region by providing training for local doctors, nurses, and other medical professionals. In recent times, the Australian Government has deployed AUSMAT to disasters in the following countries:

- 2019 Samoa – Measles outbreak
- 2019 Solomon Islands – Oil spill
- 2018 Thailand – Cave rescue
- 2018 Papua New Guinea – Southern Highlands earthquake.

Activity 12.7**RESEARCH****Disasters**

1. Create a media folio and report on a recent disaster within our region and answer the following activities:
 - a. Describe the type and location of the disaster.
 - b. Outline the impact the disaster had on the region.
 - c. Explain the Australia Government's response to this disaster.
 - d. To what extent did this disaster affect the Australian people?

Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.

**Review 12.4**

1. Define 'foreign policy.'
2. Name the three regional areas that Australia is concerned with for its foreign policy.
3. Identify the other terms that peacekeeping is known as.
4. State three roles undertaken by Australian peacekeepers.
5. Outline the role of the AEC.
6. Explain two objectives of the AEC's International Electoral Services.
7. Provide two examples of capacity building by the AEC in our region.
8. Australia is recognised globally for our disaster risk-management expertise. Identify three examples of this.
9. Identify two impacts of disasters within our region.
10. Define AUSMAT, and find two ways it can make a difference within our region.

12.5 Migrants, asylum seekers and refugees

People leave their country for many reasons. These reasons will be explored in greater detail below. In Australia migration systems, asylum seekers and refugees fall under the responsibility of the Commonwealth Government. These powers are identified within two basic areas of the 40 heads of power within Section 51 of the Australian Constitution.

Section 51

Legislative powers of the Parliament

The Parliament shall, subject to this Constitution, have power to make laws for the peace, order, and good government of the Commonwealth with respect to:

...

(xxvii) Immigration and emigration;

...

(xxix) External affairs;

Source: Australian Constitution, Section 51

Migrants

A migrant is a person who willingly chooses to depart from their home country to seek professional employment, begin studies abroad or be reunited with family. They have the option to return home at any point if this doesn't work out.

Asylum seekers

An asylum seeker is a person who has fled their country and seeks protection as a refugee in another country:

because they have a well-founded fear of being persecuted for reasons of their race, religion, nationality, political opinion or membership of a particular social group. An asylum seeker could also be someone who is fleeing other serious human rights violations, including torture or cruel, inhumane or degrading treatment or punishment. Not every asylum seeker will ultimately be recognised as a refugee, but every refugee is initially an asylum seeker.

Source: Australian Red Cross, Refugee and Asylum Seekers Facts.

Why seek asylum?

Imagine the decision to leave everything you know behind. To pack up and leave your previous life in search for a different life, a safer life. Imagine how difficult this would be, with different customs, traditions, laws, let alone dealing with a new language. Becoming a refugee or seeking asylum is long and arduous. For some this is compounded by the circumstances of why people need to leave their home country such as war, conflict or political persecution.

As part of our responsibility to UNHCR, the Australian Government provides housing, health and education support to refugees or asylum seekers. There are many difficulties and challenges faced by refugees or asylum seekers. Some of these are:

- the isolation of quarantine
- understanding and dealing with our temporary visa system
- communication and language barriers when dealing with everyday services
- meeting the personal needs of individuals, such as cultural, religious and cuisine
- learning English in Australia
- financial and economic difficulties
- understanding where they fit in within Australian society
- accessing affordable housing
- finding work to get started
- understanding the Australian way of life, including community attitudes, customs and Australian English
- dealing with racism and discrimination
- the negative effect of disrupted schooling
- dealing with or accessing services for mental health due to the shock of leaving your home
- changes to family structures or roles.

Refugees

In 1951, Australia signed the United Nations Convention Relating to the Status of Refugees. In the Convention, the UN defines a refugee as a person who,

owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence as a result of such events, is unable or, owing to such fear, is unwilling to return to it.

Source: United Nations Convention Relating to the Status of Refugees.



FIGURE 12.15 Vietnamese refugees arrive in Sydney, 1975

A person who has decided to flee from persecution to seek protection may be granted refugee status. A refugee could be living in a refugee camp for an opportunity to go back to their home country, or they might have been resettled in another country such as Australia.

The meaning of refugee in Australia

To be a refugee in Australia, an asylum seeker must be assessed as meeting certain legal criteria. The meaning of a 'refugee' in the *Migration Act 1958* (the Act) is a person in Australia who is:

- outside their country of nationality or former habitual residence (their home country) and
- owing to a 'well-founded fear of persecution', is unable or unwilling to return to their home country or to seek the protection of that country.

The definition is forward-looking. Even if a person has suffered persecution in the past, they are not a refugee by the meaning in the Act unless they have a well-founded fear of persecution and there is a real chance they will be persecuted in their home country now, if they were to return. However, past events could establish a real chance of persecution if the person were to return.

A person might become a refugee after arriving in Australia. This could occur if there is a change of circumstances in their home country or a change in personal circumstances after they left that gives them a well-founded fear of persecution if they were to return.

Source: Department of Home Affairs, 'Refugee and Humanitarian Program'.

Who can apply as a refugee in Australia?

The Commonwealth *Migration Act 1958* regulates the meaning of refugee within Australia. Essential to the definition of refugee is a well-founded fear of persecution. It is up to immigration officials to ascertain if a person has serious fear due to race, religion, nationality, membership of a particular social group, or political opinion. Individuals who apply for refugee status do so as they fear persecution. Persecution involves serious harm and systematic and discriminatory conduct against the individual.

Sometimes people leave their home country for other reasons such as employment opportunities, civil war, famine or disaster. These reasons may not be adequate to be considered a refugee according to the *Migration Act*. They must have a serious fear due to race, religion, nationality, membership of a particular social group, or political opinion.

Onshore or offshore refugees

There is a comprehensive assessment process that includes checking to see whether there is a legitimate reason for staying in Australia. This may be a long process. Refugees will be classified into either onshore or offshore refugees, as can be seen in Table 12.3.

TABLE 12.3 Onshore and offshore refugees

Protection visas (onshore)	Refugee visas (offshore)
Permanent protection 1. Sometimes people arrive in Australia on a valid visa and want to seek asylum, and stay in Australia permanently. They can apply for a Protection visa and stay in Australia until the outcome of the application. Temporary protection 2. Sometimes people arrive in Australia without a valid visa and want to seek asylum, and stay in Australia permanently. They can apply for a Temporary Protection visa and stay in Australia until the outcome of the application.	To be considered for a refugee visa you must apply outside Australia and be subject to persecution in your home country. The applicant must have 'compelling reasons' and meet health, character and national security requirements. Refugees can apply to the Department of Home Affairs for one of the following categories: ▪ The first is where the United Nations High Commissioner for Refugees (UNHCR) has referred an individual to Australia for resettlement. ▪ The second is where a person who is living in their own country and has been unable to leave applies. ▪ The third is known as an emergency rescue where the UNHCR has referred a person to Australia as they are in immediate danger. ▪ The fourth is for women at risk who do not have the protection of a partner or a relative and are in danger of victimisation.



FIGURE 12.16 People held who have arrived in Australia without a visa may be held in detention while awaiting the outcome of their Temporary Protection Visa application. In this 2021 march in Melbourne, people are protesting Australia’s treatment of refugees.



EXTRA
CASE STUDY 12.5
The power of football and the women’s Afghan football group



Activity 12.8

COLLABORATE

Debate

- Conduct a class debate on one of the following topics:
 - Asylum seekers who travel by boat to Australia jump the queue, which is unfair.
 - Asylum seekers who come to Australia do so illegally.
 - Australia's refugee intake is one of the best in the world.
 - Detention centres are the best way to control asylum seekers.
 - Many asylum seekers who come to Australia are terrorists.
 - The Australian Government makes it easy to qualify for a refugee visa.
 - Form two teams of two or three speakers.
 - Each team should research and investigate the chosen topic.
 - Choose a time in class to conduct a debate.
 - After the debate, provide an open forum to the rest of the class where you can seek the opinions of others related to your topic.



Activity 12.9

RESEARCH

Asylum seekers and refugees

- Find out more about the government's current policy on refugees. Using dot points, outline the government's approach to dealing onshore and offshore arrivals.
- Complete the following table using the treaty obligations relevant to refugees and people seeking asylum within Australia. Choose an obligation and unpack what it looks like, feels like and sounds like in Australia.

Insert obligation:

Provide examples of what this obligation looks like in Australia	Provide examples of what this obligation feels like in Australia	Provide examples of what this obligation sounds like in Australia



Complete the automarked quiz in the Interactive Textbook, and answer the Review questions on paper or in the Interactive Textbook.



Review 12.5

- State the difference between a migrant, a refugee and an asylum seeker.
- Write a paragraph of what is meant by 'well-founded fear of persecution'.
- Identify three reasons why employment opportunities, civil war, famine or disaster may not be adequate to be considered a refugee according to the *Migration Act*.
- What is the main difference between an onshore refugee and an offshore refugee?



Consolidate your learning

Groups supporting rights of refugees

1. A number of groups in Australia express concerns about the rights of refugees. Working in groups, find out about the views expressed by one of the following organisations:
 - Amnesty International Australia
 - Red Cross Australia
 - Australian Lawyers for Human Rights
 - Asylum Seeker Resource Centre
 - Oxfam Australia
 - Human Rights Council of Australia.
- a. Working in groups, select an issue related to the problems refugees face such as:
 - i. Access to Centrelink, Medicare, or other social security benefits
 - ii. Housing support
 - iii. Healthcare and a health crisis
 - iv. Food and groceries, and access to culturally appropriate food
 - v. Detention support and legal advocacy
 - vi. COVID-19 impacts
 - vii. Other ...
- b. Prepare a poster identifying a summary of the issues raised. Using dot points, list the key facts that you have identified under the following headings:
 - i. 'What are the key facts relating to this issue?'
 - ii. 'What are the different views on this issue?'
 - iii. 'How can we solve these problems?'
 - iv. 'Any further information'
- c. Conduct a class forum on the issues facing refugees. Each group should report back to the class on its investigation and outline its recommendations for action.

Glossary

Adversary trial a trial before an impartial judge in which each party is responsible for the preparation and presentation of their case

Affirmation a declaration that is accepted in place of an oath

Appeals when a higher court reviews the decision of a lower court

Arbitration where an impartial third party discusses the issues, suggests ways to resolve the dispute and, if the parties cannot agree, makes a binding decision for them

Asset something owned or controlled that will provide economic benefits into the future

Auction a transaction where the buyer of an item and the price paid for it are decided after potential buyers have declared what they are willing to pay

Bail to allow a person charged with a criminal offence to be released from police custody until the trial starts

Balance of trade calculated by subtracting the value of imports from the value of exports

Bank a financial institution authorised to hold money, make loans, pay interest, accept deposits, change money and produce cheques

Bankrupt being unable to pay bills, leading to the closure of a business

Barter the use of goods or services as a means of exchange

Bicameral a parliament consisting of two houses or chambers

Bill a proposed law

Blended marketing the seamless integration of digital and traditional marketing techniques

Budgetary policy an economic tool of the government concerned with the level and composition of government outlays and revenues; it can be used to assist in achieving economic objectives

Bureaucracy also known as the public service; government departments responsible for administering government policy

Businesses buy resources from households and turn them into goods and services via the production process

Cabinet a meeting of senior ministers to advise on government policies

Capital the machinery, plant and equipment made by people to assist in the manufacture of goods and provision of services

Casual worker someone who is not guaranteed regular hours of employment each week; usually paid a higher hourly wage rate but sacrifices sick leave and holiday pay

Cheque a document that orders a bank to pay money from a specified account to an individual or organisation

Citizens members of a state or nation

Coalition an alliance between two or more political parties: in Australia, the Liberal Party and the National Party have operated as a coalition since 1946

Colluding coming to a secret arrangement in order to gain a benefit

Committal hearing a hearing to determine whether there is sufficient evidence against an accused person charged with a serious criminal offence to have them stand trial in a higher court

Competition where several businesses in the same market are each trying to be more successful than the others

Competitive advantage the ability to beat your competitors in terms of price or quality, translating into greater sales and profits

Complementary product a product that is used with another product; for example, petrol is a complementary product to a car

Conciliation where an impartial third person assists the parties to identify the issues and, if the parties cannot reach an agreement, suggests possible solutions to help the parties reach an agreement

Constitution a set of rules, guidelines or a framework for how a nation or state is governed

Constitutional monarchy the exercise of power by a king or queen under a constitution

Consumer demand the willingness and ability of the buyer to pay the asking price for the product

Consumer Price Index (CPI) comparison of the costs of a basket of goods and services bought by consumers to see what price movements there have been over time

Consumer sovereignty the consumer is in charge when it comes to deciding where resources are allocated in a market economy

Contract a legally binding agreement

Convention a binding formal agreement or instrument that is between states (also known as countries or nations), or between states and non-state entities

Cooling-off periods offer the consumer the chance to cancel a particular consumer transaction within a set period of time

Corporate social responsibility an approach to measuring business performance that considers the social and environmental impact of a corporation, in addition to its economic performance

Cost-benefit analysis involves making a list of the costs and benefits of each alternative proposal and comparing them to reach a conclusion

Credit rating credit reporting agencies collect information from credit providers (e.g. banks) about customers who have failed to make payments on time; credit providers often check the credit rating of new applicants, to assess whether they will pay back the debt

Creditors people or organisations to whom a business owes money

Crowdfunding listing a project/business on a website such as Kickstarter or GoFundMe in order to obtain funding from members of the public

Currency the notes and coins accepted as legal tender in a particular country

Custody legal authority to control, detain or care for a person

Debt the state of owing money

Declaration an international agreement or instrument, which is also used and relied upon by states for various international purposes

Defendant a person against whom either a criminal or civil matter is taken to court; someone charged with a criminal offence in a court

Demand factors events that change consumer willingness and ability to pay without a change in the price of the product itself

Democracy a system of government selected by the people in which representatives are elected

Discovery the exchange of documents leading up to the hearing of a civil matter

Dividend a payment made to shareholders when a company performs well

Doctrine of precedent a principle where judges follow previous rulings of judges in higher courts where a case has similar facts or issues

Door-to-door sales a method of selling whereby a salesperson visits a customer's home with the intention of selling a particular product

Economic activity the real value of production, employment, incomes and expenditure in an economy

Economic boom when GDP grows rapidly, with a strong employment market and strong spending and confidence shown by consumers and producers

Economic cycles fluctuations that can occur in the level of economic activity in an economy over a period of time

Economic growth an increase in the real value of output produced in the economy over time, usually measured by increase in real GDP

Economic objectives government goals or aims – for example, low unemployment, low inflation

Economic policy policies designed to meet economic objectives set by the government

Economic problem how to satisfy unlimited wants with only limited resources

Economic recession when GDP declines for two consecutive quarters, there is a decline in demand from consumers and a drop in output by producers, and the employment market is weak

Economic resources the inputs required by the producer to complete the production process

Economies of scale the economic benefits of being able to reduce the 'per unit' price of a product made due to increased production runs

Economy an area in which economic 'agents' (people who are part of the economy) produce (make), purchase and consume goods and services

Electorate a geographic area consisting of approximately 110 000 voters who vote for one representative

Employer of choice being seen as a highly attractive company for which to work, due to work conditions, entitlements and reputation

Enterprise the qualities some individuals possess that make them able to accurately perceive market opportunities and effectively coordinate the production process

Entrepreneur someone who is willing to take risks and start a new business venture with the intention of making money

Equilibrium price the price where consumer demand equals the supply of goods; where the demand and supply lines intersect

Exchange rate the price at which one currency is exchanged for another

Executive government the branch of government that carries the law into force

Expenditure the total value of the spending on all the goods and services that have been produced

Expenses costs of producing a product

Exports goods and services produced in Australia and purchased by overseas countries

Fake news the sharing of views, opinions, rumours and gossip in the guise of genuine news on social media

Federation the joining together of individual states for a common purpose

Financial literacy understanding how money is made, spent and saved

First-past-the-post a system of voting in which the candidate with the most votes wins, irrespective of a majority

Foreign aid providing financial and other resources to assist overseas programs to help the poor

Foreign debt the total amount of borrowings from overseas made by both the government and private sectors

Foreign policy a government's policy on dealing with other countries – for example, in matters relating to its relationships, trade, defence or national interests

Free media the freedom of the media to report on political matters without undue interference from government

Full employment a situation where every person who is willing and able to work is able to find employment, at a level consistent with low and stable inflation

Full-time worker according to the ABS, someone who usually works 35 hours or more each week in their main job

Generic products sold with plain packaging, little marketing and usually at much lower prices than the name-branded products

Gig economy economic activity that is characterised by the worker providing on-demand services, being classified as an independent contractor and where a digital platform mediates the transaction

Global economy the production, distribution and consumption of goods and services on an international level

Globalisation the expansion of business operations into other countries as a result of the removal of economic barriers and increases in global technology

Government the system of political rule and administration over a society

Governor represents the Crown at the State level

Governor-General represents the Crown at the Federal level

Gross domestic product (GDP) a measure of the value of all goods and services produced in Australia during a year; obtained by adding together the total amount (in dollars)

Gross national income (GNI) per capita the value of all income earned by residents of a country, plus income received from foreign transfers such as aid and remittances from workers resident overseas divided by the population size

Hierarchy a ranking in order

House of Representatives the lower house of the Commonwealth Parliament

Households provide resources needed for production of goods and services, and then buy the goods and services produced by businesses

Human rights the rights considered by most societies to belong automatically to everyone

Hung parliament if no political party (or parties in coalition) achieves a majority in the lower house of parliament

Identity information sources of information that are unique to you and identify who you are

Imports goods and services purchased from an overseas seller and sold in the Australian market

Income money received in the form of wages from working, dividends from shares owned or rent received from property owned over a period of time

Indebtedness the amount of money owed by someone

Independent a member of parliament who does not belong to a political party

Indictable offences serious offences that are heard before a judge and jury

Inflation an average rise in the general level of prices of goods and services over a period of time, leading to a reduction in the purchasing power of money

Infrastructure the basic physical facilities required for an economy or society to operate; includes roads, buildings, internet and power supplies

Innovation an idea, a thought, an invention, a system or a process that is completely new

Interest group an organised group of people who share interests in common

Jurisdiction the right, power or authority to administer justice by hearing and determining disputes

Labour the people power available to work in the production process

Land natural resources, sometimes called 'the gifts of nature'

Law of demand states that consumer demand for a product will move inversely to the movement in the price of the product, so that as the price rises, demand falls

Law of supply states that the quantity of goods supplied by a producer will move in line with the movement in the price of the product, so that as the price rises, supply rises

Legislative Assembly the lower house of the State Parliament

Legislative Council the upper house of the State Parliament

Listed company a company whose shares can be traded on a stock exchange; members of the general public are able to buy part-ownership of listed companies by purchasing company shares

Macroeconomics the whole economy and the variables affecting it, such as unemployment, inflation, monetary and government budgetary policy

Majority rule the power to rule or govern by the agreement of the great proportion of voters

Mandate the authority of the winning political party to implement its policies as a result of its election campaign

Manufactured products goods that are made manually or using machinery, especially on a large scale in a factory setting

Market a situation where potential buyers are in contact with potential sellers and there is a means of exchange

Market capitalisation a method for measuring the value of a company traded on the stock exchange, by multiplying the current price per share by the quantity of shares

Market share the percentage of a total industry's sales that a company controls

Material standard of living the ability of individuals and households to purchase or access goods and services; sometimes referred to as 'material prosperity'

Means of exchange a method of payment for goods and services

Mediation where an impartial third party assists the parties in a dispute to identify issues and reach an agreement

Merchant service fee a charge applied by a bank for using its services (often for credit cards)

Microeconomics the behaviour of individuals and businesses within the economy and how they interact with the market

Minimum wage set by the Fair Work Commission in Australia, it is the minimum hourly rate of pay that a paid adult employee can receive for paid work; as of July 2023, the minimum wage was \$23.23 per hour

Ministers members of the government with responsibility for areas of government policies or departments

Ministry a meeting of all ministers

Minority government where government cannot form a majority in its own right and strikes a deal with the support of other members of parliament, known as independents, or a minor party to hold government

Modern slavery when individuals are exploited by others by being tricked, coerced or forced to lose their freedom, including via forced labour, debt bondage, human trafficking and child labour

Monetary policy involves setting the interest rate on overnight loans in the money market; this usually flows on to interest rates charged by banks and other financial institutions

Money often received for providing goods and services to others (e.g. wages) and a way of making payments, usually by notes and coins or electronic funds transfer (EFT)

Monopoly an industry where there is only one dominant producer or seller of a product or service

Multinational corporations (or companies) organisations that operate in more than one country; their head office is based in one country but they have branches in other countries

National Cabinet comprising of the Prime Minister, the State Premiers and the Territory Chief Ministers, who make decisions in the best interest of all Australians

Needs goods and services that are necessary to survive

Net profit the difference between the revenue earned by a business and the costs incurred in earning that revenue; where there is more revenue than expenses, the business is deemed to have made a net profit; if expenses exceed revenue, the business will have made a net loss

Networking interacting with other people within a professional or social setting to exchange information or ideas

Non-material factors those factors that influence a person's wellbeing that cannot be measured by monetary factors, but relate to quality of life

Oath a formal pledge to tell the truth

Ombudsman an official appointed by the government whose job it is to investigate consumer complaints within a specific industry

Opinion poll a snapshot of the views of voters on a specific issue or political party

Opportunity cost the value of the lost alternative use to which the economic resources could have been allocated

Opposition the largest party (or parties in coalition) that does not have the support of the majority of representatives in the lower house

Overdraft an agreement by which a bank or other financial institution will allow an account to temporarily go into a negative balance

Parliamentary government a government formed from the elected members of parliament

Parliamentary majority the party (or parties in coalition) with more than 50 per cent support in the lower house forms government

Participation rate the percentage of the working-age population making itself available for work

Part-time worker someone who generally works less than 35 hours each week; they receive the same entitlements as full-time workers but work fewer hours

Party platform the policies and promises of a political party seeking election to government

PAYG taxpayers those who work in wage or salary jobs and pay income tax instalments each time they receive a payment from their employer

Peer group pressure the added influence of people within a similar group, such as a school, sports or other group

Perishable products products that have a short lifetime or that deteriorate easily

Phishing the practice of using the internet to trick someone into giving information such as passwords, bank account or credit card numbers, or personal information

Plaintiff a person bringing a civil action to court

Pleadings the exchange of information leading up to the hearing of a civil matter in court

Policy a plan of action or a position taken by a political party

Policy-making the process of formulating a policy

Political party a group representing individuals with similar political views

Pork-barrelling promising inappropriate government spending in exchange for political support

Precedent a principle developed through court decisions that establishes a point of law

Preferential voting a system of voting in which votes are allocated to candidates in order of preference

Price conscious consumers who are looking for low-priced items and place this feature very high on their list of priorities when making purchasing decisions

Price match where a store may offer to sell a product below the ticketed price because another store is offering the same product or service at a lower price

Price mechanism the system whereby producer supply and consumer demand interact in the marketplace to set prices for goods and services

Primary identity documents include such things as driver's licence, student ID card and passport

Primary sector the part of the economy that contains industries that either extract or produce raw materials. The raw materials can include minerals, wood, fruit and vegetables, and other agricultural products

Prime Minister the leader of the Commonwealth Government

Production the total value of all the goods and services that are produced in an economy over a period of time

Production process the actual making of goods or provision of services

Productivity how much output is produced per unit of input

Proportional voting a system of voting in which political parties receive a percentage of representatives according to the total vote won by the party

Prosecution the party (Crown) that brings a legal action in court against the person accused of a crime

Public debate where citizens actively involve themselves in the decision-making process by putting their views forward

Quaternary sector the knowledge-based part of the economy that trades in information services. The businesses classified as part of this sector would include those that focus on information technology, media, education, blogging and designing, along with social media

Real GDP the value of output produced in a country over time, after removing the effects of changes in prices

Real GDP per capita the value of real output in a country divided by its population – so the increase in real GDP per capita is the average growth per person

Recidivism reoffending, when a person relapses into criminal behaviour

Referendum a formal process to change the Constitution

Regimen the basket of goods and services (approximately 100 000 items) that make up the main purchases of households in the eight Australian capital cities. It is used by the ABS to measure the CPI

Remand when a person is held in custody awaiting trial

Remedy the outcome of a civil case aimed at restoring the injured party to their original position

Representative democracy a system of government in which parliamentarians represent the view of their community within their electorate

Republic the power is vested in the people to elect their leader, such as a president

Reserve price a price below which the auctioneer cannot sell a product

Resource allocation the way in which land, labour, capital and enterprise are used to satisfy what to produce, how to produce and for whom to produce

Responsibilities obligations or expectations to do

Revenue money earned from selling products or services

Rights legal entitlements to have or to do

Royal Assent the last step in the process of a proposed law in parliament; signed off by the Governor-General

Salary a yearly payment amount to an employee that is then divided into fortnightly or monthly payments

Sanction a penalty (e.g. fine, imprisonment) imposed by a court on a person who has been found guilty of a criminal offence

Scam a dishonest or 'fake' scheme that seeks to access money and/or services

Secondary identity documents include such things as rates notice, motor vehicle registration and utility bills

Secondary sector the part of the economy that contains industries that transform the raw materials and components into goods

Seed funding when a business owner receives money in exchange for a small amount of equity in the company

Senate the upper house of the Commonwealth Parliament

Separation of powers the three independent branches of government – the legislature, the executive and the judiciary – working independently but sharing power

Service sector businesses that earn money from selling intangible products or services – for example, in banking, finance, retail, transport, distribution, food services and entertainment

Shares part-ownership in a company, where profits made by the business are paid to shareholders as dividends; income can also be generated by selling shares for an amount higher than the original purchase price

Shortage a market situation where the quantity demanded is greater than the quantity supplied, and the market is not in equilibrium

Skimming accessing and transferring data using credit cards and other cards; information is removed and then used for personal gain

Social enterprise a business that exists to reinvest the money it makes back into the business or local community to tackle unemployment, environmental issues or social challenges

Social media online applications that enable users to share views, opinions and social networking

Standard of living an individual's material quality of life

Substitute an alternative good or service that can be used for the same purpose

Summary offences minor offences heard by a magistrate

Superannuation by law, employers must contribute a set percentage of each employee's wage into a superannuation fund of their choice – the employee can not access it until later in life, when they are considering retiring

Supply the quantity of a product that will be provided by the producer at a particular price

Supply chain the sequence of processes involved in the production and distribution of a product

Supply factors those events that change the willingness and ability of a supplier to supply goods and services without a change in the price of the product itself

Surplus a market situation where the quantity supplied is greater than the quantity demanded, and the market is not in equilibrium

Sustainability valuing Earth's finite natural resources appropriately in order to maintain an ecological balance

Tap and go paying electronically with a card or your phone, often without the need for a signature or PIN number

Tariff a tax on imported goods

Telecommuting working from home using technology such as the internet, video conferencing and the telephone to remain in contact with colleagues and clients

Term deposit savings account offering a higher level of interest, but with a requirement to leave the money for a specified amount of time

Terms of trade calculated by dividing the prices paid for exports by the prices paid for imports; represents the overall trading position of a country

Tertiary sector the part of the economy that contains industries that supply services to businesses and consumers

Tiers of government the division of power into Federal, State and local government levels

Tort a civil wrong

Trade the exchange of goods and services between nations

Trade barriers restrictions on free trade between countries, including the imposition of taxes and quantity limits on imports, and rules banning imports of certain products

Trade deficit when the value of exports is less than the value of imports

Trade surplus when the value of exports is greater than the value of imports

Tribunal a body set up as an alternative to a court to settle disputes

Trolling posting inflammatory, offensive or off-topic messages in online communities, such as blogs, social media, forums and more. Their main aim is to provoke readers into responding or to disrupt normal on-topic discussion. Trolling is a deliberate act and is often organised or planned against a specific person or issue/cause

Under-employment those who are employed but are available and want to work more hours than they do

Unicameral a parliament consisting of one house or chamber

Universal Declaration of Human Rights a declaration passed by the United Nations outlining the basic human rights of all people

Values what people believe in and regard as significant

Wages the money an employee receives from an employer in exchange for the completion of set tasks

Wants goods and services that are desired but not necessary

Warranty a written promise by the dealer or manufacturer that a product is free from faults

Wealth the total amount of assets an individual has accumulated and owns – for example, value of housing, shares and amount held in bank accounts; can also refer to a country

Welfare assistance refers to government support for those in need, or who are unable to support themselves, including unemployment benefits and pensions

Work performing an activity that produces something of value for other people

Writ a court order informing a person that there is a claim against them; a legal instruction

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