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economics and business

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The economics and business toolkit

Economics is the study of how people and society choose to use limited **resources** to satisfy their needs and wants. Studying economics also helps us understand how the world really works. As a result, obtaining economic skills and understanding has become a life skill that people need to develop regardless of whether or not they go on to work in business.

As a social science, economics studies human behaviour and how we interact with other people in our society. Many people assume that economics is simply about money and business but this is only a part of what economics explores. Many people have made choices about resources throughout history; as we advanced and societies developed, we began to analyse these choices and their outcomes. This became the study of economics.



chapter 11

11A

What are the economics and business skills?

Source 1 While growing the economy is often measured with money, it is really about improving our quality of life through smart decisions about how to use our resources.

11.1 Economics and business skills

Economists use real-life examples to help them to generate questions, interpret information and argue their point of view. They also learn through experiences where they are provided with an opportunity to be innovative, show leadership and practise the ability to make wise business decisions.

Studying economics and business requires you to analyse information and ask a range of questions to find out more about a topic. You will learn to question and research information asking what, why, when, who and how to uncover the truth about an issue. Your investigation may involve weighing up the costs and benefits of economic or business choices and making recommendations.

As shown in Source 1, there are four stages in any economics and business inquiry. They are:

- **Stage 1** – Questioning and researching
- **Stage 2** – Analysing
- **Stage 3** – Evaluating civics and citizenship issues
- **Stage 4** – Communicating and reflecting



Source 2 We can access a great deal of information about businesses and the economy using the Internet.



Source 1 There are four stages in any economic and business enquiry. At each stage, economists use a number of different skills. Each of these skills is like a tool in a toolkit.

11.2 Ask questions and conduct research

Developing questions

Economists ask lots of questions. They seek out real-life economic and business cases and undertake an investigation to try to learn from and avoid mistakes made in the past. They also check facts and look at the arguments for and against a certain issue before reaching their own conclusions. When economists state their opinion, they support it with evidence such as statistics, cases from the past, quotes from what others have said and sound reasoning.

Collecting relevant data and information

Sources provide information for economists. They can take many different forms, from written records in books or online, to live video and audio recordings. Some examples of sources include economic journals, newspaper articles, letters, government department or business websites, tweets, blogs or Facebook posts, cartoons and interviews.

Locating a range of relevant sources is a valuable skill, which usually involves a number of different search methods, such as:

- using online search engines such as Google
- following social media such as Facebook and Twitter
- looking at newspaper and magazine articles in print or online
- contacting local businesses or asking people with expertise in the subject
- speaking with other class members or family members to gain an insight into their views on a particular issue.

Planning an economic or business inquiry

Key inquiry question	Information needed	Possible sources of information
Is it a good idea for the local pizza place to sponsor the local football team?	<ul style="list-style-type: none">• How much would it cost to sponsor the local football team?• What is the football team offering in return?• Who/how many people will see the sponsorship?• How will that affect the pizza place's brand or public image?	<ul style="list-style-type: none">• Contact the football club for information• Survey past or current sponsors on their experience sponsoring the team• Conduct fieldwork into the football team's spectator numbers• Survey current customers at the pizza place

Source 1 A guide for planning the direction of an economic or business inquiry

Check your learning 11.2

Remember and understand

- 1 What do economists do first before reaching their own conclusions?
- 2 Give three examples of what an economist might use as a source.

Apply and analyse

- 3 Siew has been asked to find out how many small businesses operate in her local area. Suggest how she could find the answer to this question.
- 4 Lachlan believes that his family's fish and chip business would do better if they advertised online. How can Lachlan prove his point?

Evaluate and create

- 5 Develop five questions that you think may assist an economist or businessperson in deciding if it is a good idea to start a business in their local area. Create a planning table similar to that used in Source 1.

11.3 Analysing

Interpreting information and identifying relationships

Economists use charts, statistical tables, case studies, interviews and simulation games to help identify the cause of a problem or event and its likely outcome or effects.

Once you have collected, recorded, evaluated and represented your data, it is time to identify any trends, patterns or relationships in the information. You will have used questionnaires, surveys and statistics from many different sources such as textbooks, websites and the wider community before you create graphs and tables to summarise the information. Now it is time to look at this information to identify any trends, links or relationships.

For example, Andy collected data on a phone company’s advertising expenses. His data showed that the more money the company spent on advertising, the more phones they sold. Andy also recorded the number of employee complaints during this time. He found that the amount of money the company spent on advertising seemed to have no effect on employee complaints. This means Andy was able to identify a relationship between advertising and phones sold, and that there was no relationship between advertising and employee complaints.

Economics is not a pure science. There are a lot of different theories and approaches to economics, which means there are often several different answers to the same problem. It is quite common to see two reputable economists have completely different opinions on a topic or issue. For instance, another economist may think that Andy is wrong and that there is a link between advertising and employee complaints. They might collect different data or find different trends. Many issues require us to weigh up different points of view, while keeping an open mind.



Source 1 Being able to interpret data and information is an important skill that helps businesses and individuals make decisions.

Check your learning 11.3

Remember and understand

- 1 Why is there not always a right answer to economic questions?
- 2 What does it mean to ‘interpret’ data?
- 3 Why is it important to identify trends, patterns or relationships in the information you collect?

Apply and analyse

- 4 Look at the following dataset, in the table below, on visitors to a park during different seasons. What relationship could you interpret from this data?

Average number of visitors per season				
	Summer	Autumn	Winter	Spring
Green Park	2102	1380	763	1390

11.4 Evaluating

Drawing conclusions and generating alternatives

There’s usually more than one way to solve an economic problem or find the right solution in business. An economist carefully considers all of the circumstances related to the issue with an open mind. They carefully consider the different options that are on offer, and make a rational decision that they believe will lead to the best outcome.

skilldrill

Evaluating alternatives

Before looking at the different options in a business situation you must first do some work to find out more about the topic. Once you know about the topic, you can then assess the options available and choose the best one. This can be done using the following steps.

- Step 1** Read through the different sources of information and find out what experts say about the topic.
- Step 2** Make your own notes as you learn and write down any interesting facts, statistics or other information that will help you to explore the different options.
- Step 3** Next to each option write the advantages and disadvantages, or costs and benefits.
- Step 4** Get rid of the options that seem weakest based on their advantages or disadvantages.
- Step 5** Concentrate on the strongest options and either decide which one is best or do further research before choosing the best option.

Apply the skill

Let’s see how we could apply this skill to help a business owner make the right decision.

Tony runs a takeaway pizza restaurant in town that is becoming quite popular. So popular, in fact, that he is finding it difficult to keep up with all of the customer orders for pizzas. He is worried that he will not be able to make enough pizzas in time to satisfy all customers, particularly on Friday and Saturday nights when he is busiest. Tony is considering the following options:

- a buying a new state of the art oven that can reduce baking times from 15 minutes to 10 minutes, at a cost of \$80 000
- b hiring a part-time employee to help out on the weekends for \$17 per hour
- c increasing the selling price of all pizzas by 50 per cent



Source 1 Business owners like Tony are regularly faced with economic choices that can determine whether or not the business is a successful one.

- 1 Write a list of additional information that would help you to evaluate each option.
- 2 Write a list of the advantages and disadvantages of each option.
- 3 Suggest which option you think would be most suitable for Tony.

Apply economics and business knowledge, skills and concepts in familiar and new situations

Reading about economics or business in your textbook or using online resources can only teach you so much. Applying knowledge to a real business situation is a valuable experience and there are a number of ways you can do this:

- Talk to someone in business about their experiences to see whether the theory you have learnt applies in real life.
- Observe the world around you. When you next go shopping think about some of the things you’ve been studying such as customer services, competition, marketing techniques and types of businesses.
- Try coming up with your own innovative business idea and discuss it with others.
- Use opportunities to role play or play simulation games as a chance to improve your skills and put what you have learnt into practice.



Source 2 Talking to someone from a local business in your community can be a great way to apply the economic and business theories you have learnt to familiar situations.

Check your learning 11.4

Remember and understand

- 1 Economists make a decision so that what kind of outcome is achieved?
- 2 How can you apply your business and economics knowledge to real-life situations?

Apply and analyse

- 3 Why do you think it is important for an economist to keep an open mind when making a decision?
- 4 Abby is trying to decide if she can go on holiday at the end of the year. She can’t afford the holiday right now as she has just lost her job, but she really needs a break. Using economic reasoning, help Abby to make her decision.

11.5 Communicating and reflecting

Present information and reflect on learning

In every subject, there is a common language that is used. Certain terms form part of important concepts and are essential in helping us understand these concepts. Source 1 lists and defines some commonly used terms in business and economics; additional business and economics terms can also be found in the glossary at the end of this book. If you come across a term that you are unsure of, you should use a dictionary, the internet or your teacher to help you understand what it means. It is a good idea to keep a glossary of subject-specific terms, as well as any other new words that you come across, in your workbook.

business	Activity that involves making goods or providing services in exchange for money
consumers	People who buy things to use
cost-benefit analysis	Estimating what will need to be paid (costs) and possible benefits that will arise from a business proposal
economics	Study of how people and society choose to use limited resources to satisfy their needs and wants
interest	The cost of borrowing money from a bank. A person has to pay the bank interest on top of the original amount borrowed from the bank.
investing	Putting money into shares, property or other financial schemes in the hope of making a profit
market	Where buyers and sellers interact to exchange money for goods and services
opportunity cost	The cost of the next best alternative use of resources
producers	People or businesses who make and sell goods and services for a profit

Source 1 Some useful economics and business terms

Check your learning 11.5

Remember and understand

- 1 Define the following terms in your own words:
 - a business
 - b producers
 - c resources

Apply and analyse

- 2 Robert is reading a newspaper article when he comes across a few terms he has never seen before including words such as ‘interest’ and ‘market crash’. What advice would you give to Robert that might help him to find out the meaning of the terms?

Evaluate and create

- 3 Create one sentence that uses the following economic and business terms:
 - a business
 - b consumers
 - c profit
- 4 Create a poster that reflects how one or more of the economics and business terms from Source 1 could be represented in everyday life. For example, you might create a poster that shows what a market is and what kinds of people would interact there.