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economics and business

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The economics and business toolkit

Economics – why is everyone so concerned about it? It is important because economics is about people producing goods and services to be consumed, used and shared. It is about maximising the goods and services that can be produced with a limited amount of resources.

Over 23 million people live in Australia, which amounts to a lot of production and consumption of goods and services. To coordinate and organise these processes we have an economic system that is modelled on how a market works.

The government and the Reserve Bank also have roles to play in managing the Australian economy.

At the heart of every economy is **business**. Business is about producing goods or providing services in exchange for money. In the 21st century, young people will need to adapt to change and seek new and innovative ways to do business in a global marketplace.



Source 1 The internet allows buyers and sellers to easily exchange goods and services on a global basis. It's an exciting time to be in business.

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What are the economics and business skills?

10.1 Economics and business skills

Economists use real-life case studies of the economy and business to generate questions, interpret information and argue their point of view. They also learn and experience how to investigate economic and business issues through simulations and enterprising activities. These experiences provide an opportunity for economists to be innovative, show leadership and demonstrate 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 by 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 an economics or business proposal and making recommendations.



Source 2 'Learning on the job' provides great insights and opportunities for economists and economics and business students.

Questioning and research	<ul style="list-style-type: none"> Identify current personal knowledge, gaps, misconceptions, currency of information, personal perspective and possible perspectives of others Construct, select and evaluate a range of questions and hypotheses involving cause and effect, patterns and trends, and different perspectives Analyse and clarify the purpose of an inquiry using appropriate methodologies, ethical protocols and concepts to plan for, and inform, an investigation Use a range of methods to collect, select, record and organise relevant and reliable information and/or data from multiple sources that reflects the type of analysis of information that is needed (e.g. questionnaires, surveys, emails, tables, field sketches, annotated diagrams), with and without the use of digital and spatial technologies Identify the origin, purpose and context of primary sources and/or secondary sources Use appropriate ethical protocols, including specific formats for acknowledging other people's information, and understand that these formats vary between organisations
Analysing	<ul style="list-style-type: none"> Use criteria to analyse the reliability, bias, usefulness and currency of primary sources and/or secondary sources Analyse information and/or data in different formats (e.g. to explain cause and effect relationships, comparisons, categories and subcategories, change over time) Account for different interpretations and points of view/perspectives in information and/or data (e.g. from tables, statistics, graphs, models, cartoons, maps, timelines, newspapers) Analyse the 'big picture' (e.g. put information and/or data into different contexts, reconstruct information by identifying new relationships, identify missing viewpoints or gaps in knowledge) Apply subject-specific skills and concepts in familiar, new and hypothetical situations
Evaluating	<ul style="list-style-type: none"> Draw evidence-based conclusions by evaluating information and/or data, taking into account ambiguities and multiple perspectives; to negotiate and resolve contentious issues; to propose individual and collective action in response to contemporary events, challenges, developments, issues, problems and/or phenomena Critically evaluate information and/or data and ideas from a range of sources to make generalisations and inferences; propose explanations for patterns, trends, relationships and anomalies; predict outcomes
Communicating and reflecting	<ul style="list-style-type: none"> Select a range of appropriate formats based on their effectiveness to suit audience and purpose, using relevant digital technologies as appropriate Develop texts, particularly explanations and discussions, using evidence from a range of sources to support conclusions and/or arguments Deconstruct and reconstruct the collected information and/or data into a form that identifies the relationship between the information and the hypothesis, using subject-specific conventions, terminology and concepts Compare evidence to substantiate judgements (e.g. use information and/or data from different places or times; use tables, graphs, models, theories) Generate a range of viable options in response to an issue or event to recommend and justify a course of action, and predict the potential consequences of the proposed action Reflect on why all findings are tentative (e.g. changing nature of knowledge, changes in circumstances or values)

Source 1 The four categories of skills used in economics and business inquiries

10.2 Questioning and research

Develop questions and hypotheses about an economic or business issue, then plan and conduct an investigation

Economists ask lots of questions. They seek out 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 own viewpoint they support this with evidence such as statistics, cases from the past, quotes from what others have said and sound reasoning.



Source 1 It is important as an economics and business student that you continue to ask in the classroom whenever you need more information.

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Developing a hypothesis

Developing a hypothesis is a useful tool in economics and business. A hypothesis is a proposition that provides an explanation or reason why something has occurred or a problem exists. It can be likened to taking an 'educated guess' or prediction. In business, developing a hypothesis and testing whether it is true or not could mean that personal and financial loss is avoided. Here is an example of a hypothesis that could be tested.

'Youth unemployment is unacceptably high because of insufficient training and education programs.'

It may help you to write a hypothesis on an economic or business issue or event by remembering the 'If and then' model of hypothesis writing. For instance, 'IF the employer pays extra bonuses for good performance THEN his employees will work harder'.

Step 1 Identify the question you are creating a hypothesis for.

Step 2 Make an educated guess, using any available knowledge to provide a possible answer to the question.

Step 3 Formulate the hypothesis so that it provides enough information to complete the sentence: 'IF _____ THEN _____.' (You can then reword the hypothesis to make it read better if you need to.)

Step 4 Test your hypothesis by using data and surveys, analysing any information about the topic and learning what experts in the field say about it.

Apply the skill

- Janet plans to sell her unique brand of handmade knitted jumpers via her own website, which she intends to build herself. These jumpers are made from pure wool and are more expensive than other jumpers on the market. It takes Janet at least three days to make one jumper. Write a hypothesis about the likely success of Janet's business.
- How could you test whether your hypothesis about Janet's business is likely to be correct?



Source 2 Taking someone else's work in any form whether it is from a book or the Internet is a form of stealing called plagiarism that can result in serious consequences.

Gather relevant and reliable data and information

Although books and newspapers are valuable sources of information, most research today is conducted online. In order to ensure that sources gathered online are accurate, reliable and relevant, a number of guidelines should be followed:

- Search engines such as Google are useful research tools, but much of the material on these sites is not reliable and may contain inaccuracies, false and misleading information or material that is out of date. When using search engines, be sure to define your search using keywords. Your librarian is a good person to ask for help and information. Most schools will also have a website devoted to providing information about developing good research skills.
- A reliable way of searching for sources is to use sites linked to educational institutions, government departments, reputable companies and universities. A quick way of telling if a site is reputable is to look at the domain name in the URL (internet address).
- Avoid blogs posted by unknown individuals. If you find information relevant to your investigation on a blog or social media site, always verify it by using a more reliable source.
- Never cut and paste information from the internet straight into your own work. Taking someone else's work, ideas or words and using them as if they were your own is called plagiarism and can result in very serious consequences.

In your research you may collect information from primary sources (sources from the time or event being investigated) such as photographs, letters, film, diary entries or official documents like laws. Or you may gather information from secondary sources (sources about the time or event being investigated) such as newspaper articles, census data or websites. When using these sources it is important to be able to distinguish between them and to know where, when and who the source came from.

The ethics of research

When gathering information it is important to follow ethical protocols to use this information appropriately. This might include:

- informed consent – getting permission from someone to use information about them
- citation – giving credit to the right person if you are going to quote them or use information they have collected
- integrity of data – making sure your data is accurate and not made up
- confidentiality – protecting people's personal information if they do not wish you to use it

Check your learning 10.2

Remember and understand

- 1 Why is it important for economists to ask a lot of questions?
- 2 How can economists ensure the sources they find online are reliable?

Apply and analyse

- 3 Develop a hypothesis to explain the following situations.
 - a In order to pay his business' bills, John has decided to pay his employees less. Not long after, many of his employees quit.
 - b Krupa owns an ice cream shop. During the summer months, business is good and she sells lots of ice cream, but during winter, not many people want to buy her ice cream.

Evaluate and create

- 4 Develop five questions that might help an economist investigate whether or not it is a good idea for Sandy to open a fish and chip shop in the main street of her town.

10.3 Analysing

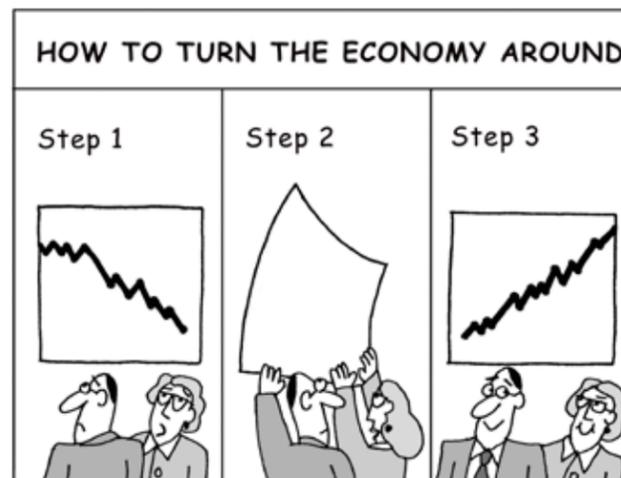
Analyse data

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. For example, the decline in demand for mining commodities such as coal, iron ore, zinc, nickel, copper and bauxite (the cause) has led to unemployment (the effect) in some parts of rural Australia. This is an example of a **cause-and-effect relationship**.

In economics and business the answer to a question may be not always black or white but many shades of grey. This is because it is a subject area where there are many alternative perspectives. For example, there are many reasons why youth unemployment is higher than the general rate of unemployment in Australia and statistics may not provide all the answers. Many issues require you to weigh up alternative perspectives, all of which may be valid.



Source 2 Interviewing different people in your community, such as your friends, neighbours or local business people, about a problem can offer a variety of interpretations.



Source 1 In economics there may be multiple perspectives on a certain issue or event. Sometimes, statistics can be illustrated to give the wrong impression.

Check your learning 10.3

Remember and understand

- 1 Why is there not often more than one answer to an economic question?
- 2 What sources of information can economists use to identify the cause of a problem?

Apply and analyse

- 3 Identify the cause and the effect for each of the following scenarios.
 - a A lot of people were angry when a concert featuring singer Sam Smith was cancelled.
 - b As the Zika virus spread around the world and more people became affected, the federal government decided to put more funding into researching a cure for the virus.
 - c Fewer people bought CDs after the first MP3 player was released.

10.4 Evaluating

Evaluating information, perspectives and contentious issues

There's usually more than one way to solve an economic problem or find the right solution in business. Before examining possible options, you must first do some preliminary work to find out about the topic. Read widely, consult your textbook, conduct an internet search and find out what experts say about the issue or question you are examining. Write a summary and then refine these notes by writing a list of all the options. Next to each option write the advantages and disadvantages or costs and benefits and then delete those that are weak. Concentrate on the stronger options and either make a decision about which one is best or do further research before deciding the best option.

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 how the things you have learned in class apply 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 service, 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 hone your skills and put what you have learned into practice.

Proposing a plan of action

Part of evaluating evidence is to decide on a course of action. Imagine your research question asked if the price of food at your canteen or tuck shop was reasonable. You surveyed people, compared the prices with

supermarkets and other schools in your area, and have come to the conclusion that it is overpriced. What do you do now?

You could decide to do nothing if the problem isn't that bad, or you can propose action. This action might include writing to your principal or school council. Or you might encourage others to bring their lunch to school rather than buying it.

It is possible to take action as an individual or as a group. Sometimes trying to get things done by yourself can be a lot of work, and help from a team is useful. In order to make a change, the strength of a collective group can make more of a difference than one person alone.

Check your learning 10.4

Remember and understand

- 1 Why do you think it is important to find out about an issue before making a decision on how you will deal with it?
- 2 Name three ways you could apply your knowledge of economics and business to real life situations.

Apply and analyse

- 3 Imagine you must choose how to spend the weekend. Conduct an analysis of the options below, based on your personal preferences, and decide which option is the best. Your analysis should take into account advantages and disadvantages for each option.
 - a bike riding
 - b watching a movie
 - c doing homework
 - d reading a book
 - e playing footy with your friends
 - f visiting your grandparents
 - g cleaning your room

10.5 Communicating and reflecting

Terminology for economics and business

Just like in science, a common language is used in economics and business. Source 1 defines some commonly used terms; additional economics and business terms can also be found in the glossary at the end of this book.

Communicating your findings

You can present your findings in many ways, such as through audio-visual presentations, posters or reports. Whichever format you decide to use, it is good to include the following:

- An introduction – explain your question and define key terms.
- An explanation of what research you did – why did you use those sources?

business	Activity that involves producing goods or providing services in exchange for money
cost-benefit analysis	Estimating what will need to be paid (costs) and possible profits (benefits) derived from a business proposal
economics	The study of how people produce, consume and share wealth
Gross Domestic Product (GDP)	The total market value of all goods and services produced within Australia in a given time frame
interest rates	The amount a borrower must pay to a lender for the use of assets such as money. Usually expressed as a percentage of the total amount borrowed
investing	Putting money into shares, property or other financial schemes in the hope of making a profit
opportunity cost	The cost of the next best alternative use of resources
unemployment rate	The percentage of people who are in the labour force who are unemployed. The labour force includes those who are employed and unemployed

Source 1 Some useful economic and business terms

Check your learning 10.5

Remember and understand

- 1 Use your own words to define business.
- 2 Why is it important to reflect on business decisions?

Apply and analyse

- 3 Reflect on the following scenario and determine which decisions were good or bad economic decisions. Elan and Judy open a small bakery together. They decide to rent a shop opposite a local primary

- An explanation of your results – you might like to present your results as graphs or tables.
- A conclusion – explain how you came to your conclusion.
- A proposal for action – what needs to be done now? Predict the consequences of your proposal for action.

Reflect on economic and business decisions

The decision to change a product, undertake a marketing campaign or change the price of a product or service can lead to business success or failure. According to the Australian Bureau of Statistics, more than 60 per cent of small businesses close within three years of starting out. Good business planning, research and reflecting on previous experiences can provide a valuable guide for future business success.

school and develop a partnership with the school filling lunch orders. They have a big sign out the front of their bakery, but decide not to do any other advertising like dropping flyers in letterboxes or sponsoring the local netball team. Elan and Judy find most of their business comes from the primary school, but they don't get many other customers.