

Unit 1 Producing and consuming

Economic choices

Economics is all about choices. People are faced with choices every day. Should we walk to school or take the bus? What should we eat for lunch? Similarly, businesses also need to make choices, such as what products or services they will provide, while governments need to decide how to spend taxpayers' money. When investigating each of these choices the potential consequences that will affect society need to be addressed. Whatever choice people, businesses or governments take, they will miss out on the alternatives they did not choose. As economists, we look at how to choose the alternative that will bring the greatest benefits as well as the consequences of the actions we choose to make.



chapter 14

14A

How do individuals and businesses make economic choices?

- 1 If someone gave you \$50, what would you spend it on? Why?
- 2 What is the main goal of a business?

14B

How do businesses respond to consumer demand?

- 1 What would you do if your favourite drink doubled in price? Would you still buy it?
- 2 Why do you think businesses have sales, where they lower the prices of their products?

14C

Why do people work?

- 1 What do you think is the main reason your parents work?
- 2 What kind of job would you like to have when you finish school?

Source 1 A food market is an example of the economic choice made by a fruit and vegetable business choosing to sell their products to consumers, and buyers making the choice to purchase the products that will benefit them.

14A rich task

An everyday dilemma

Every day we are faced with countless choices. While some of these choices can be quite easy to make, others require a lot more thought. In situations where the answer is not so obvious we might be tempted to go with our instincts or even flip a coin, but as economists we know better. Economists analyse the costs and benefits that each option has to offer before deciding on what to do. One way of doing this is by writing up a list of pros and cons.



Source 1 A dilemma is a situation where a difficult decision has to be made.

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Creating a list of pros and cons

The purpose of a pros and cons list is to help us make a rational decision. The pros represent the benefits of the choice we are considering, while the cons represent the negatives of that same choice. You can refer to source 2 to see what a finished pros and cons list might look like.

Step 1 Come up with a choice that you will consider the pros and cons for and write it as the main heading of your list.

Step 2 Rule up a T-chart with the heading 'pros' on the left, and 'cons' on the right.

Step 3 Carefully consider all of the benefits of choosing the option you are considering and list them under the 'pros' section of the T-chart.

Step 4 Carefully consider all of the negatives of choosing the option you are considering and list them under the 'cons' section of the T-chart. Be sure to include in this section all of the things that you miss out on from the next best option (the opportunity cost).

Step 5 Some pros and cons are more important than others so we need to give them weighting. Although this can be tricky, find the least important factor out of all of the pros and cons you have listed and write the number 1 next to it.

Step 6 Compared to the least important factor, how much more important are all of the other factors? Write a number that shows how much more important they are to you next to each pro and con.

Step 7 Add up the numbers in each column to show a total for pros and a total for cons. If the pros outweigh the cons then the choice is likely to be a good one. If the cons add up to a higher number than the pros, then the other option seems to be more appealing.

Apply the skill

- 1 Consider the following scenario:
You get home from school and after having a quick snack, you open your books to start studying for an economics test you have the following day. Five minutes into your study, your phone rings. All your friends from school are going to the park to play

Whether or not to create a Facebook account

Pros		Cons	
Get to speak to friends that I don't see regularly.	2	Facebook can be really addictive and time consuming, which takes away from my time to study and play sport.	4
Get to share my photos with friends.	1	People sometimes bully other people on Facebook	2
Can read peoples posts when I'm bored.	1	I don't really know who has access to the information I put on Facebook.	1
I feel like I am missing out if I don't have one.	2		
TOTAL PROS	6	TOTAL CONS	7

Although it was a tough decision, I decided not to make a Facebook account for the time being. Maybe when I'm a little older I might view the pros and cons differently.

Source 2 Pros and cons of creating a Facebook account

soccer. You absolutely love soccer and hate studying, but you know your parents will be disappointed if you do poorly on the test. They always say, 'If you want to go to university, you have to get better results in school!' Make a list of the pros and cons of playing soccer versus studying to help you decide what to do.

Extend your understanding

- 1 Compare your pros and cons list to the person next to you; discuss why your answers might be different.
- 2 Create a pros and cons list for another tough decision that you have had to make, or will have to make in the future.



Source 3 Making a quick pros and cons list can save time that we would otherwise spend indecisively thinking about both options.

14.3 How do business respond to consumer demand

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Check your learning 14.3

Remember and understand

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Apply and analyse

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14B rich task

Market research

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Apply the skill

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Extend your understanding

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14.4 Why we work

Have you ever wondered why most adults get up nearly every morning and rush off to work? Work provides us with an income that allows us to buy the things that we need and want. It also provides people with many other benefits and can improve our overall health and wellbeing.

Income

Income is the money that people receive, most often as a result of **employment**. Some people receive their income by running a business, while many others provide their skills, effort and knowledge to a business or organisation in return for money, known as a **wage**.

The amount of income that people earn will depend on a wide range of factors including:

- how many hours they work
- the difficulty of the work they do
- the qualifications and experience that they have

- how many other people are able and willing to do the same job
- government laws surrounding the minimum amount that workers must be paid under those circumstances
- the strength of workers' unions, which fight for better pay and working conditions for the workers of that industry.

Self-esteem

Another reason people work is because it gives them a sense of purpose. For instance, your teacher might enjoy their job because they are making a difference in people's lives, mostly through your education. Similarly, a nurse may feel a sense of satisfaction knowing that he or she is helping look after sick people. People can make positive contributions to society by working, which in turn, gives them a sense of worth.



Source 3 Finding the right work–life balance is very important for our wellbeing but is becoming increasingly difficult in Australia's highly competitive market for jobs. It is suggested that eight hours of work, eight hours of rest, and eight hours of leisure time per day provide a rough guide for achieving this balance.

Even though the government may provide some assistance to those who are unable to find work, most adults feel the need to earn their income through work. Low **self-esteem** is a common problem for people who lose their job or are unable to find work. This is one of several reasons why the government aims to create a healthy economy that provides its citizens with enough jobs, rather than just giving people money.

Other benefits

There are many other benefits of working. Many people feel that having the right balance between their work and personal life outside of work, known as work–life balance, is key to leading a happy and healthy life. Some people enjoy the type of work that they do and would simply find not having a job too boring. Others value the relationships that they build while working, and the social interaction that comes with their jobs.



Source 1 According to a 2016 study by the Australian Taxation Office, surgeons are the highest paid professionals in every state and territory. On average, Victorian surgeons earn \$368 863 each year.



Source 2 More and more people are taking up unpaid work as volunteers to help their communities. Sometimes it is the act of working, rather than being paid, which is important to people.

Check your learning 14.4

Remember and understand

- 1 What is an income and why do we need it?
- 2 List three factors that affect the amount of income that a person will receive from their job.
- 3 What is work–life balance and why is it important?

Apply and analyse

- 4 Why do you think surgeons earn so much money?
- 5 Look at Source 3:
 - a Why do you think people might do unpaid volunteer work?
 - b What does this tell you about why people work?

Evaluate and create

- 6 Conduct a survey of your teachers and parents to find out why they do the jobs they do, and whether they like their jobs.

14.5 Types of work

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14.6 Earning an income

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14C rich task

Career change

Decades ago, it was considered normal to stay in the same job or with the same employer for the majority of your working life. Employees were expected to be loyal to their employer, who, in turn, was expected to provide job security to their employees. Today, people are changing jobs, employers and careers at an ever-increasing rate.

There are many reasons why this change is happening. First, the rapidly changing work environment is creating and destroying jobs at a much faster rate than before. This means that businesses are constantly looking for employees to perform the new jobs that arise, while many employees are finding that their old job no longer exists.

Some employees find it much faster to climb the career ladder by moving from business to business, gaining a range of experience along the way. In fact, many employers today prefer their employees to gain experience in different areas, rather than stay in the same job for many years.

TIME SPENT IN THE ONE JOB VS AGE GROUP

Age group	Time spent in job
25 and under	1 year 8 months
25–35	2 years 8 months
35–44	4 years 8 months
45 and over	6 years 8 months

Source: Department of Employment, Australian Government



Source 1 The average Australian today will work 17 different jobs across five different careers before they retire.

skilldrill

Interpreting economic data from a table

An important part of being an economist is learning how to read data. Data can come in many shapes and forms and is normally in the form of numbers, facts and statistics. An economist must interpret this data to gain information which can be used for decision making. Data is often presented in tables or graphs to make it easier to interpret. Economic data from tables can be interpreted using the following steps:

- Step 1** Read the questions. By reading the questions first, you will know what to look for in the table, and will have a better understanding of the purpose of the task.
- Step 2** Read the headings. Read the title of the table and the headings of each row and column in the table. The headings will tell you how the data is being categorised and if there is a relationship between categories.
- Step 3** Find the relationship. Find a relationship between the categories. What happens to one column when the numbers in the other column get bigger? Do the numbers increase, decrease or stay the same? If they increase or decrease, do they do so by the same amount?
- Step 4** Consider the causes of the relationship. Try to think about why the two categories are related in the way that they are.
- Step 5** Identify points of interest. Are there any values that stand out for being much bigger or smaller than other values? If so, what might be the reasons for this?
- Step 6** Answer the questions.

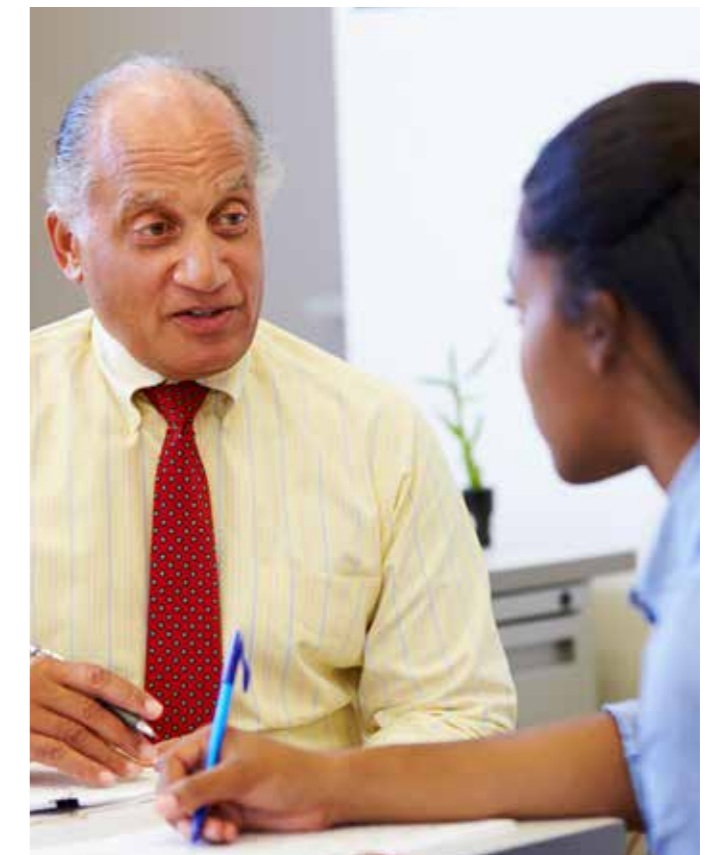
Apply the skill

Using the steps in the skill drill, answer the following questions about the data in Source 2.

- 1 What is the relationship between people's ages and how long they stay in their given jobs?
- 2 Why do you think this might be the case?

Extend your understanding

- 1 Interview a parent or teacher about their perspective on changing jobs. In your interview you should ask them about the different jobs that they have worked, as well as what they liked or didn't like about the jobs and why they changed.



Source 2 Interviewing an adult is a great way to learn about different jobs.