

Economics Topic 4

MANAGING THE AUSTRALIAN ECONOMY



learning goals

- Students will be successful if they can identify the two policies the government uses to manage the economy and they can name 3 different types of taxes.

- Students will learn the ways in which the government manages the economy.

success criteria

lesson outline

01

Ways in which the government
manages the economy.

- Fiscal and Monetary Policy

02

EconMovies 5: (GDP, Recession
and Fiscal Policy)

Create a new tax activity

03

What happens when an economy
doesn't grow?

Depression and Recession

ways the government manage the economy

fiscal policy

#1

Fiscal policy is the means by which a government adjusts its spending levels and tax rates to monitor and influence a nation's economy.

Watch EconMovies 5.



ways the government manage the economy

fiscal policy

#2

Speed it up or slow it down

Governments use the money they collect to provide community services such as schools, roads, and police and defence forces. By choosing to build a new freeway, a government creates jobs for suppliers of goods and services. When a government spends money, it stimulates the growth of the economy. Jobs created by government projects provide workers with an income. The workers then use their income to purchase goods and services which in turn creates more employment.

ways the government manage the economy

fiscal policy

#3

Budgets - Governments in Australia must manage the economy with the use of budgets. They may choose to keep a balanced budget where income and expenses are the same. Governments may choose a deficit budget by spending more money than they receive or create a surplus budget where their income is greater than spending.

Where does the government get its income from?

taxes



BUDGET TAXES

Watch the video Budget Taxes and answer the questions:

- Name 3 ways we pay tax
- Create a new type of tax to raise revenue.
 1. What is it called?
 2. Who must pay it?
 3. Where will the money go?
(remember, you are the treasurer and you want public acceptance of this tax, so get creative!)

ways the government manage the economy

The Federal Government has other ways in which it can control the growth of the Australian economy.

Monetary policy is that through which a central bank influences a nation's money supply.

It can vary the interest rates set by the Reserve Bank. These are the rates at which people can borrow money.

monetary policy

#1

ways the government manage the economy

When interest rates are low, people are encouraged to borrow. This creates jobs in the building industry for more new houses.

When interest rates are high, people are encouraged to save their money, rather than spend it. Repayments on houses or cars are higher when interest rates are high.

monetary policy

#2

ways the government manage the economy

1. When the level of production and spending is falling in an economy, unemployment rises and incomes fall. Why do you think this is?
2. When the level and spending is rising too quickly, prices rise and inflation occurs. What is inflation?
3. Use smart art to create a graphic to show the effect of rising/falling interest rate.

monetary
policy

#3

recession

What happens when an economy doesn't experience economic growth?

When the population increases at a level greater than GDP, a recession or depression can occur. If an economy is not experiencing economic growth over a continuous period of 6 months or longer, it is said to be in recession.

During a recession, living standards can decline because unemployment increases and people have trouble paying debts. People also reduce spending on goods and services.



depression

In an economic sense, a depression is a deep and prolonged slump in total business activity. Both buying and selling drop during a depression and this leads to a decline in production and the GDP. At the same time, prices, income and employment also fall. During a depression, unemployed people have less money to spend and this leads to further falls in sales, production, income and employment.



"Anyone who believes that exponential growth can go on forever in a finite world is either a madman or an economist."

KENNETH E. BOULDING

thank-you

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