

Economies: similarities and differences

Syllabus:

Examine similarities and differences between Australia and at least one economy in Asia in relation to:

economic growth and the quality of life

employment and unemployment

- distribution of income
- environmental sustainability
- the role of government in health care, education and social welfare

So how do we compare economies?

- a) Economic growth
- b) Size of the economy
- c) Employment and unemployment
- d) Quality of life
- e) Environmental quality
- f) Role of the government

1. Size of the economy

How do we
measure the
size of an
economy?

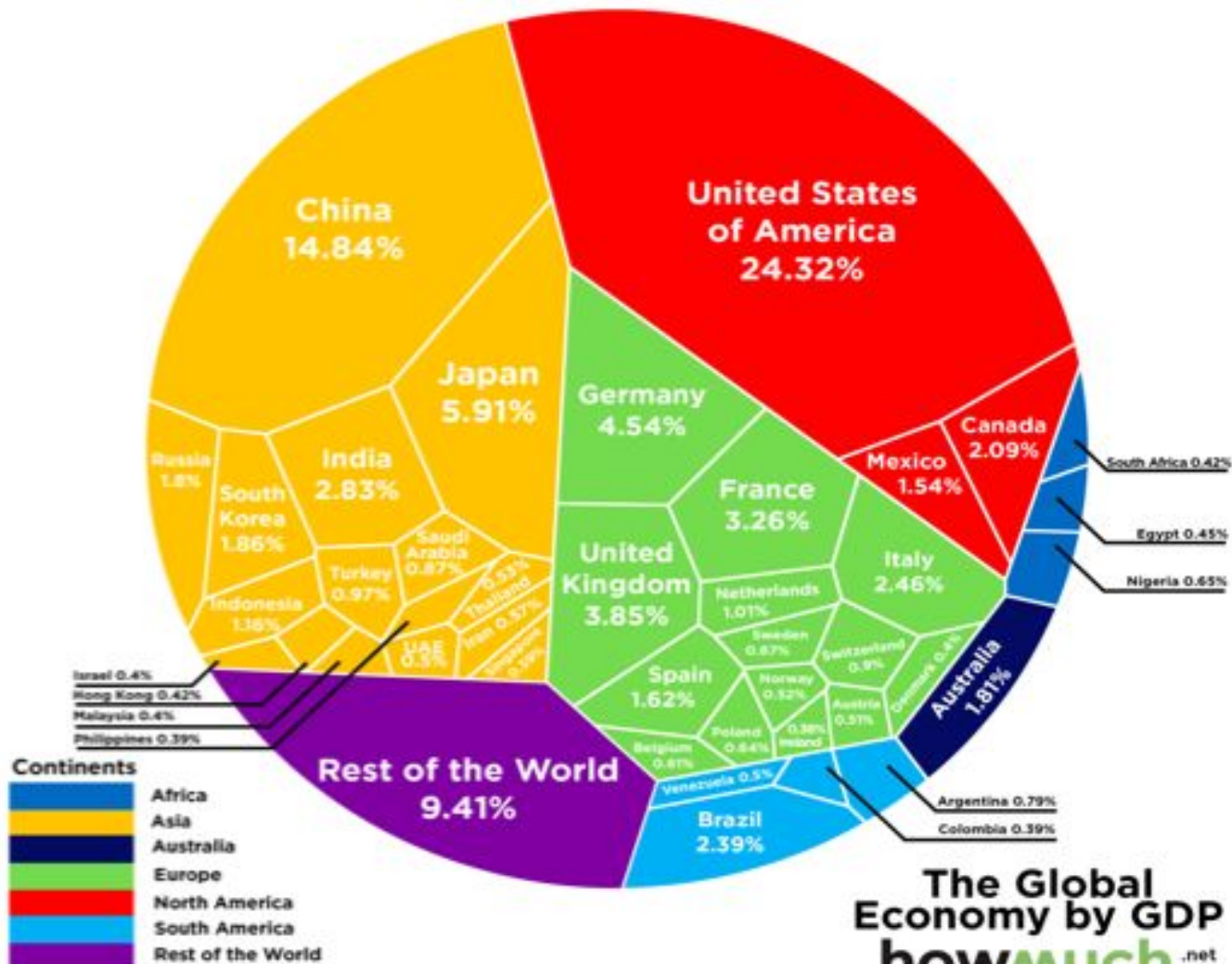
GDP

The overall level of economic output or GDP is used to measure economic growth.

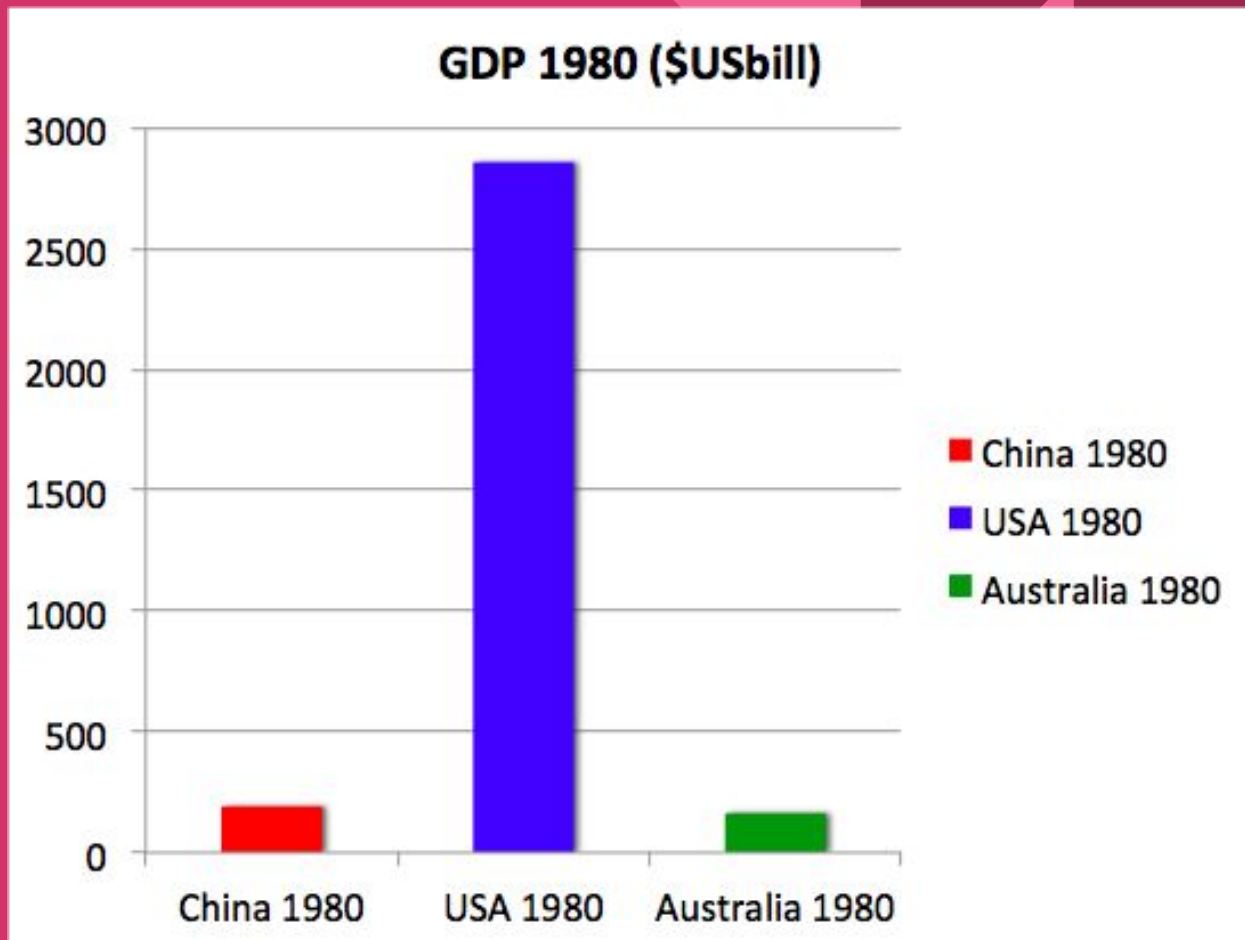
This figure gives us a picture of the value of an economy.



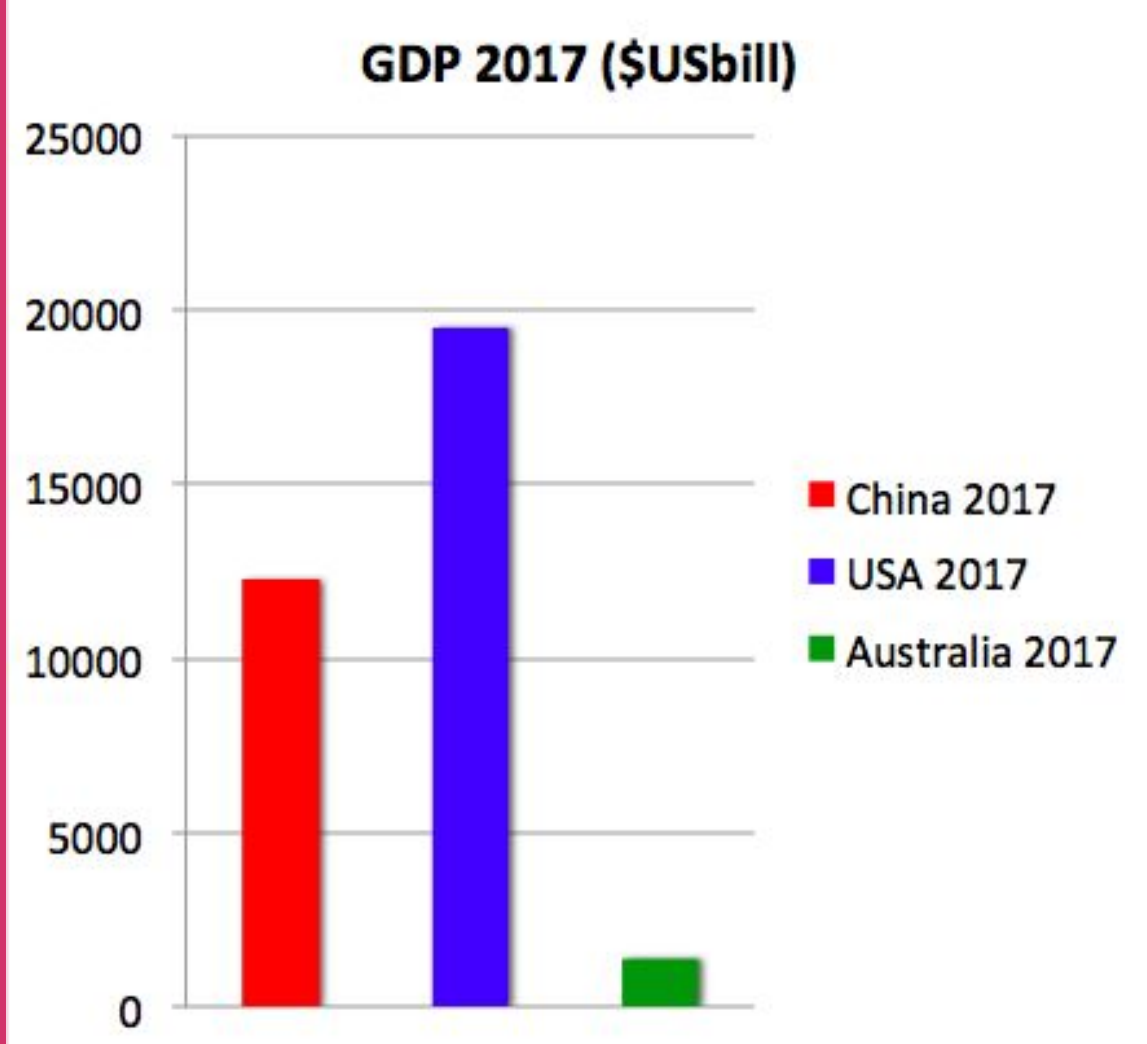
The size of the economy



GDP 1980 (\$USBill)



GDP 2017 (\$USBill)



Line

Bar

Map

Also Show

Share

Details

Trillion

LABEL

20

18

16

14

UNITED STATES

CHINA

AUSTRALIA

But these figures use
\$USD to compare...

4

2



Purchasing Power Parity

Compares different currencies through a basket of goods approach.

According to this theory two currencies are in equilibrium or 'at par' (taking into account exchange rates) when a basket of goods is priced the same in both countries.

Closely related to the Law of One Price theory and the Big Mac Index!

Line

Bar

Map

Also Show

Share

Details

T trillion

LABEL

22

20

18

16

Measuring in Purchasing Power Parity it looks like this...

CHINA

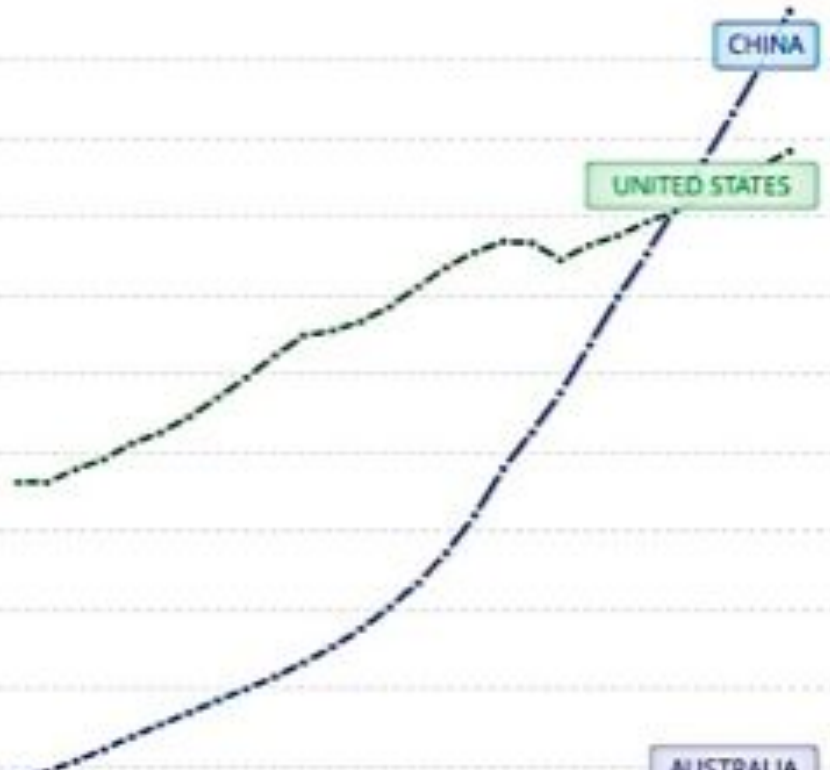
UNITED STATES

6

4

2

AUSTRALIA



GDP 2018 a comparison

Country	GDP (Nominal) \$ trillion	GDP (PPP) \$ trillion
1. USA	19.39	19.39
2. China	12.01	23.15
13. Australia	1.38	1.24

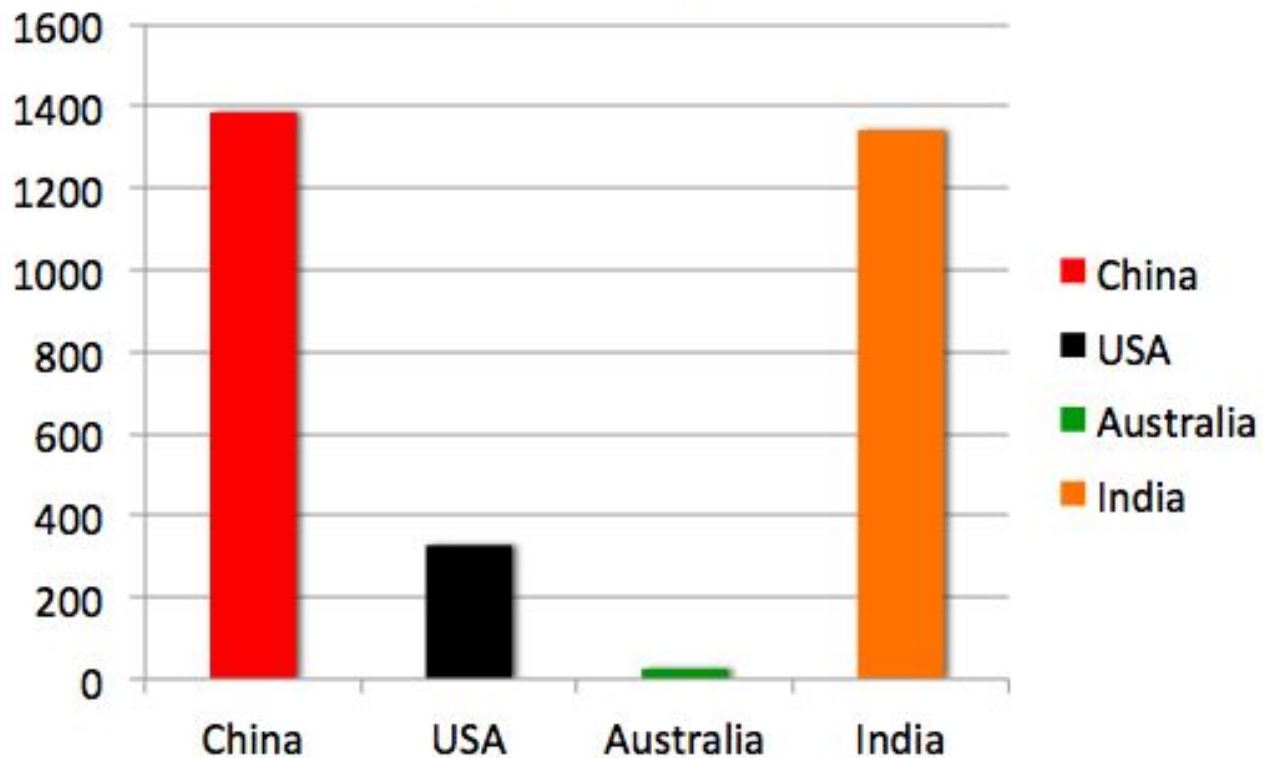
But is it a
complete
picture of how
the economy is
doing?



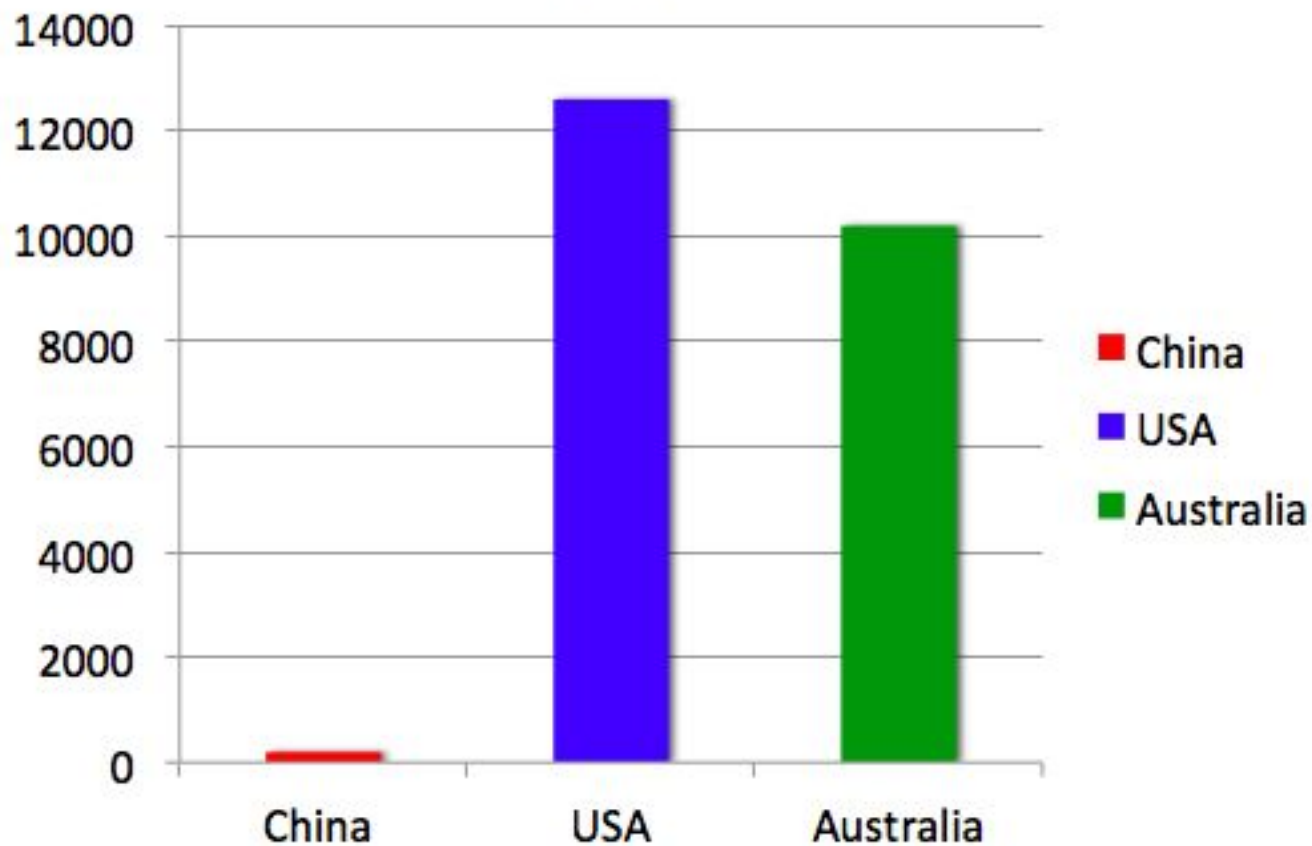
**In actual fact,
GDP/Capita is a
better measure.**



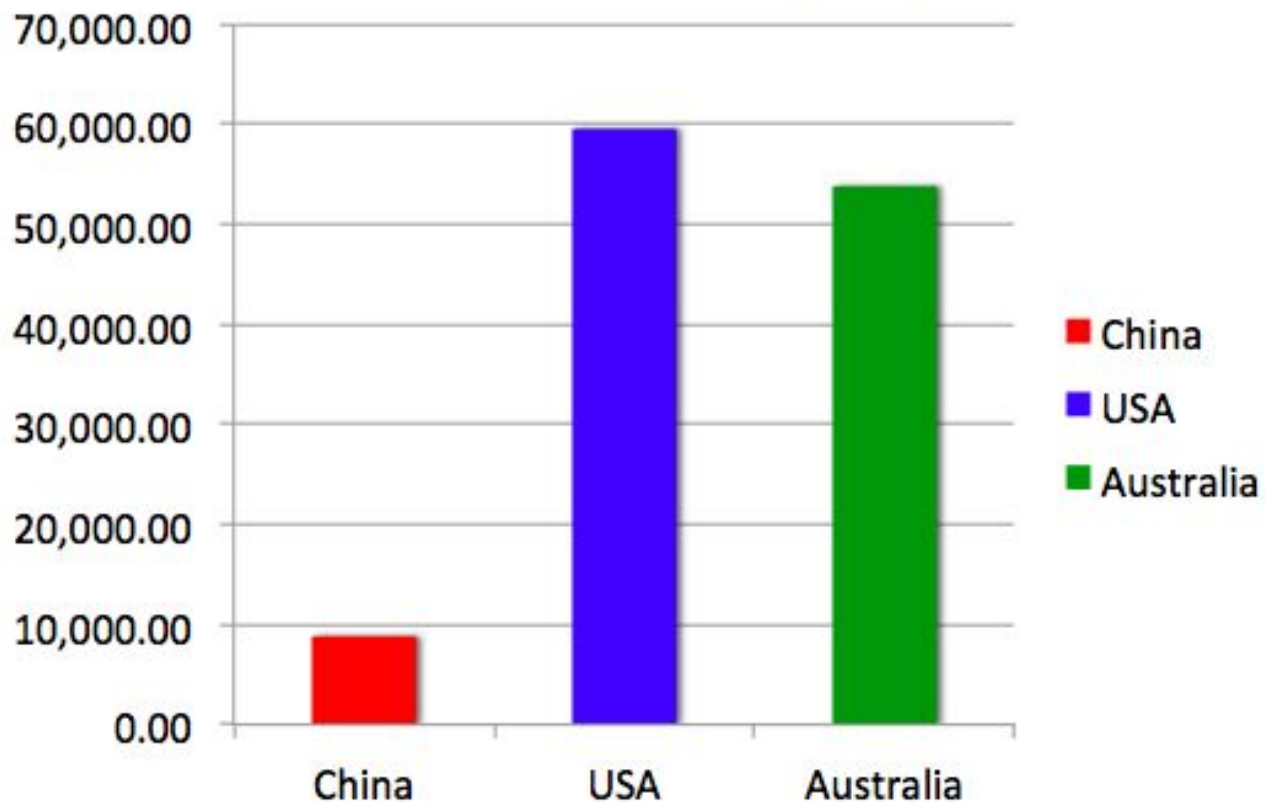
Population (million)



GDP/Capita 1980

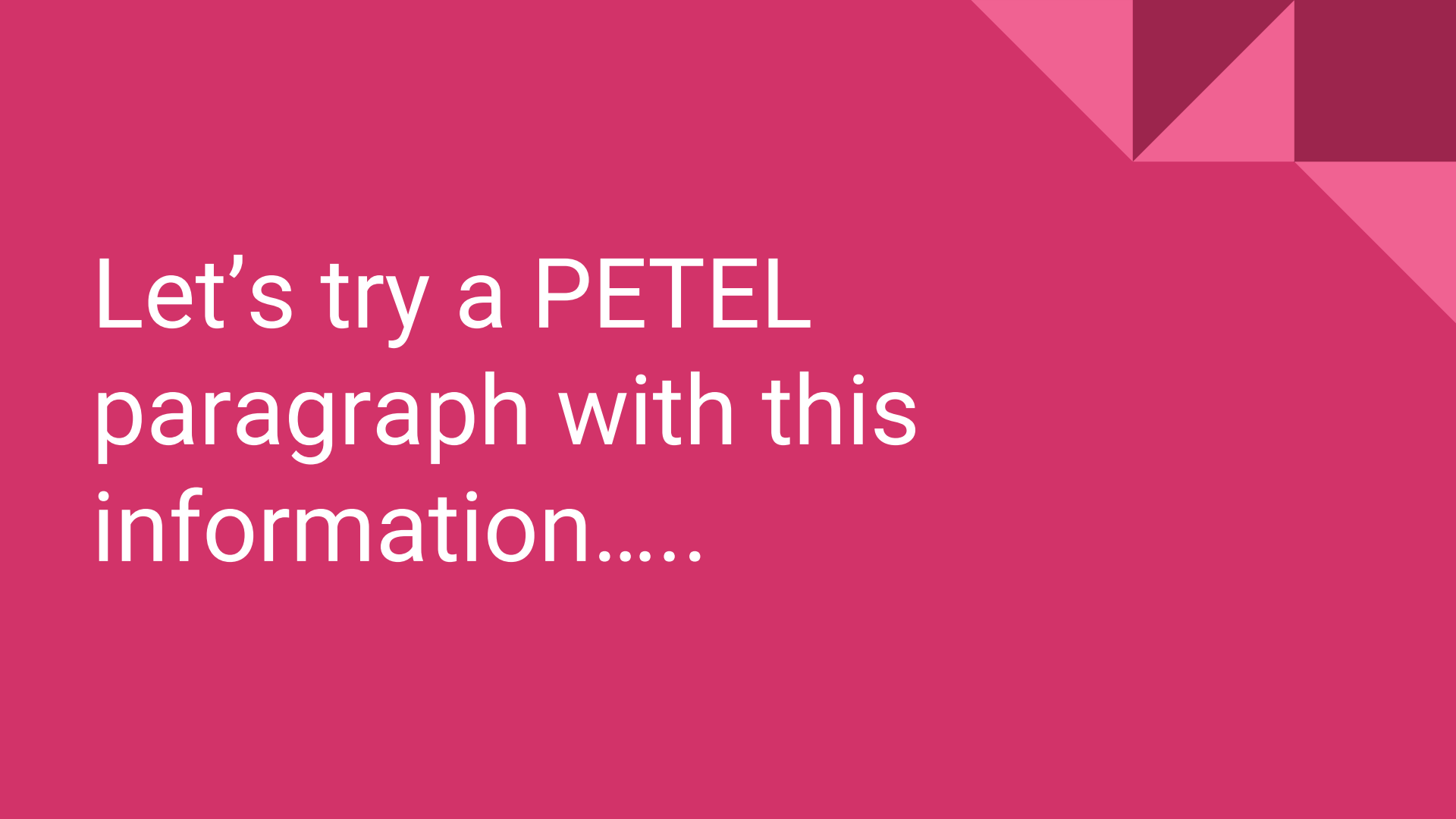


GDP/Capita 2017 (\$USD)



China's economy produced \$23.12 trillion in 2017, based on purchasing power parity. It's the world's largest economy. The European Union is second, at \$19.9 trillion. The United States fell to third place, producing \$19.3 trillion.

<https://www.thebalance.com/china-economy-facts-effect-on-us-economy-3306345>



Let's try a PETEL
paragraph with this
information.....

Write a paragraph that explains how GDP/capita can be used to compare the economies of Australia and China.

Point of the Paragraph	Gross Domestic Product(GDP)/ capita can be used to compare the size of different economies.
Explain the point of the paragraph	A country's population determines how many people the GDP must be shared between. A country that has a large GDP together with a small population will be immensely better off than a country with a large GDP combined with an even larger population.
Theory/graph to help your explanation	N/A
Evidence Example/statistic/quote to prove your point	China and Australia both have relatively large GDP's-China having the 2nd largest in the world at \$USDxxxxx, Australia having the 13th largest in the world at \$USDxxxxxx, however, when divided by their population, China's GDP/Capita is \$USDxxxxxxx, whilst Australia's is \$USDxxxxxx
Link to your question	When comparing economies, whilst GDP is useful to ascertain the actual size of a country's economy, GDP/Capita is a much more useful figure to use to compare those economies.

2. Economic Growth

Economic Growth

Is the increase in the value of real GDP over time!

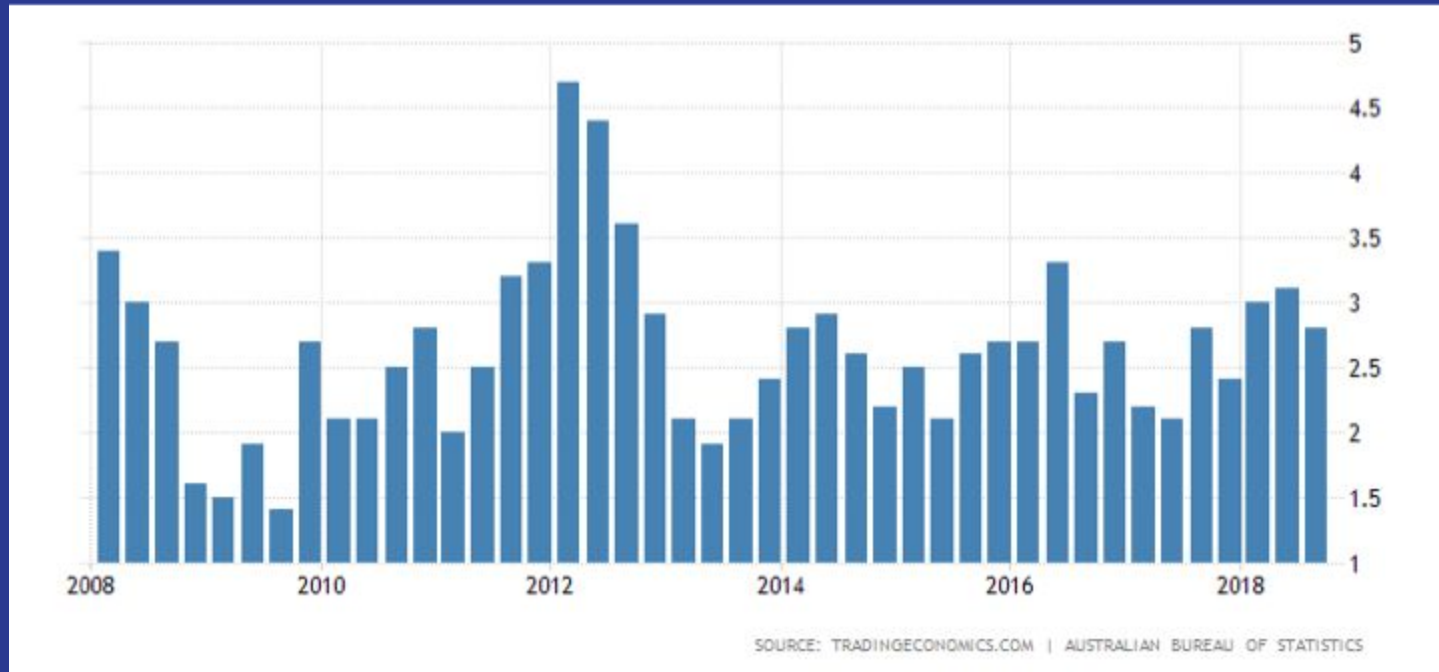
The target range for economic growth is between 3-4%

Currently Australia is hovering around 2% Growth -(low atm)

China, has high growth, at the moment of 6.5%

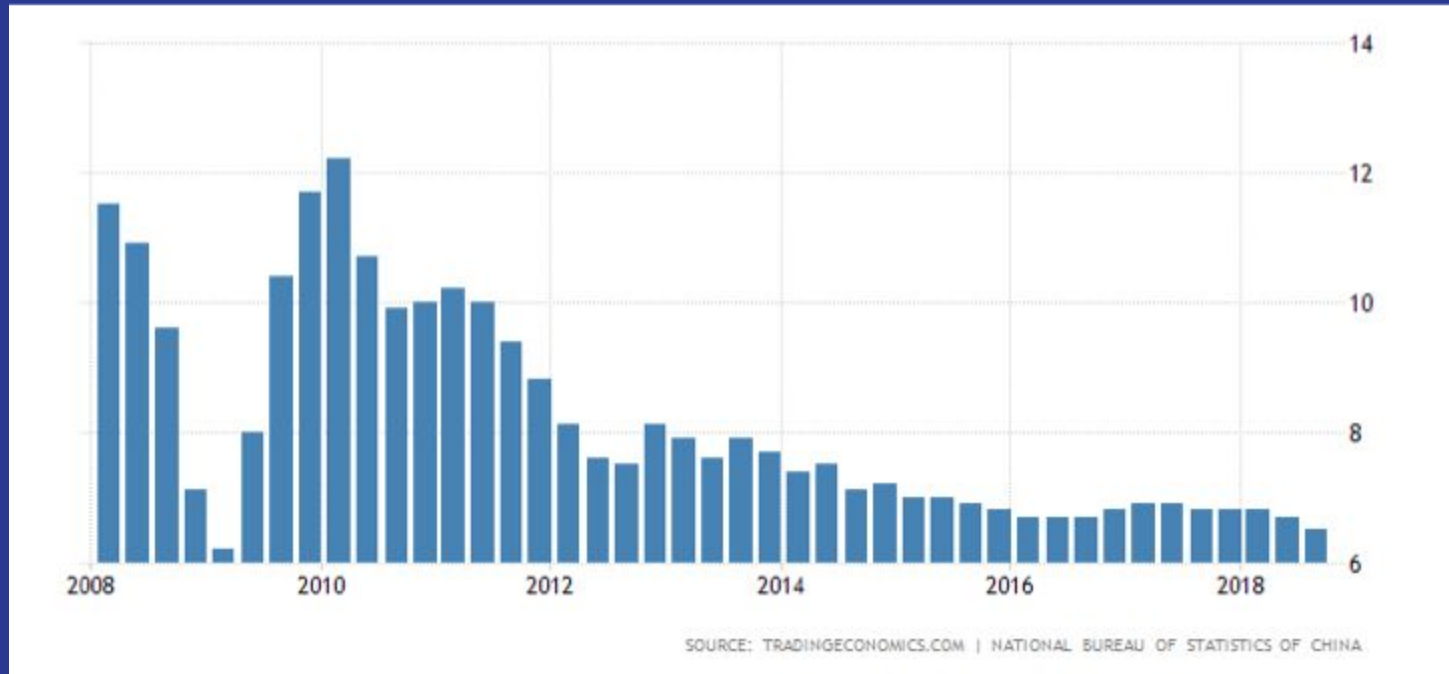
Previously, China has recorded growth of up to 15%

Growth in Australia...



27 Years of uninterrupted growth...

Growth in China...

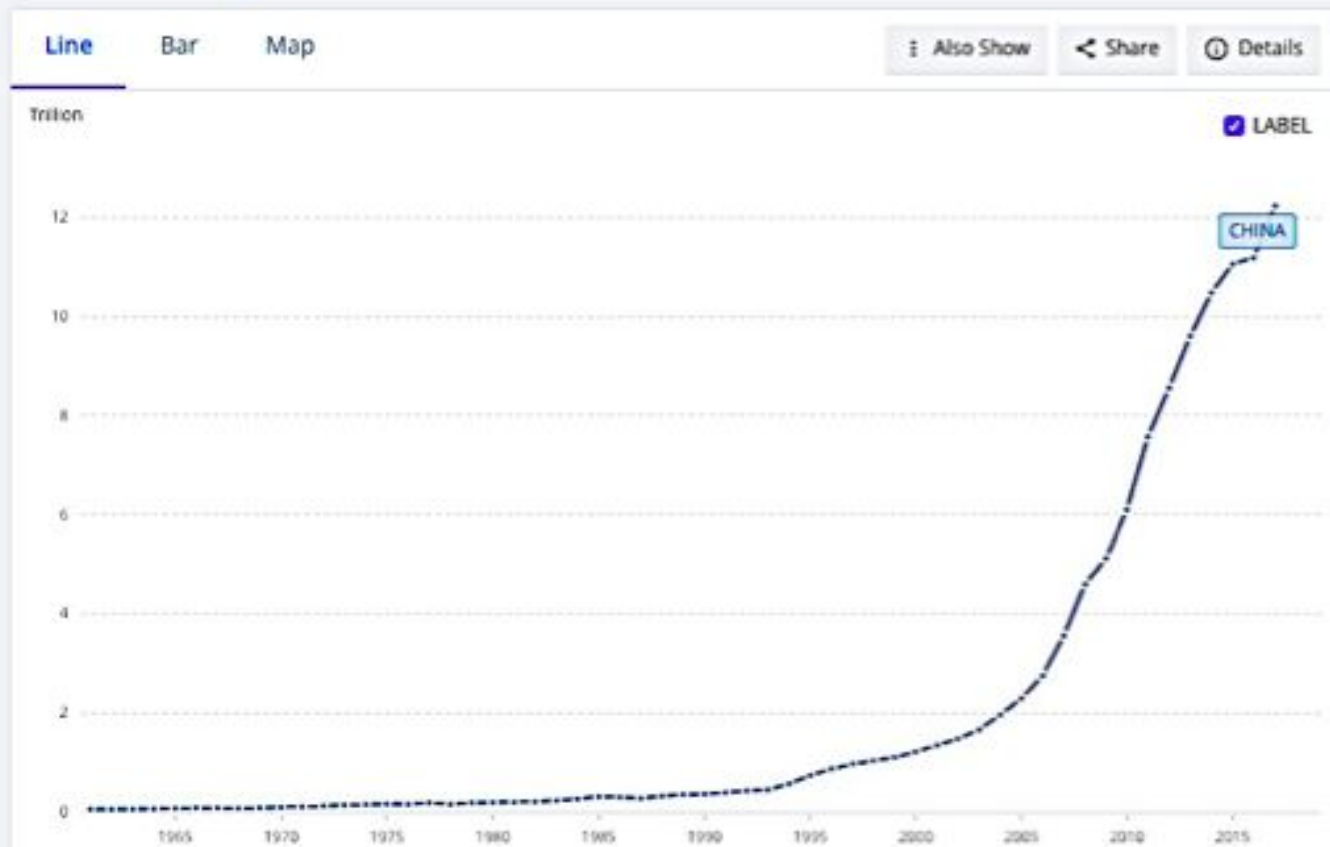


25 Years of uninterrupted growth...

GDP (current US\$)

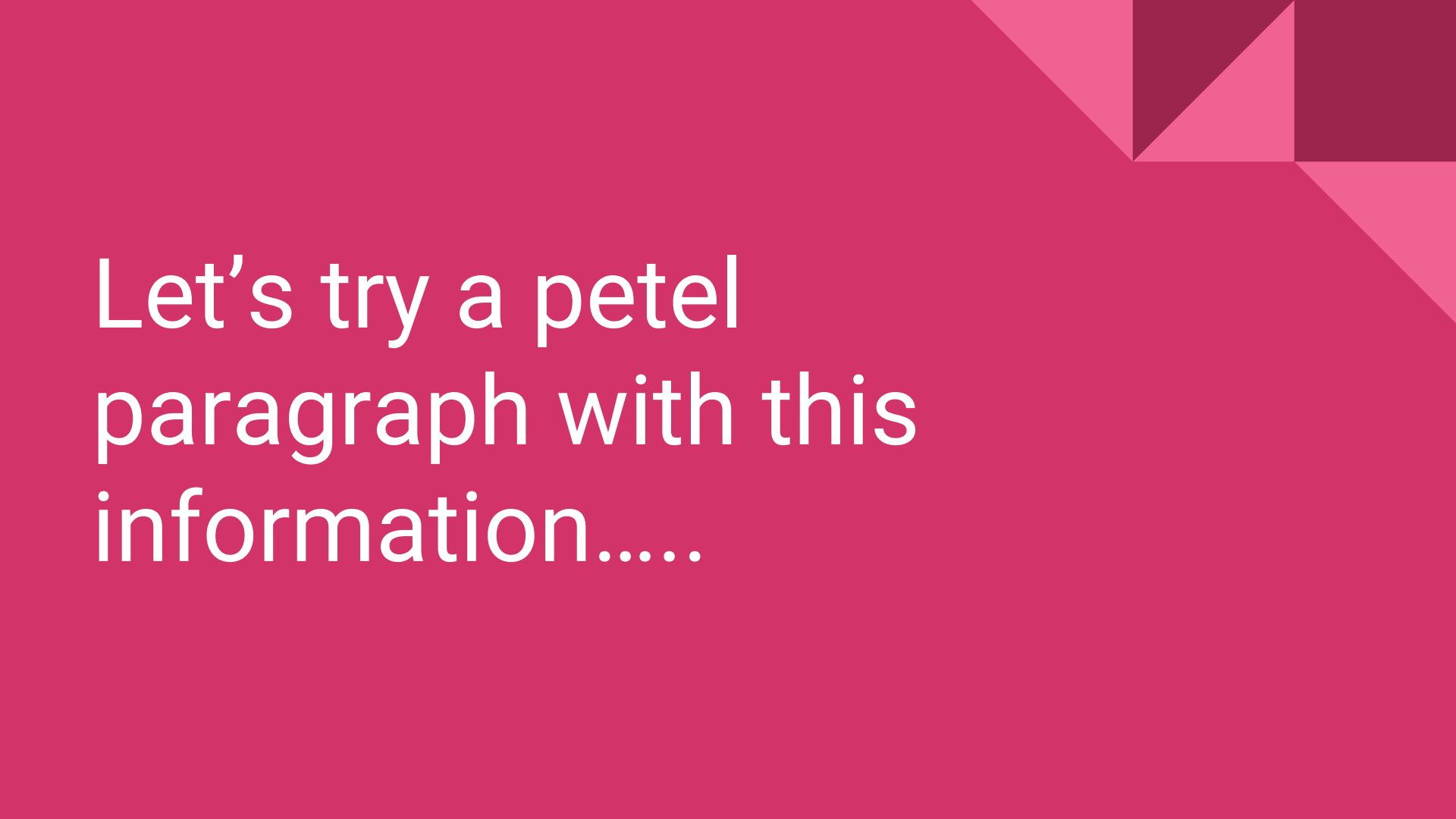
World Bank national accounts data, and OECD National Accounts data files.

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Theory of Economic Convergence?

Those countries that are at an emerging/developing level will grow at a faster rate than more developed countries.



Let's try a petel
paragraph with this
information.....

Write a paragraph that explains how GDP growth can be used to compare the economies of Australia and China.

Point of the Paragraph

Explain the point of the paragraph

Theory/graph to help your explanation

Convergence economics- Those countries that are at an emerging/developing level will grow at a faster rate than those more developed countries.

Evidence
Example/statistic/quote to prove your point

Link to your question

3. Inequality



Inequality relates to how resources are distributed across the whole of society

If a country has great wealth (High GDP) but high inequality, then the standard of living in the economy is reduced.

In Economics, we measure inequality using the...

Gini Coefficient and Lorenz Curve

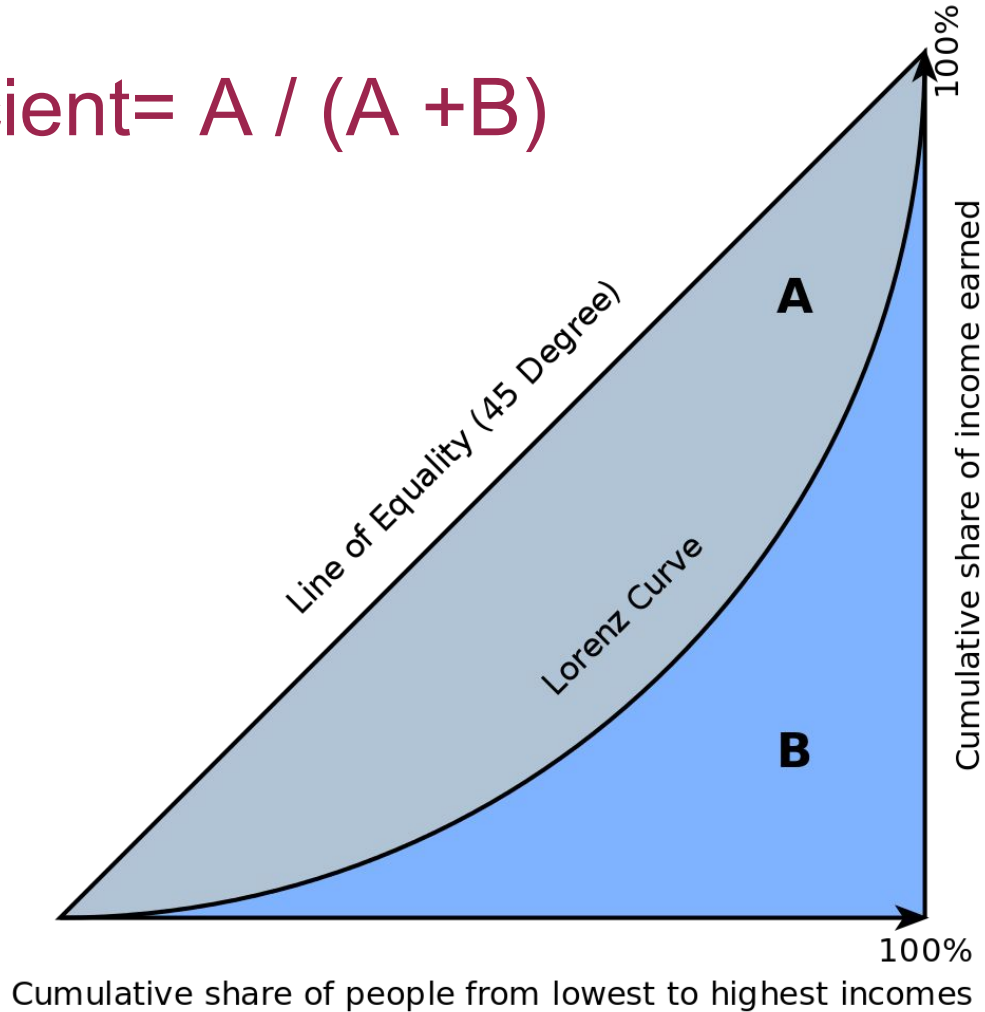
The Gini Coefficient is a number between 0 and 1

With 1 being perfectly Unequal.

(As one person owns all the wealth)

The Lorenz Curve Is a graphical representation of inequality

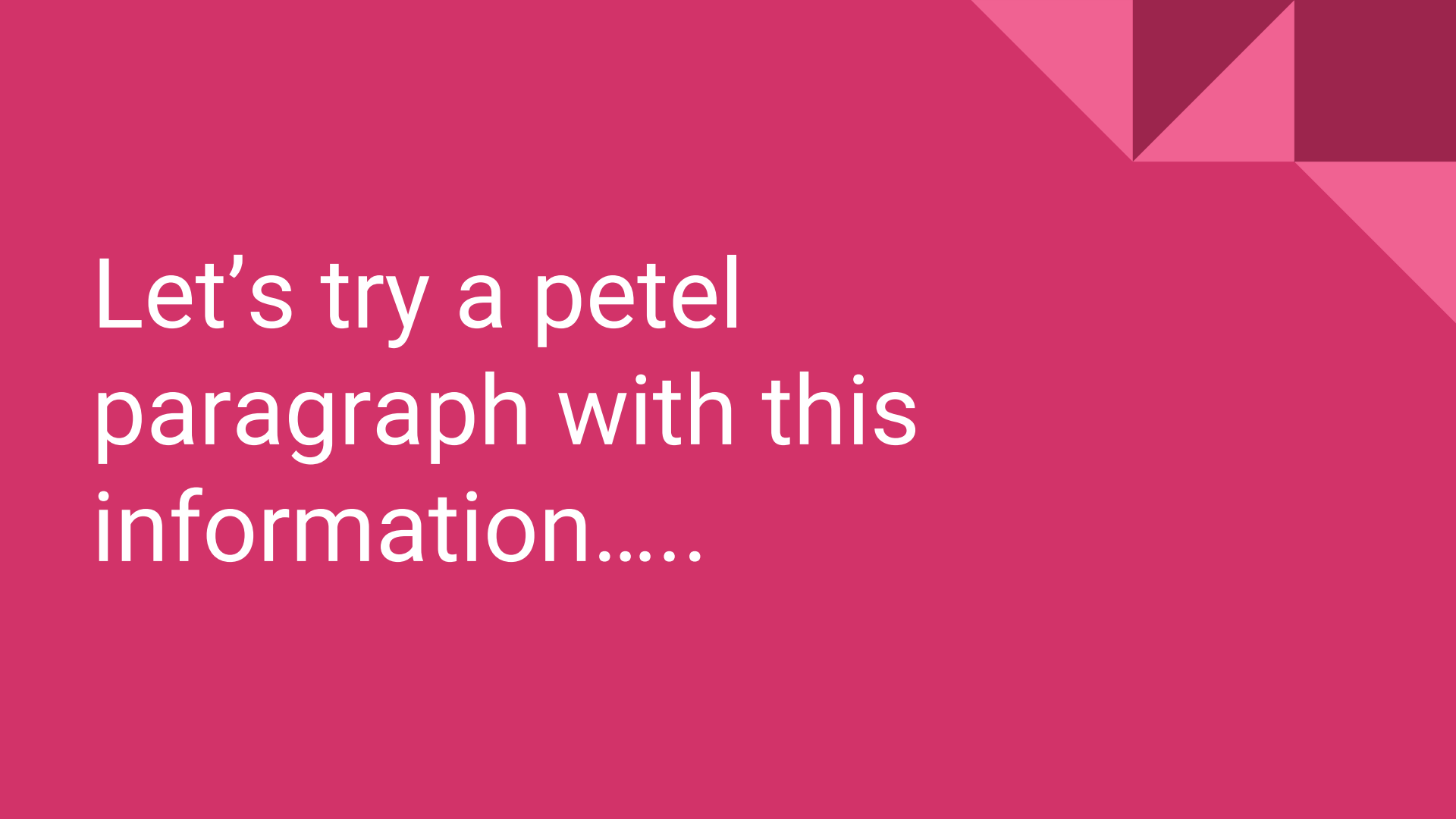
$$\text{Gini Coefficient} = A / (A + B)$$



According to the IMF, if the Gini-coefficient is above .4, then GDP will be adversely affected.

Country	Gini
Australia	0.33
China's	0.47
USA	0.39

(2018 World Bank)



Let's try a petel
paragraph with this
information.....

Write a paragraph that explains how inequality can be used to compare the economies of Australia and China.

P oint of the Paragraph	
E xplain your point	
T heory/graph to help your explanation	Gini Co-efficient/Lorenz curve IMF claim a Gini Higher than .4 will reduce growth levels in an economy Graph of Lorenz curve
E xample/statistic/quote to prove your point	Gini Coefficient of: Australia .34 China .465
L ink to your question	

4. Employment/ Unemployment

Unemployment levels vary between nations.

The unemployment level indicates:

- a) The success of a nation's macroeconomic policies
 - b) The level of economic growth within a nation
-

Write a paragraph that explains how unemployment can be used to compare the economies of Australia and China.

Point of the Paragraph

Explain your point

Theory/graph to help your explanation

Example/statistic/quote to prove your point

Link to your question

5. Quality of life



© Getty Images

The physical quality
of life of citizens
varies widely
between nations.

Factors that contribute to the quality of life include:

a)quality of healthcare

b)quality of education

c)technological access

d)cost of living

e)working hours

f)treatment of women

g)government intervention in daily life

The Human Development Index (HDI)

Education

Life Expectancy

GDP/Capita

Let's compare the HDI of China and Australia...

Rank	Country	Index value	Life Expectancy at Birth	Expected years of schooling	Mean years of schooling	GNI per Capita (PPP)
3	Australia	0.939	83.1	22.9	12.9	43,560
13	United States	0.924	79.5	16.5	13.4	54,941
86	China	0.752	76.4	13.8	7.8	15,270

**Why does
Australia
have a
consistently
high
Standard of
Living?**

1. Universal healthcare—Medicare
2. Public Education
3. Highest minimum wage in the world
\$18.61/hour
4. Compulsory Superannuation 9%
paid by Employer

Government Intervention in the market?

Write a paragraph that explains how 'Standard of Living' can be used to compare the economies of Australia and China.

Point of the Paragraph

Explain your point

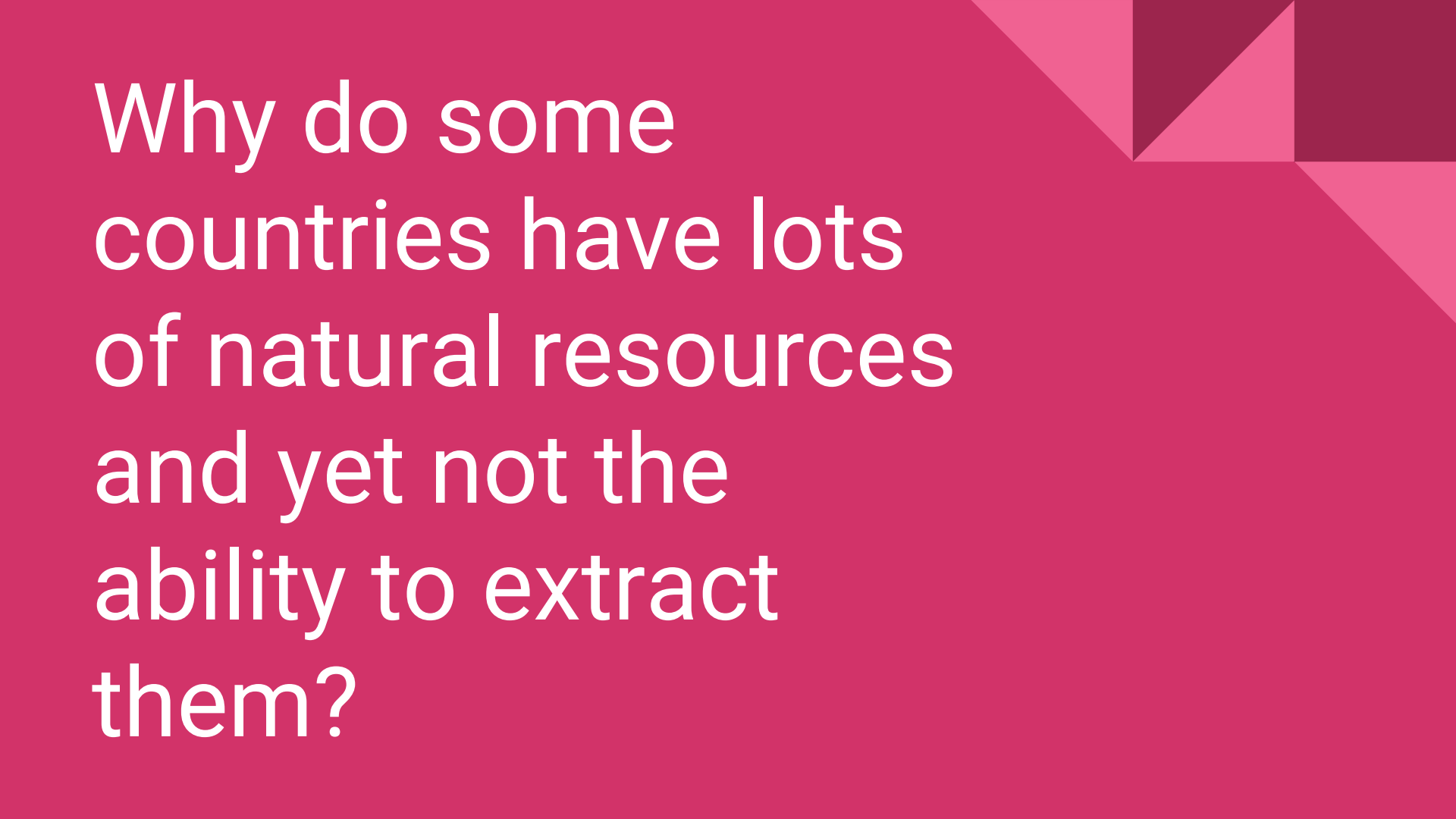
Theory/graph to help your explanation

HDI

Example/statistic/quote to prove your point

Link to your question

6. Environmental Quality



Why do some
countries have lots
of natural resources
and yet not the
ability to extract
them?

They may lack:

1. Human Capital-Skill, education, health, Standard of Living
 2. Capital
 3. Stable political system
 4. Infrastructure
-

Yet, the key question for most nations is
“What is a sustainable use of resources?”

Sustainability in Economics refers to:

Intergenerational Equity

-Between generations

Intragenerational equity

-Within one generation

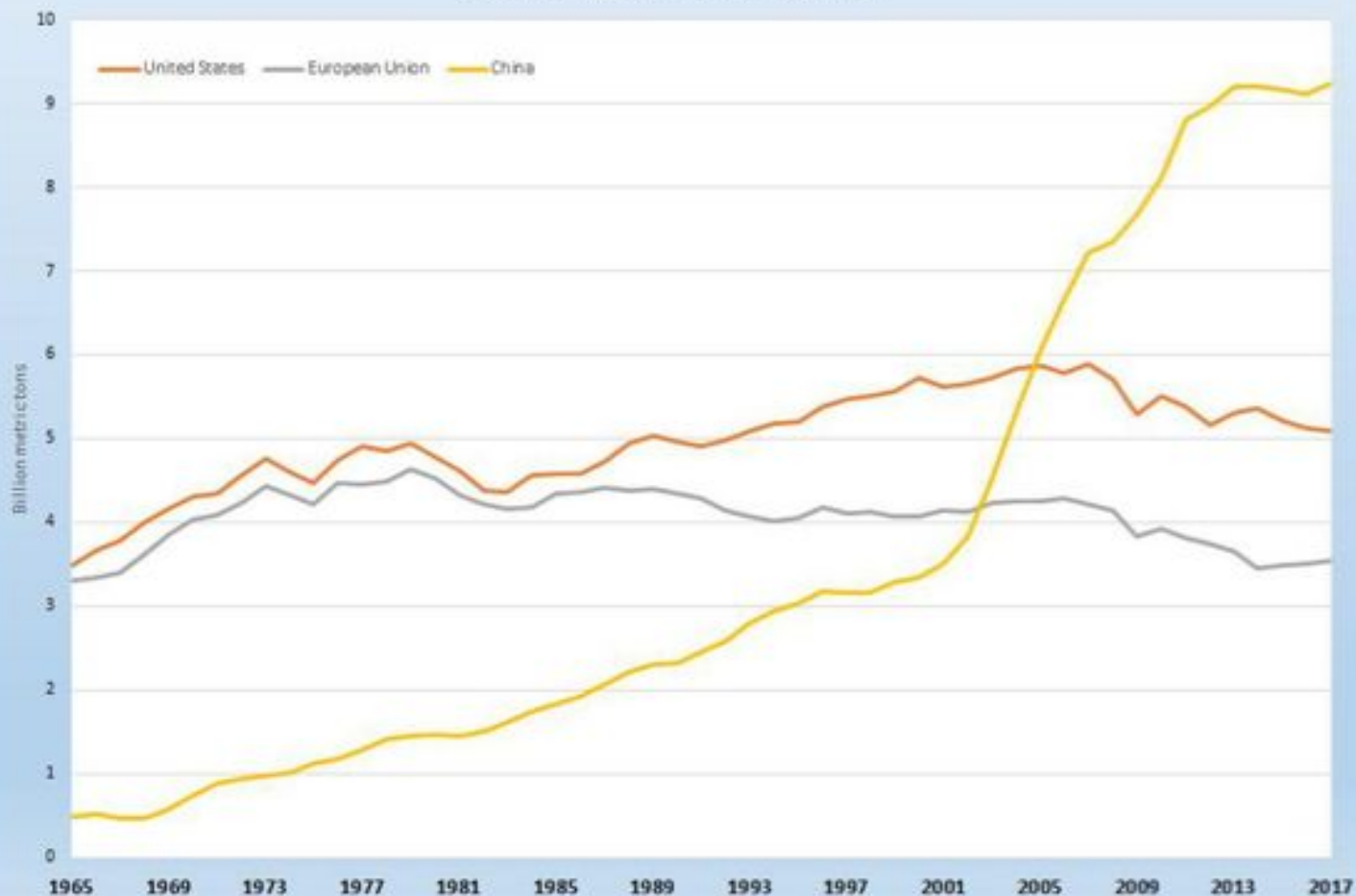
Nations vary in how they protect and preserve their environments.

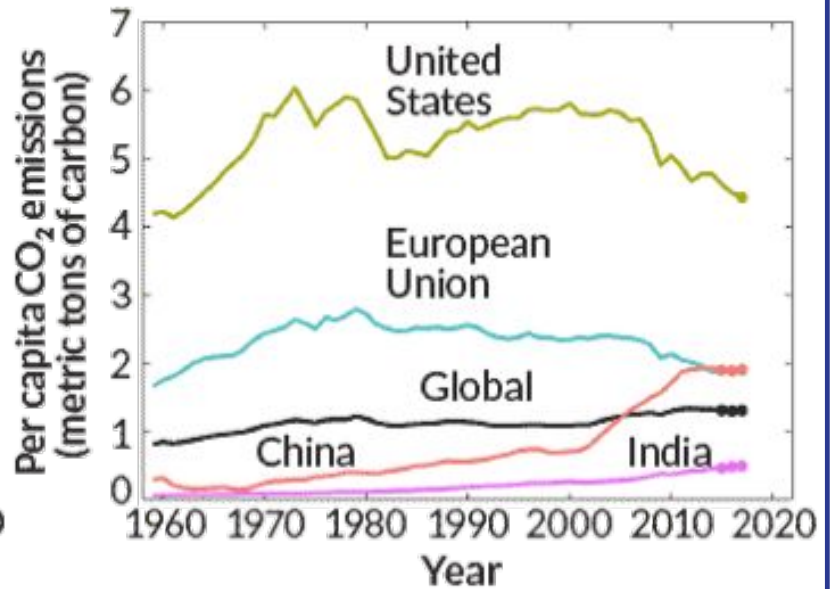
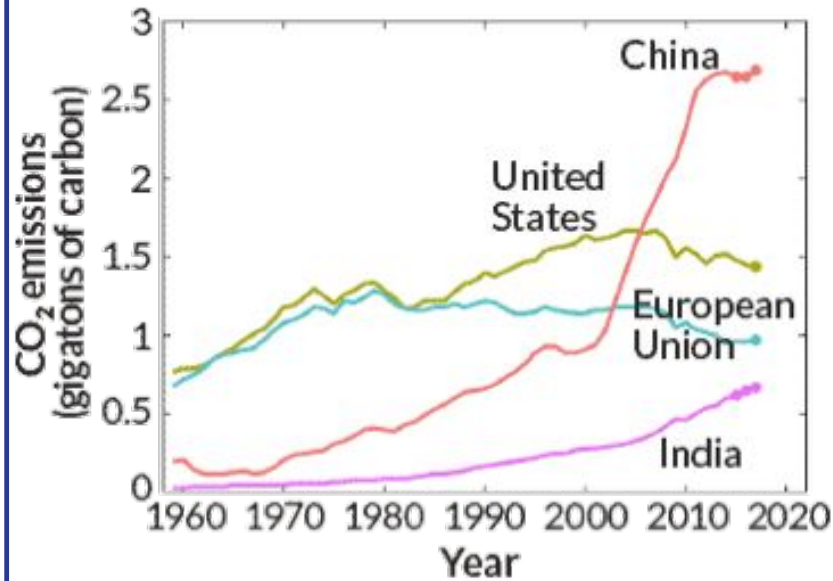


The world has called for environmental changes in the areas of:

- a)renewable energy sources
 - b)recycling
 - c)preservation and protection
 - d)greenhouse gas emissions
-

Carbon Dioxide Emissions 1965-2017





Per Capita CO2 Emissions 2016 (Metric tons)

Country	CO2 Emissions metric tons
Australia (4 th in World)	16
USA (5 th in World)	14.95
China (16 th in World)	6.57

China is also
the largest
investor in
renewable
energy sources
globally.

We are kind of the opposite.

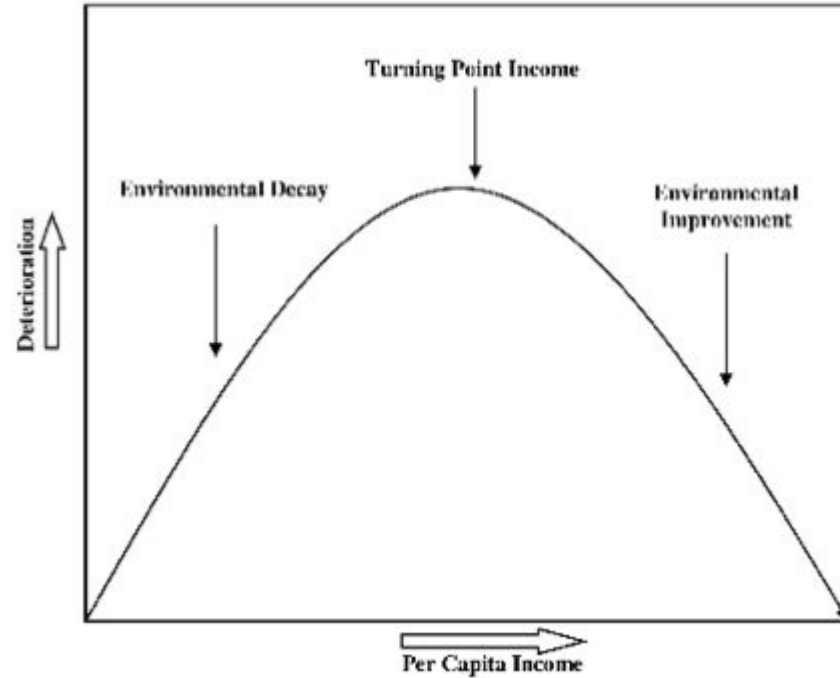
**China will invest
2.5 trillion yuan
(\$361 billion)
into renewable
power
generation by
2020**

Reuters January 5, 2017



Theory: Kuznet's Curve

Environmental Kuznets Curve



Write a paragraph that explains how environmental quality can be used to compare the economies of Australia and China.

P oint of the Paragraph	
E xplain your point	
T heory/graph to help your explanation	Kuznet's Curve
E xample/statistic/quote to prove your point	
L ink to your question	



7. The role of Government

Categorisation of Economic type

According to Government
Intervention

- Planned/Command
 - Mixed/Semi Planned
 - Free Market/Capitalist
-

**What role should
the Government
play in the market?**



Intervention Vs Deregulation

Government intervention looks like...

tax

subsidies

public goods

public services

minimum wage

price setting

regulation

market regulation

legislation

The Political Spectrum

It's all an Economic debate!



Left Wing

Right Wing

Communist

Fascist

- Government **intervention vs deregulation** source of political debate.
- Governments can also vary in the way they either promote or hinder **economic freedoms**.



Index of Economic Freedom 2018

Rank	Country	Overall Points
5	Australia	80.9
18	USA	75.7
110 (Up from 144)	China	57.8

Governments can provide a variety of public services or allow the private sector to fund or help fund them.

Including:

a)health care

b)education

c)welfare



**Australia's level of
Government
interference in the
market has always
been considered
to be relatively
high.**

See slide on why we have a high standard
of living!



Changes to China's policies post 2010 mean that they are making health, education and welfare a greater priority.

Reform of Government intervention in China:

- Social Welfare is now standardised
- A basic, universal Healthcare system.
- Working to increase the quality and quantity of education provided.
Now 9 years minimum.
New Universities.
New curriculum



Write a paragraph that explains how the role of Government can be used to compare the economies of Australia and China.

Point of the Paragraph

Explain your point

Theory/graph to help your explanation

Example/statistic/quote to prove your point

Link to your question