


# ECONOMIES: THEIR SIMILARITIES AND DIFFERENCES

- 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

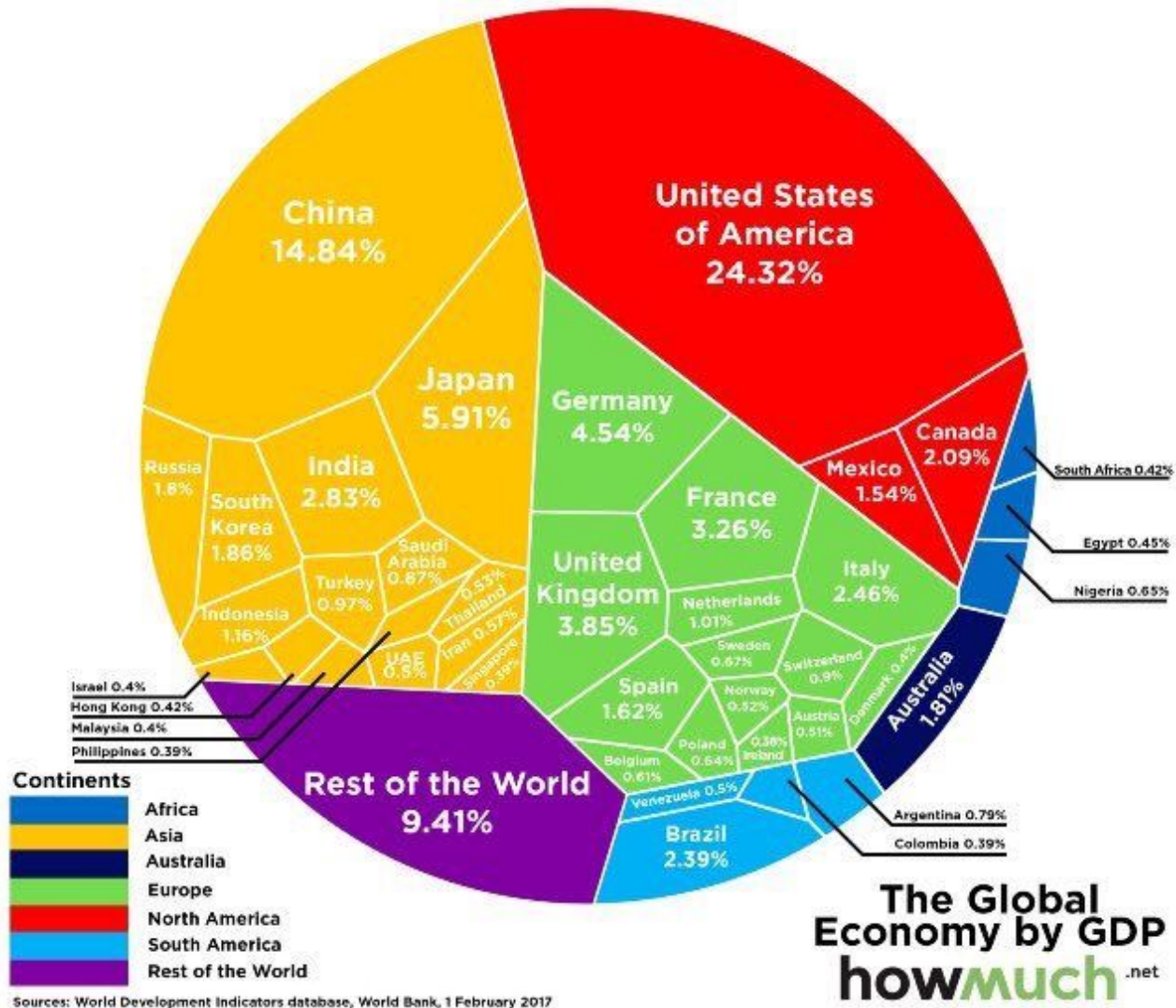
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The overall level of economic output or GDP is used to measure economic growth.

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



# The size of the economy



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







# Why?

It doesn't allow for population or inflation.

A better measure:

GDP per capita is a more reliable indicator of the distribution of the income of a nation.



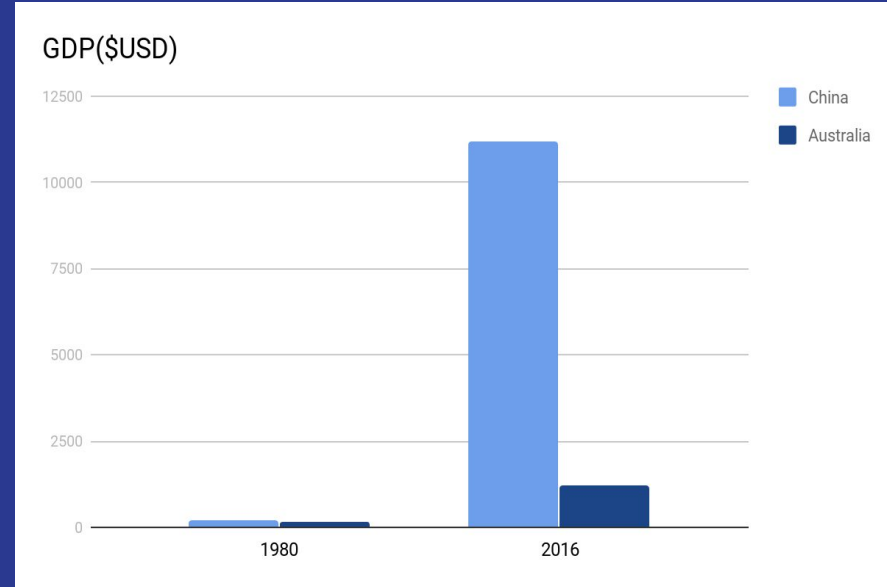
Some nations, such as Australia, have a relatively high GDP per capita, whilst other nations such as China, despite having a high GDP, have a relatively low GDP per capita.



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

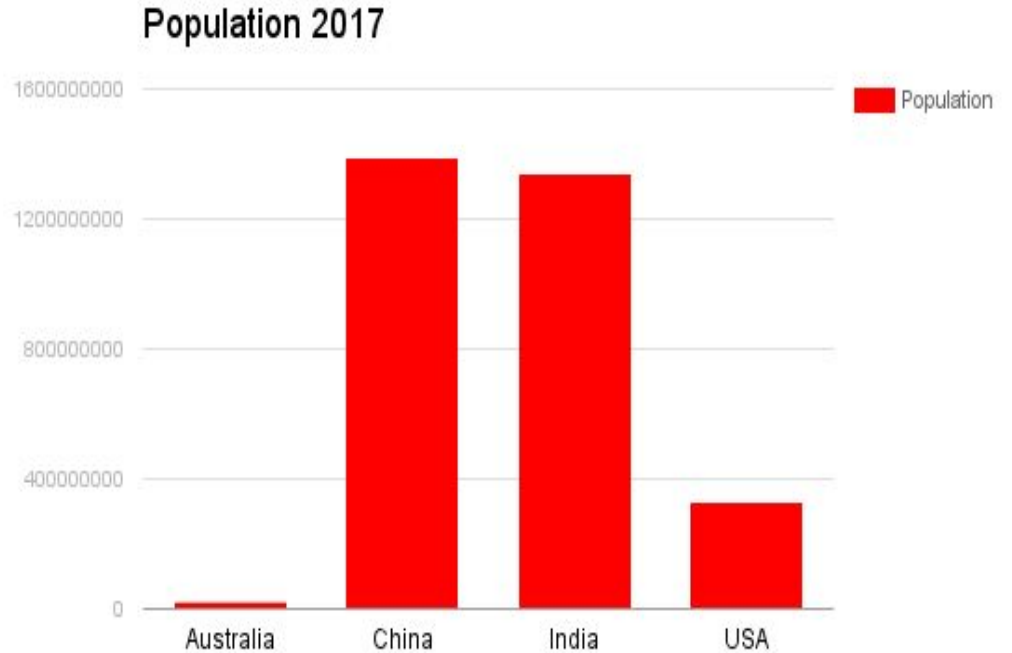
# GDP

## Australia Vs China



# Population

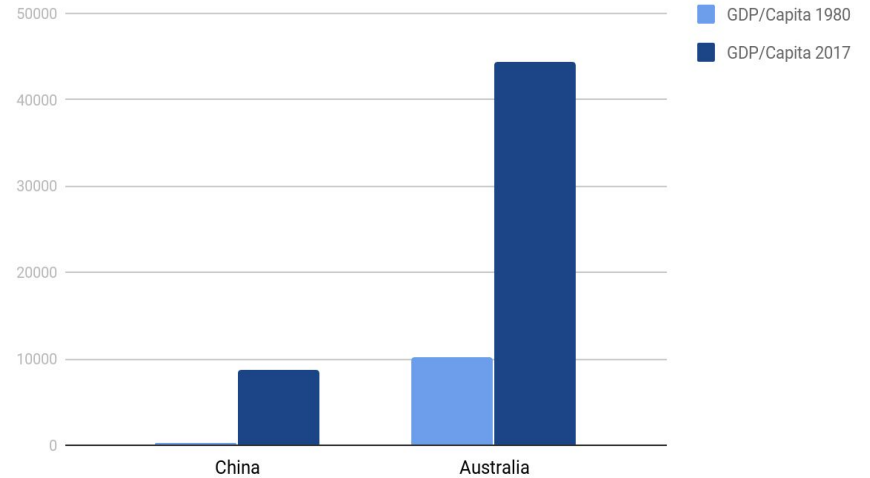
Australia Vs China

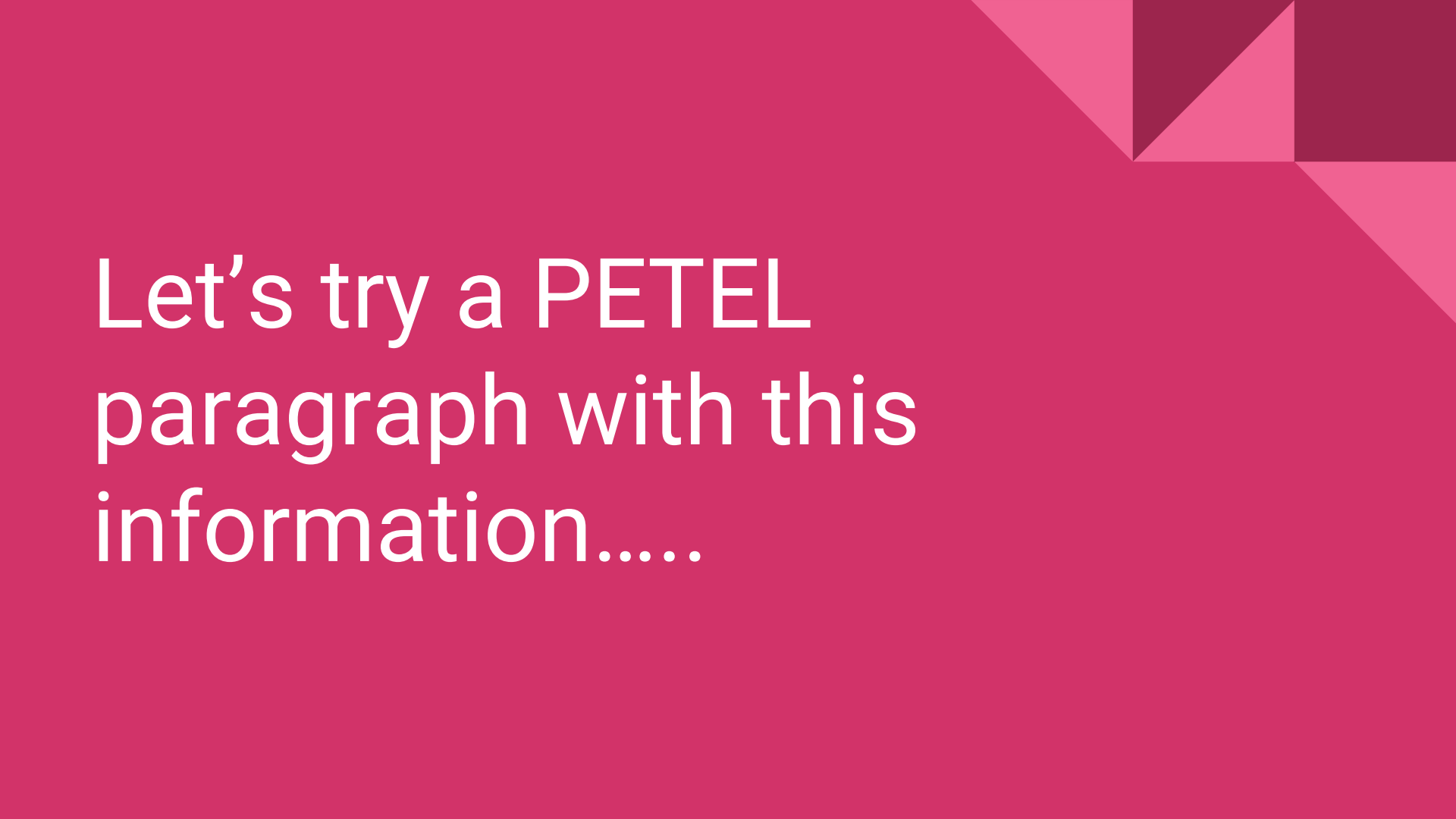


# Real GDP/Capita

Allows for both population and  
inflation.

Real GDP/Capita China Vs Australia





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.

<b>Point</b> of the Paragraph	Gross Domestic Product(GDP)/ capita can be used to compare the size of different economies.
<b>Explain</b> 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.
<b>Theory/graph</b> to help your explanation	N/A
<b>Evidence</b> 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 \$USDxxxxxx, Australia having the 13th largest in the world at \$USDxxxxxx, however, when divided by their population, China's GDP/Capita is \$USDxxxxxx, whilst Australia's is \$USDxxxxxx
<b>Link</b> 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!

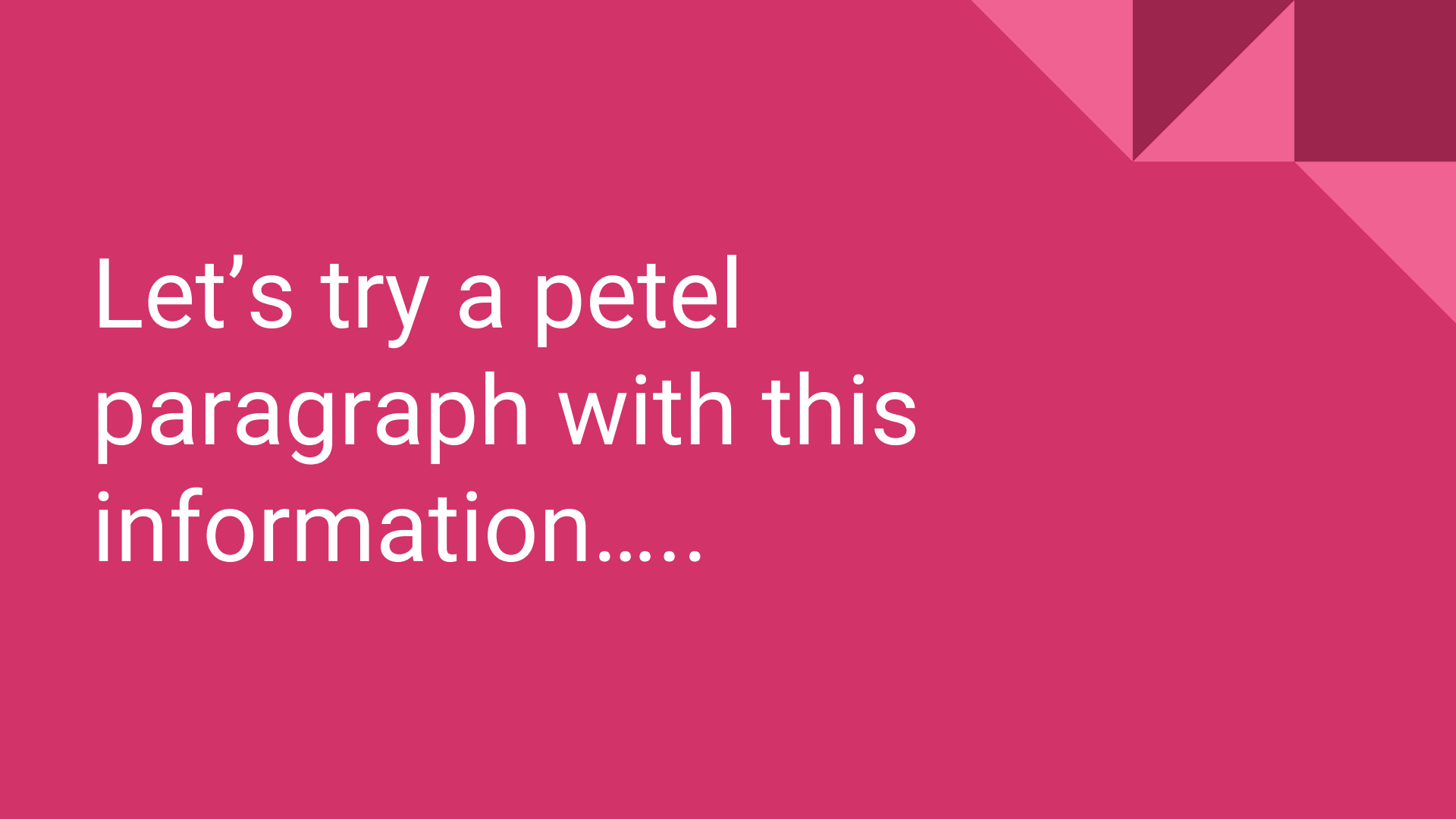
The target range for economic growth is between 3-4%

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

China, has high growth, at the moment of 6.7%

Previously, China has recorded growth of up to 15%

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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.

<b>Point</b> of the Paragraph	
<b>Explain</b> the point of the paragraph	
<b>Theory/graph</b> to help your explanation	<b>Convergence economics</b> - Those countries that are at an emerging/developing level will grow at a faster rate than those more developed countries.
<b>Evidence</b> Example/statistic/quote to prove your point	
<b>Link</b> to your question	

# 3. Inequality

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



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

In Economics, we measure inequality using  
the...

# GINI Coefficient And the Lorenz Curve

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# What?

The Gini Coefficient is a number between 0 and 1

With 1 being perfectly Unequal.

(As one person owns all the wealth)



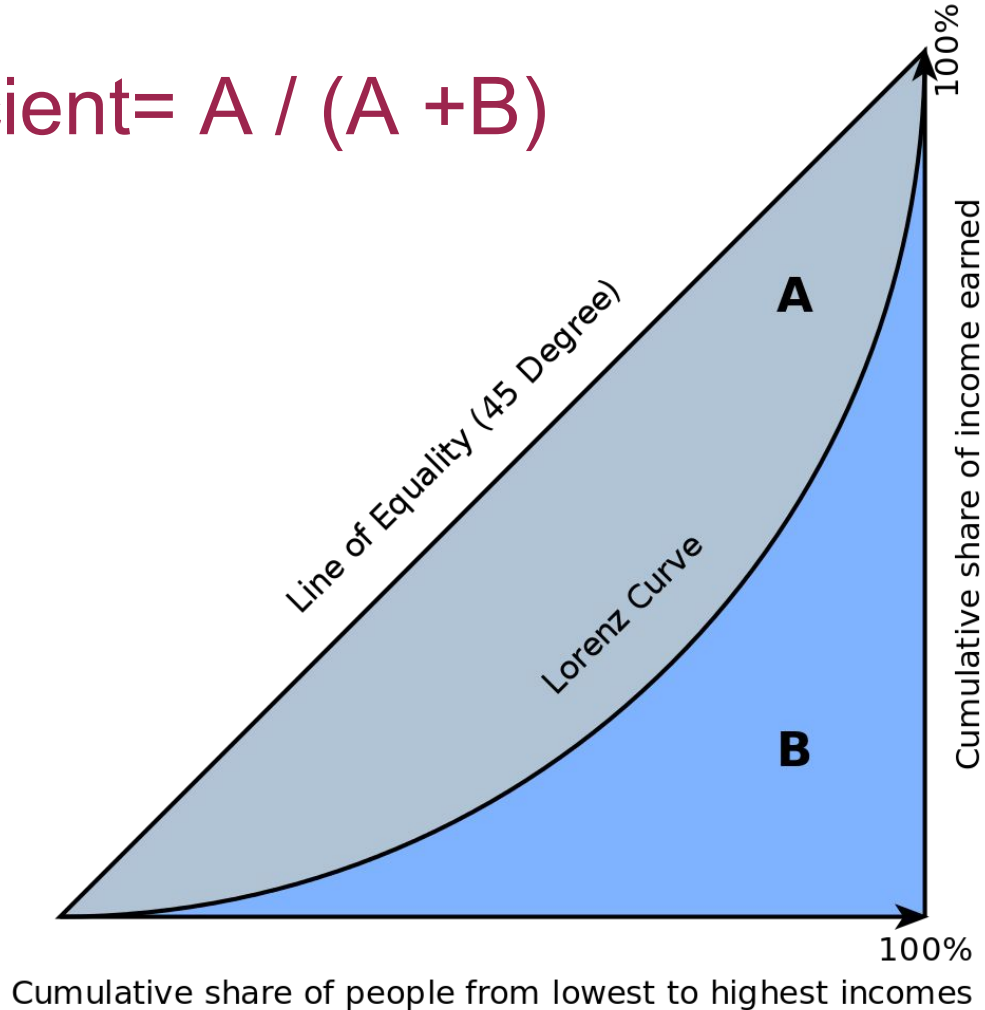


# The Lorenz curve

Is a graphical representation of inequality



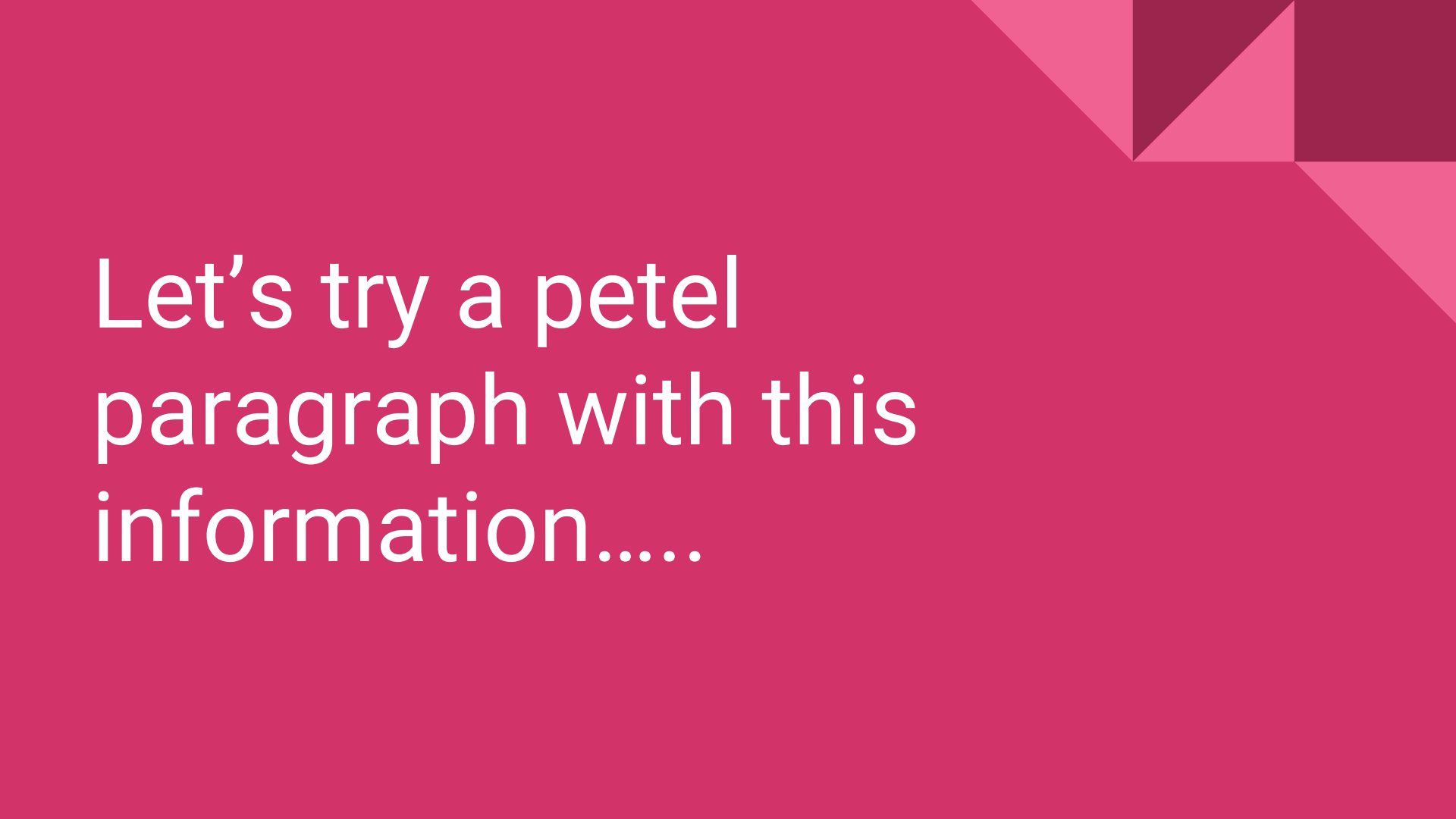
$$\text{Gini Coefficient} = A / (A + B)$$



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

Australia's Gini-Coefficient is....

China's Gini-Coefficient is.....



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.

<b>P</b> oint of the Paragraph	
<b>E</b> xplain your point	
<b>T</b> 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
<b>E</b> xample/statistic/quote to prove your point	Gini Coefficient of: Australia .34 China .465
<b>L</b> 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

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Write a paragraph that explains how unemployment 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

**E**xample/statistic/quote to prove your point

**L**ink to your question



## 5. Quality of life



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

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# Factors that contribute to the Quality of life include:

- a)quality of health care
- 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...

<http://hdr.undp.org/en/composite/trends>

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

<b>P</b> oint of the Paragraph	
<b>E</b> xplain your point	
<b>T</b> heory/graph to help your explanation	HDI
<b>E</b> xample/statistic/quote to prove your point	
<b>L</b> ink to your question	

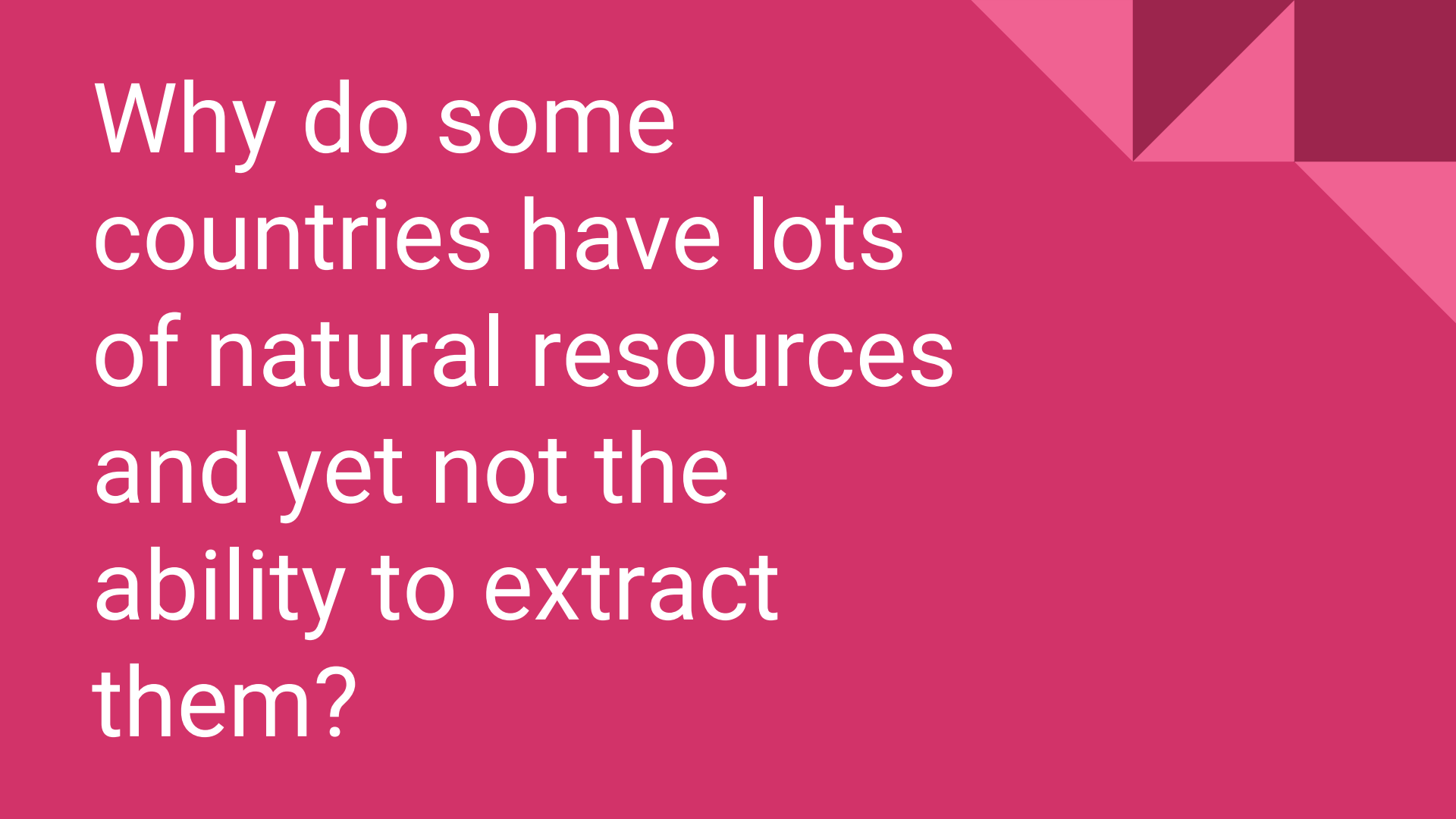
## 6. Environmental Quality



Some nations are rich with natural resources and have the ability to extract them for use.

Other nations lack natural resources or the potential to extract them.



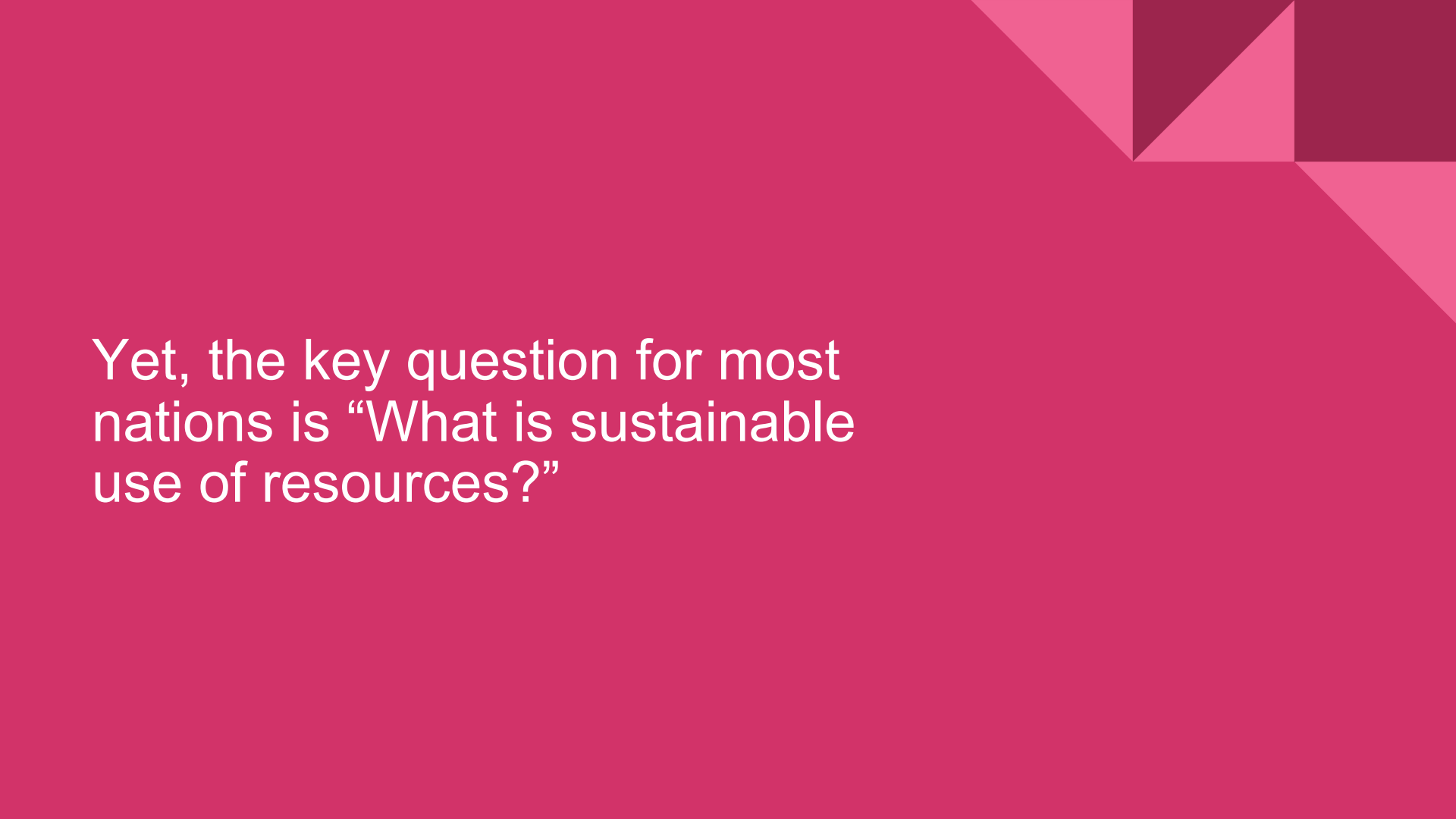


Why do some  
countries have lots  
of natural resources  
and yet not the  
ability to extract  
them?

# They may lack:

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

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

# Sustainability in Economics refers to:

Intergenerational Equity

Intragenerational equity

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

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Nations vary in how they protect and preserve their environments.

We went to Paris Climate Change Summit.

We kind of agreed to do some stuff.

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China is the  
largest emitter  
of Carbon  
globally

Find a stat for this.

Australia is the  
largest per Capita  
emitter of Carbon  
globally

Find a stat for this.

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



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

**E**xample/statistic/quote to prove your point

**L**ink to your question

# 7. The role of Government

Governments always debate the pros and cons of government intervention vs deregulation.

Governments can also vary in the way they either promote or hinder economic freedoms.


## Index of Economic Freedom 2016

Rank	Country	Overall Points
1	Hong Kong	88.6
2	Singapore	87.8
3	New Zealand	81.6
4	Switzerland	81.0
5	Australia	80.3
144	China	52.0



Market Realist<sup>Q</sup>

Source: The Heritage Foundation




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

a)health care

b)education

c)welfare



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.  
Lots of 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.

**P**oint of the Paragraph

**E**xplain your point

**T**heory/graph to help your explanation

**E**xample/statistic/quote to prove your point

**L**ink to your question