# Commerce

## 1. Our Economy

Economists use a variety of metrics to determine the successfulness of an economy:

- GDP per Capita
- Interest/cash rate
- Wage growth
- Standard of living – how well an economy is providing for its citizens

GDP is measured through aggregate demand. GDP is limited as it cannot measure the standard of living and is an average metric if it is *per capita*.

**Aggregate demand**

=

**Private sector consumption expenditure (C):**
Spending by individuals, households and businesses on goods and services to satisfy immediate needs and wants such as food, clothing and household items

+

**Private sector investment expenditure (I):**
Spending by individuals, households and businesses on the accumulation of capital goods (for future use) used to produce other goods and services such as computers, houses, factories and machinery

+

**Government sector consumption expenditure (G1):**
Spending by all levels of government on goods and services to satisfy immediate needs and wants such as spending on the day-to-day running costs of government departments

+

**Government sector investment expenditure (G2):**
Spending by all levels of government on the accumulation of capital goods used to produce other goods such as roads, hospitals and schools

+

**Expenditure on exports (X):**
Spending by households, businesses and governments overseas on goods and services produced in Australia

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**Expenditure on imports (M):**
Expenditure by Australian individuals, households, businesses and governments on goods and services produced overseas

Material standard of living - The amount and quality of goods and services available to a person
Non-material standard of living – life expectancy, education, health, environment

Income comes from a range of sources: labour, property/assets, kind (company benefits) and government (welfare).
Equitable (giving people what they need) income is what the government aims for, as equal income would disincentivise work.
Macro-economic:

- Monetary policy: controls the amount of money in the economy by influencing the cash rate which either slows or speeds up the economy
- Fiscal policy: budget set by the government to provide support and investment to certain areas that need it

Micro-economic: policies can be targeted to increase competition and decrease regulation.
Australia relies on trade to fuel our economy with natural resources being our biggest exports while petrol and cars being our biggest imports.

Government can either being protectionist (favour local industry) or free trade (favouring increased trade).
The WTO is an intergovernmental body promoting free trade and resolving disputes.

Inflation is the general increase in prices (**C**onsumer **P**rice **I**ndex). Purchasing power = amount we can buy with our income
CPI is measured every quarter, providing a good indicator of the change in costs of goods.

Inflation is caused by:

| Demand/Pull Inflation | Supply/Push inflation |
|---|---|
| **Stronger demand for goods** | Increasing prices of raw materials |
| **Wage increases/tax cuts** | Depreciation of currency |
| **Decreased interest rates** | Higher production costs/reduced supply |

If there is too much demand chasing too little supply, the economy operating **ahead** of its productive capacity.

Inflation influences a range of areas: wage rates and fixed income (social welfare) must keep **up** with inflation; business profits (uncertainty in market = decreased profits = reluctance to expand/hire more workers) and low interest (saving is discouraged).

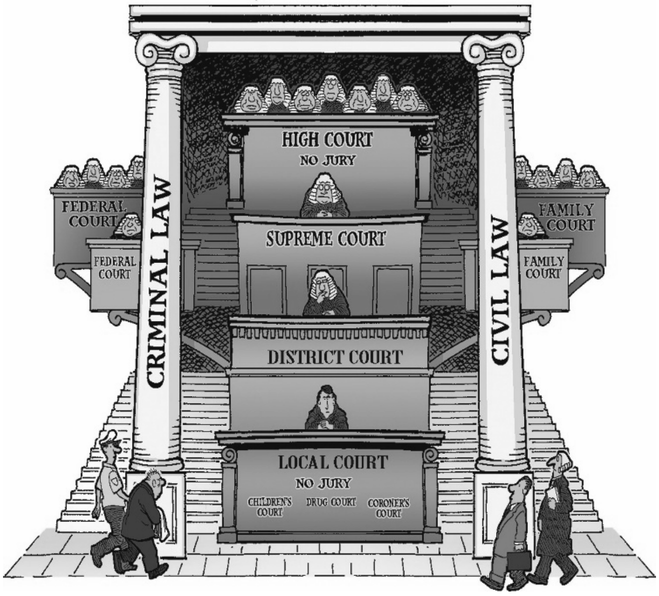
*Deflation* – prices fall steadily (decreases incentive to buy)
*Hyperinflation* – out of control inflation, all prices change rapidly (daily)
Unemployment: *frictional* (in between jobs), *cyclical* (decline in demand, so less workers are needed)

## 2. Law and Society

Laws are rules (established to define rights and responsibilities of participants) official recognised by the state.
Anarchy is a complete lack of order – chaos.
Laws change in response to our **ethical** (principles that determine how we act) and **moral** (collective idea of what is 'right' and 'wrong') values.

Legal capacity is the ability of a person to act, it may be hampered by age, experience or mental capacity. Understanding of the effect of your *voluntary* decisions and your communication of your decisions.

In our modern world the legal system is used to deal out punishments. Your plea, context of the crime, history and foreseen hardship will all impact your conviction.




Local courts deal with 90% of cases and determines whether the case has merit to proceed (*prima facie*). Claims up to $100 000. Hears **summary** (minor) offences. Can only sentence up to 2 years.

District court deals with claims $100 000-$750 000 and <u>all</u> motor vehicle cases. Indictable cases (manslaughter, assault, drug-related), guilt is decided by a jury.

Supreme court deals with most serious indictable cases (murder, treason, conspiracy, kidnapping), civil cases over $750 000. Deals with appeals from lower courts and its decisions are binding. No sentence restriction.

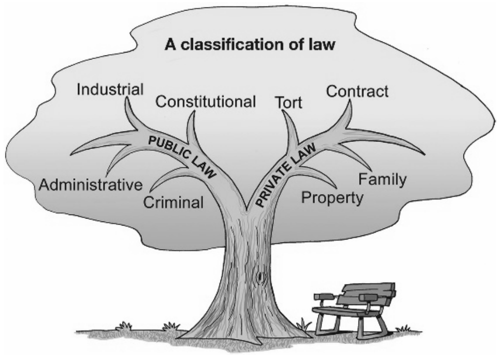
High Court deals with appeals from lower courts *(supreme, family or federal)* or interpretations of the constitution.

In criminal trials the jury must be sure of guilt **beyond reasonable doubt**. If the defence argues guilt, they try and lessen the sentence. If the defence argues not guilty, they try a convince the client is innocent.

In civil trials, a barrister acts on behalf of a **plaintiff**, to receive compensation. The jury decides on the balance of probabilities whether the defence is liable.

Jury is a randomly selected cross-section of society to decide on the verdict.

How individuals' behaviour within society and protecting freedom.

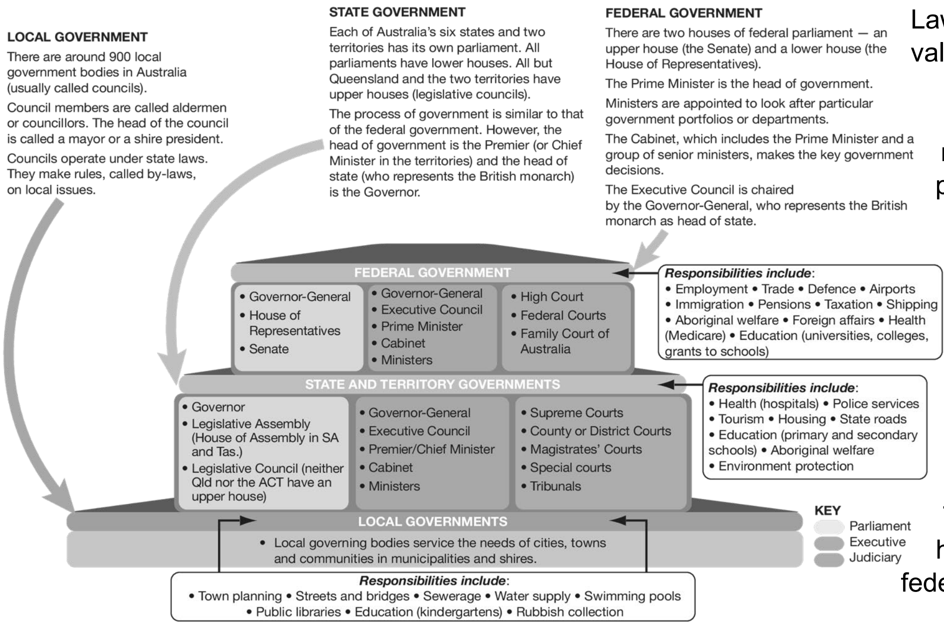



How individuals act around others.

Cost, time, distance, legal procedures and education all impact people's access to the law.
International law governs how nation states act and is set and governed by the UN.

Australia's **Constitution**, written in 1901, sets out a series of rights and freedoms. To change it requires a national referendum which much get support from both the <u>majority</u> of Australian voters and states.

Power is spread over three arms:
- **Parliament/Legislative**: responsible for *proposing* and debating laws, House of Representatives and Senate
- **Executive**: responsible for putting laws into *action*, Governor-General and MP's portfolio
- **Judicial**: responsible for laws are *followed*, courts




Laws change to adapt to changing social values, technology and political climate.

Political action is the process of making your voice heard through protests, lobby groups and media campaigns. These all promote a specific political agenda.

Political parties are groups of people you represent certain views to Parliament. These parties must be registered with the Australian Electoral Commission (AEC).

The party or coalition of parties which holds the majority of seats forms federal government.

Hung parliament: when the major parties have the same number of seats, meaning that minor parties must help in the forming of government.

Minority government: when the major party (with fewer seats than the other major party) uses a minor party or crossbenchers to form government.

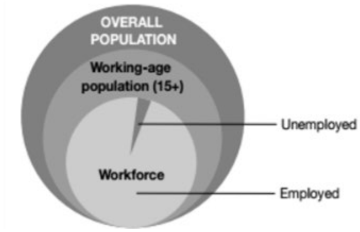
A statue law is one created by an Act of Parliament.

Once elected the government starts to develop and enact policies.
*Backbenchers* are members of parliament who aren't ministers. *Frontbenchers* are those members of parliament with a portfolio. *Cabinet* (not in constitution) is a meeting of the most important frontbenchers.

## 3. Employment & Work Futures

People work for a variety of reasons: money, skills, happiness and altruism.

There are variety of workforce participants:
- Governments:
  - Regulate work with organisations like Fair Work Commission (FWC) and ombudsmen
  - Regulates minimum wage, leave, super
  - Employs 2 million
- Trade Union
  - Organisation designed to protect the interests and lives of workers (its members)
- Employer Associations
  - Employers join to protect *common* interests, by providing advice to government and advocation




*Labour force* is those who above 15 years and actively seeking employment.

Part-time below 38 hours of work on fixed contract, full-time ≥ 38 hours.
Contract: providing professional labour for a set period and conditions.

Commission: payment in the form of a *portion* of a sale.

4 industrial revolutions (Industrial processes, mass production, computers, mass automation)

Industry a group of business undertaking similar work:

| | | |
|---|---|---|
| **Primary** | Production associated with natural resources | Farming, mining |
| **Secondary** | Transforms raw materials into *(semi-)*finished products | Steel, car manufacturing |
| **Tertiary** | Perform a service for others | Retail, accountants, banking |
| ***Quaternary*** | Offer a transfer of knowledge | Education |
| ***Quinary*** | Perform a service traditionally done in the home | Cooking, childcare, cleaner |

The federal act of *Work, Health and Safety* defines standard for safe work operation and guidance.
*Bullying* is an issue that can effect both the mental and physical health of the victim.
Victims often have trouble collecting evidence/making a case.
A range of *anti-discrimination* acts make sure people are disadvantaged in work/seeking work for who they are.
*Unfair Dismissal:* a dismissal that the employee believes to be 'harsh, unfair or unreasonable'
*Redundancy:* when the job that is being performed is no longer required, usually because of technological change.
Award is offered, often increases for years worked.
You must have worked for at least 1 year and at a moderately sized business.
Employment contracts detail the work arrangements:

| | |
|---|---|
| **Offer** | Employer offers job and terms & conditions |
| **Acceptance** | Employee acts the offers, terms, and conditions |
| **Consideration** | Provides labour for agreed renumeration and benefits |

Three types of contracts:

| | |
|---|---|
| **Award** | Standardised contract that defines term & conditions for a particular industry. |
| **Enterprise Agreement** | Negotiated agreement between business/es and employee association & unions on terms & conditions. Must be better than the award it is replacing. |
| **Common law contract** | Agreement between just the employer and the employee, allow for differing pay rates for the same work. |