

Economic problems of australia

[Economics](#)



Explain why the economic problem arises and how economic resources are used in Australia in our attempt to solve the economic problem.

The economic problem is the reason economists exist. Humans have needs and wants. Needs are vital to our survival, food, shelter, water, so on. We use resources to fulfil these needs, keeping us alive. Wants, are the things we do not need to survive, but still desire. This is anything from mobile phones, to video games. We have a never-ending list of wants, as soon as one is fulfilled, another takes its place. Such is human nature. In an ideal world, everyone would have unlimited access to all their wants and needs. Unfortunately, we would need an infinite amount of resources to fulfil humanities infinite wants, and limited time. Economies must decide what to do with resources in the limited time we have. Whenever someone makes a decision, the next best option is called the opportunity cost. The world has finite resources to fulfil unlimited wants, and this is the basis of the economic problem. A solution to the economic problem must answer four questions, however, which wants should be fulfilled? There are four parts to the problem, who should be allocated the limited resources, how should things be produced, what should be produced, and how much. Every economic system attempts to answer these questions in the best possible way.

There different types of economy, including traditional, market, mixed, and planned. Each tries to solve the problem of scarcity. Australia uses a mixed market economy. Much like a market economy, the driving force behind economic progress is enterprise and capital. Private firms operate to make money by producing goods and services. As the consumers choose what to consume, goods are produced in a manner relative to their demand. A mixed

economy however, has the advantage of the Government behind it. The Government offers protection to consumers and producers, creating a safe environment for economic growth, but can also cause macroeconomic change when needed. The government can intervene to help the economy, such as putting money towards healthcare.

This graph shows the Australian Governments expenditure towards healthcare compared to individuals, in 2014. The government spends a lot of money on public healthcare, to both boost the economy by paying workers and having money go towards the production of goods, medicine in this case, and it allows for the general population to be healthier, allowing them to work more, boosting the economy. This is just an example of one way the government can intervene with the economy, but there are many more, such as stimulus packages, which will be talked about later. The four parts to the economic problem are solved in a mixed market economy. The consumers decide who is given resources, the firms decide how goods are produced based on efficiency, which things would be produced is decided by supply and demand, what consumers consume, firms will make. And how much of each product should be made, which is also solved by the consumers. The supply of goods will meet the demand, but not exceed or fall short of the demand. A mixed market economy is the most stable type, and can often withstand economic disasters, such as the Global financial crisis.

Economic resources are the goods and materials that firms and individual people use to create products for consumers. Economic resources are known as the factors of production. Each factor is a different way the resource acts in the economy. Each type of resource also has a form of income. The first is <https://assignbuster.com/economic-problems-of-australia/>

land. Everything that is a natural resource, such as a forest, a coal mine, or an ocean, falls under land. In every economy, there is a limited amount of land. Natural resources, such as trees, can be regrown, but the actual land to grow them on is limited. Land can be used in two ways, natural resource production, and industrial resource production. Either natural resources can be grown or collected, or the land can have factories or buildings built on it, where products are created. As it is almost impossible for an economy to gain new land, the economy must decide cautiously how to distribute land between producing natural resources and industrial goods. Land produces rent as a form of income, in that people pay for access to land.

The second resource is labour. Labour encompasses everyone who works, who contributes to creating consumer goods from natural resources, or supplying a service. A factory worker is labour, creating consumer products from natural resources, and a teacher is labour, supplying the service of education. Labour is the most flexible of the resources, as people can be transferred to one part of the economy to another, albeit often lowering their productivity, due to lack of knowledge in the new area. Labour can be improved however, through education and training. Teaching labourers to perform better increasing production rate and quality. Wages are the income associated with labour. Anyone who works will receive wages.

Capital is the third resource, means of production. The physical items that create products are capital. Some examples include factories or fisheries. These resources can be created or bought. Capital produces interest, in exchange for the services of capital.

Enterprise is the last of the resources. It is not a physical resource such as land or capital, but it is an important resource. Enterprises such as Apple or Google use their ideas in a field to create new products from natural resources, undertaking the risk of failure, and completing the task of managing the allocation of resources, and production of the products. Enterprises produce profit as a form of income, money gained by selling goods or services.

Australia's economy uses its resources to solve the economic problem through its mixed market economy. Australia has a lot of land, as its primary resource. What to produce is answered partly by the primary sector, Australia's land is used to produce gold, iron, and agriculture goods. The abundance of land pushes for Australia to produce natural resources. As also a major importer, Australia uses its big labour resources in the tertiary market, selling products throughout the economy. The amount of produced resources is directly affected and influenced by both other countries wants and the economies wants. Given that the tertiary market is the biggest in Australia, the decision of how to produce things, the balance of capital and labour, is decided by the vast amount of labour Australia has in comparison to capital. The large amount of labour means it's the most efficient way to produce goods. Australia chooses to produce for other countries, in its huge exports, but produces domestic goods locally for the economy, based on consumer wants. These are examples of how Australia uses its economic resources to combat scarcity, by applying them to answer each of the basic economic questions.

The economic problem is unlimited human wants, but limited resources on Earth. Australia's mixed market economy is a good solution to the problem, it answers all four parts of the problem, allocating goods fairly between people based on the market, while still having government intervention at the ready, to balance the economy, should it become unstable, such as in the economic crisis, in which it kept the Australian economy balanced. Overall, Australia's mixed market economy is a solution to the economic problem that works, using its economic resources to combat scarcity.