

Topic 6

1. Where in the business cycle do you think Australia currently sits? Justify your assessment?

The business cycle refers to the periodically repeated process of the expansion and contraction of the overall economic activities. Every business cycle can be divided into rise phase and fall phase (Lawrence, 2008).

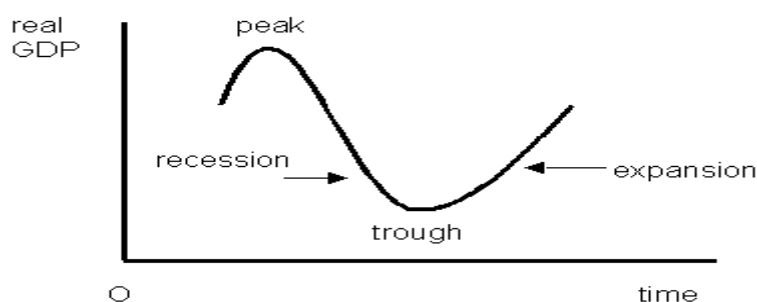


Figure 1. The stage of business cycle

According to the theory of business cycle, the business cycle can be measured by gross domestic product, inflation, income for householders and the unemployment rate. Gross domestic product is the money value of all final goods and services produced within a country in a given period of time (Sloman & Norris 2008). According to the forecast by the Economist Intelligence Unit, the economic growth in Australia is 2.9% (from 3.1% previously) in 2008 and to 2.5% (2.7% previously) in 2009 (Rich, 2008). According to Trading Economics 2008, the average GDP in 2007 was 3.9 percent, which was 1.2 percent higher than year 2006. at the same time, the investment growth in 2007 slowdowns in some sectors (Rich, 2008). So we [代写留学作业](#) can draw a conclusion that in the business cycle, currently Australia sits the peaking out phase, which economic growth become slower or even ceases.

2. Over the last decade Australia has experienced a long period of economic growth. What have been the implications of this growth for the tourism and hospitality industries in 2007 and early 2008?

Economic growth is an increase in the nation's capacity to produce goods and services. It is illustrated by an economy's expansion in production over time, and measured by change in real Gross Domestic Product (Sloman & Norris 2008). The factors, which

determined the economic growth, are as follows: First, investment volume. Under normal circumstances, the volume of investment and economic growth is directly proportional. Second, the volume of labor. In the number of workers with the means of production, structure suited to the conditions, and the number of workers is directly proportional to economic growth. Third, productivity. Productivity is using efficiency of resources (including human, material and financial resources) (Martin, 2008). To improve productivity also contributes directly to economic growth. Such three factors contribute to economic growth in the size, the degree of economic development in different countries or different stages, there is a difference. Generally speaking, the economy is relatively developed countries or stage, the productivity gains of economic growth contribute to greater. In the economically backward countries or stage, capital investment and labor inputs to increase its contribution to greater economic growth.

Over the last decade Australia has experienced a long period of economic growth, Australia's economic growth have an important impact on the tourism and hospitality industries. Rapid growth of economy also increased levels of consumption, as when economic growth outstrips population growth, it will lead to higher real income per head (Sloman & Norris 2008). Rising real income has the potential to alter consumption patterns by boosting real spending on discretionary goods and services (wants) more strongly than on basic goods and services (needs) (Norris & Sloman, 2008). fast economic growth can incentive people to travel to promote the development of the consumption of tourism and hospitality in Australia. In fact, rapid economic growth gives rise to the household consumption expenditure per capita, the household consumption expenditure per capita in 2006 is \$26,100, which increases 152 % that of 1961. In order to promote the development of the tourism and hospitality industries, Australia government will increase the expenditure to improve and rebuild tourism infrastructures, such as transportation, natural parks and other public services, and then bring the development of the tourism and hospitality industries in Australia. According to UNESCAP, Australia economic growth in 2008 is expected to continue but at slower pace than 2007 - estimated at 3.2% and 2.8% in

2009 (UNESCAP, 2008). What is more, there are 21,097,100 persons at 30 September 2007 resident population, which was an increase of 318,500 persons (1.5%) since 30 September 2006 (Australian Bureau of Statistics, 2008). With the fast growing population, tourism and hospitality industries will benefit from the expanding employment and its associated output (Dowrich, 1999).

Topic 7

1. Can you explain why cyclical unemployed people become long term unemployed when the economy recovers?

The unemployment Cycle is the unemployment caused by the economic recession. When the economic recession, the business of recession, the enterprise will reduce the staff or reduce staff, which result in increasing the unemployment cycle; however, when the economy ursine, the enterprises will increase employees, then reduce the unemployment cycle. Therefore, during the economic recession, the staffs will temporary dismissal, but during the recovery stage, the staff will be employed, among those due to the economic cycle caused by unemployment, is the unemployment cycle(Dennis, 2008).

When economy recovers, economic growth is fast, and increase consumptions .but new techniques comes from, which needs employees have new techniques to operate the new machines to produce new product .however, the unemployed often are low skill workers, who have not comprehend the new techniques and are not able to operate the new machines, then they will be unemployed, thus the cyclical unemployed people become the long term unemployed people(Rowenna, 2008). because at the expansion phase economy growth will be very strong ,it will increase aggregate demand and create product shortage,. Also, at the expansion phase, new technologies will arise and businesses tend to use new technologies such as new improved machineries to improve production. However, low skill workers who unemployed were previously, will still be unemployed, as they don't have enough skills to use new technologies. Therefore, when the economy recovers the cyclical unemployed people become long term unemployed.

2. Explain carefully all the ways inflation can affect the Australian tourism and hospitality industries?

The rate of inflation is the annual percentage increase in the price level' (Sloman & Norris 2008, p. 219), and it is the rate at which prices are increasing and is measured by the changes in the consumer price index (CPI) (Sloman & Norris 2008). The essence of Inflation is to aggregate demand is greater than the total social supply. As a highly competitive marketplace, tourism is easy to price changes and experiencing elastic demand based on price. The impact of inflation on the tourism industry, we believe that reflected in the following two points: (1) to promote the demand of the tourism; (2) to increase the rate of price fare of tourist attractions. Recently the inflation in Australia has been controlled. As figure 3 shows that the inflation from 1986 year to 2007 year in Australia descend from 8.2% to 3.8%, which cut down the commodities prices, as a result, people have more money spend on tourism. A low inflation rate make people have more money spend on tourism, on the contrary, a high inflation rate will make people have less money spend on tourism.

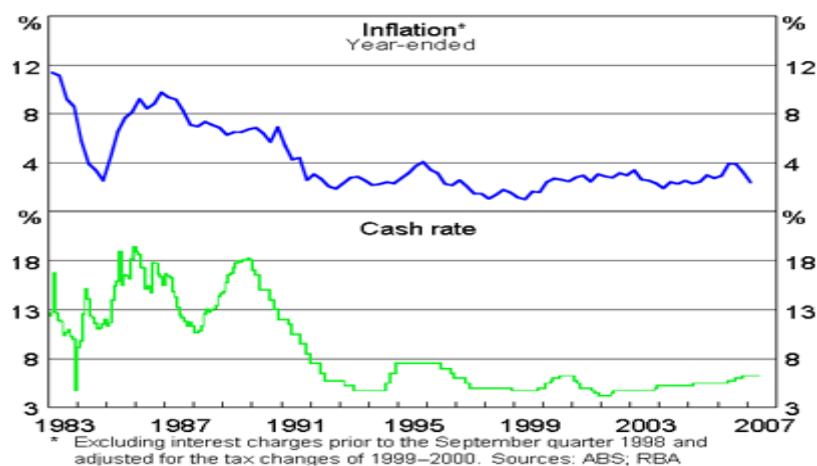


Figure 3. the inflation of Australia

Therefore, the tourism and hospitality industries in Australia get a high increasing rate. As figure 4 shows that Australia hotel market size grows. Inflation causes loss of international competitiveness for the tourism and hospitality sectors. With high inflation, because prices [代写Essay](#) for tourism and hospitality products and services are relatively higher than other countries, the attractive of tourism in

Australia will become less and less for international visitors; consequently, international travelers will decrease as tourists are price sensitive. To sum up, With the Australian inflation rise, the demand of Australian domestic tourism market will decrease significantly.



Figure 4 Australia hotel market size growths

Topic 8

1. Using Table A, determine which country has the absolute advantage in the production of wool and which country has the absolute advantage in the production of computers.

Absolute advantage is the ability of a country to produce a particular good with a smaller total input of economic resources e.g. labour, capital, land etc. per unit of output than other economic actors (Sloman & Norris 2008).

1.1 Production before specialization

	Wool (units)	Computers (units)	Woolen/Computers
Australia	20	10	2:1
US	8	8	1:1
Overall production	28	18	

If Australia and US do not carry out specialized division of labor, as table 1.1 shows that the total production of wool of two countries is 28, the total production

of computers of two countries is 18, and the value of Woolen/Computers of Australia is 2:1, but the value of Woolen/Computers of US is 1:1. because 2:1 is bigger than 1:1, therefore Australia has absolute advantage in wool but US in computer.

1.2 Opportunity Cost

Production	Opportunity Cost	
	Australia	US
1 unit of wool	0.5 Units of computer	1 Units of computer
1 unit of computer	2 Units of wool	1 Units of wool

1.3 Production after specialisation

	Wool (units)	Computers (units)
Australia	40	0
US	0	16
Overall production	40	16

3. Over the past few years Australian has experienced a surge in demand for its mineral resources. What impacts has this had on the Australian economy and the Australian tourism and hospitality industries in particular? Explain your answer.

Australia Bureau of Statistics (2008) reports that total mineral exploration expenditures were \$1028.3 million in 2004-05. as figure 6 shows that mining industry revenue increases from 2004 to 2008, which is expected to expand at an average annual rate of about 1.3% over the outlook period, with industry gross product rising by about 1.5%. The surge in demand for Australian mineral resource will encourage Australian residents to travel to overseas countries because Australian travelers can benefit from the exchange rate in foreign countries. At the same time, this will reduce international travelers from countries. Consequently, this will give rise to the decrease of international visitors come to Australia and get the increase of domestic travelers to go aboard.

The development of mineral resources will provide plenty of materials to develop

the mineral resources sector and provide for more employment opportunities. The results are to increase GDP and people's income. With higher income, people may spend more money to travel, which can stimulate domestic tourism activities, and increase level of consumption for goods and services provided by tourism and hospitality industries. According to the multiplier effect, an initial spending rise can lead to even greater increase in national income and consumption greater than the initial amount spent (Sloman & Norris 2008). A surge in demand in Australian mineral resources will gain an increasing number of production and profit for the mineral resources sector. So the profit generated by mineral resources sector will increase GDP.

Topic 9

Explain the ways in which the Federal, State and Local governments can affect the Australian tourism and hospitality industries? Use examples in your answer.

Federal government can have various effects to the Australian tourism and hospitality industries, by change different policies, such as fiscal policy, monetary policy and demand-side policies, and change regulations through tourism and hospitality departments (Sloman & Norris 2008). The main objectives of fiscal policy are achieving smooth fluctuations in Aggregate Expenditure and influence the long-run growth in real GDP (Sloman & Norris 2008).

Fiscal policy is based on the need to stabilize the economy through fiscal spending and tax policies to regulate total demand. Increasing government spending can stimulate aggregate demand, thus increasing the national income, otherwise depressed aggregate demand and reduce national income. The national income tax is a contraction of the force, and increase government revenue, can inhibit the total demand so as to reduce the national income, the contrary, stimulate aggregate demand to increase national income. Financial will be able to create direct and indirect employment opportunities and the allocation of resources can be mobilized to the maximum number of field labor, which will help to improve income distribution. Because of taxes and transfer payments on income distribution can only be unfair

to ease, and the fundamental solution is to increase employment, thereby increasing the income of the poor. If the economy becomes recession, Federal government would provide an economic stimulus by increasing expenditures or reducing taxes through change the fiscal policy, which can lead people to continue purchasing goods and services from tourism and hospitality industries (JONATHAN, R. 2008).

Monetary policy is implemented by the Government of the country's monetary, credit and banking system. The nature of monetary policy (central bank control money supply and monetary, output and inflation link between the ways) is the most attractive macroeconomics, the most important and most controversial one of the areas (MARTIN, 2008). A government may have a variety of policy tools available to achieve their macroeconomic objectives (MICHAEL, 2008). During the recession, RBA would lower interest rates leaving more cash to stimulate the economy, which will decrease the cost of borrowing, interest payment and loans by businesses. So the tourism and hospitality industries can develop with debt finance at low interest, and benefit from the cash flow which is being injected into the economy.

State governments can <http://www.51lunwen.org/australiathesis/> also affect the Australian tourism and hospitality industries, by changing state revenues through payroll tax, stamp duty and miscellaneous taxes, or change state expenditures on transport and communications, recreation and culture (Sloman & Norris 2008). For example, the increase of payroll tax will decrease people's income, then decrease the level of consumptions. Therefore, in order to meet with the fundamental needs, people may decrease their leisure activities, and the purchasing goods and services from tourism and hospitality would decrease.

By changing local government expenditures, Local government affects the Australian tourism and hospitality industries. For example, Local government can conduct a variety of cultural activities to increase the attractiveness to tourists, thus promoting local tourism development.

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