

## Australia vs UK:

### Instructions:

This exercise is an attempt to link policy objectives together. It could be used at the end of the introduction to policy objectives as a stretch exercise or to bridge between AD/AS and fiscal policy. The basic idea is to analyse the link between growth, jobs and the budget/fiscal position and then to contrast with the UK.

Initially give the students the first three charts (Data set 1), which cut off at around the start of the financial crisis and ask them to work in pairs on this.

There are two exercises – one to link growth to jobs. This is pretty straightforward: Australia growing for the whole period except at the burst of the .com bubble, meaning that unemployment falls pretty much continually over the period (except as noted after the .com collapse).

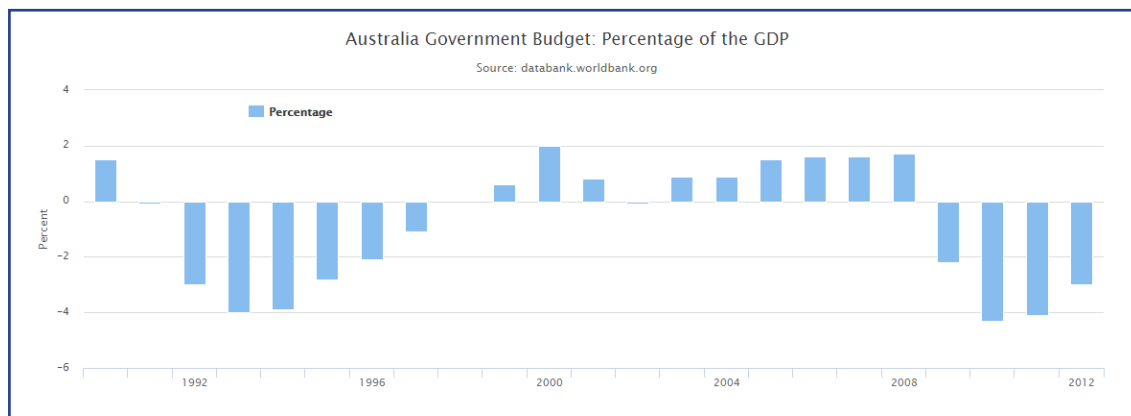
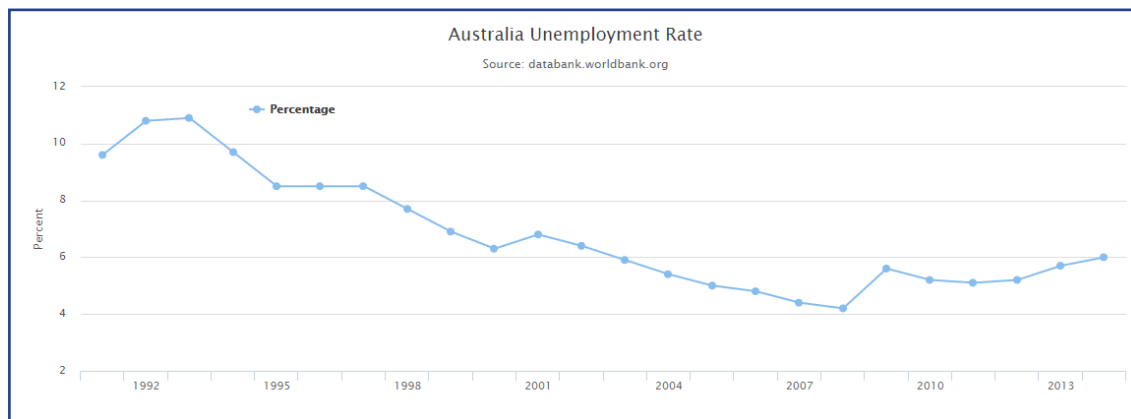
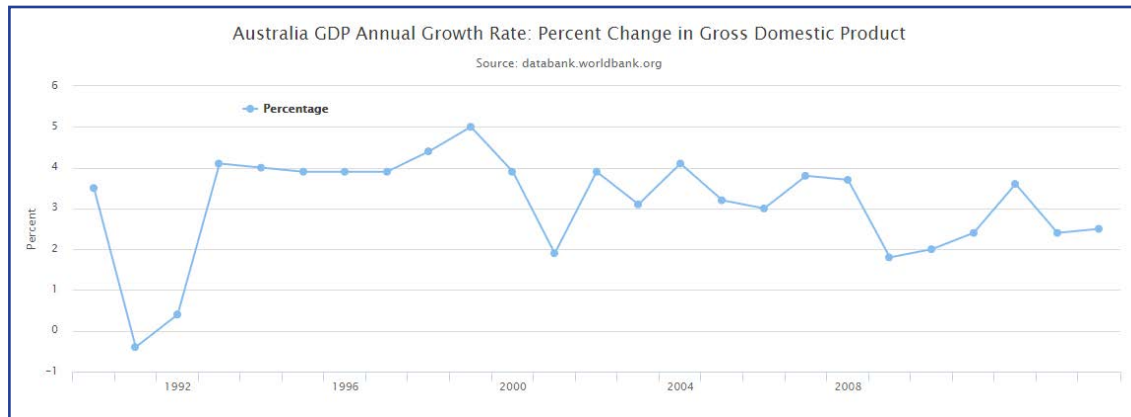
The second exercise asks them to link growth and jobs to the budget position. They should be able to work out that the Australian economy is very well behaved – as it grows and as unemployment falls, the budget deficit turns into a surplus as tax receipts rise and benefits spending falls. This means that the Australian government has a relatively low national debt in 2008, the start of the financial crisis, meaning that they were able to use Keynesian style stimulus policies with relative impunity. Once you have had a chance to discuss this, give them the article about Rudd's stimulus package.

They are asked to discuss in pairs/small groups what they think of Rudd's plan – why is he doing it, will it work, advantages and disadvantages and so on. Then give them the three post-2008 charts (Data set 2) that show that Australia avoided recession, although the budget deficit and national debt both rose sharply. The debt to GDP chart has a long timeframe so that you can refer back to the earlier period.

After that, give them the first two charts for the UK (Data set 3) and ask them what they think is going on. The economy is growing, but unlike in Australia, the budget turns from surplus to deficit. Hopefully they will be able to work out that since tax receipts must be rising and benefits spending falling, the deficit must be the result of discretionary spending (Blair/Brown) – i.e. a deliberate policy to run a deficit in spite of growth (the sustainable investment rule etc).

Finally you can show them the data on health and education spending (Data set 4) – the big increases under Labour. Ask them whether they think that the policy was right. Generally students think the Australians were right, but this is an opportunity to make the point about merit goods, infrastructure etc. and links quite nicely into fiscal policy, depending on when you use the activity.

## Data set 1:



**Questions: Explain the links between:**

**Chart 1 and chart 2**

**The top 2 charts and chart 3**

**What does this mean for the Australian Government in 2008? How might the Australian Government react to the financial crisis?**

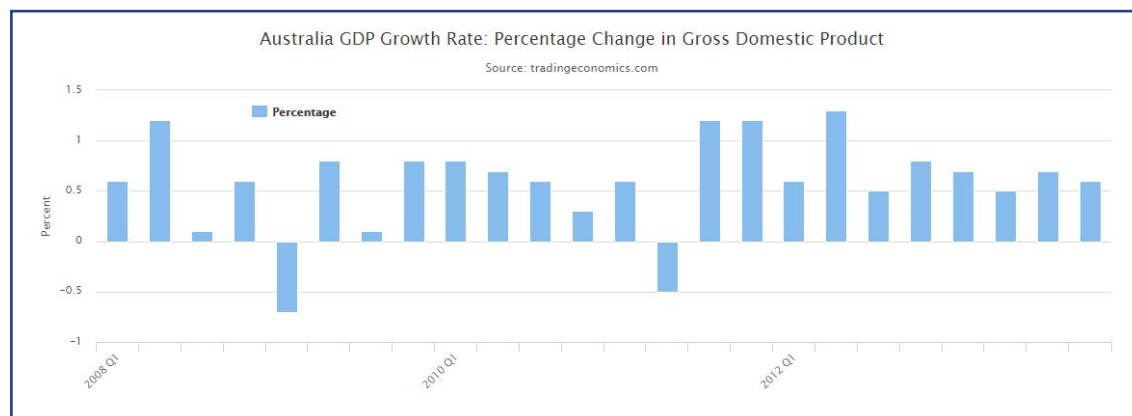
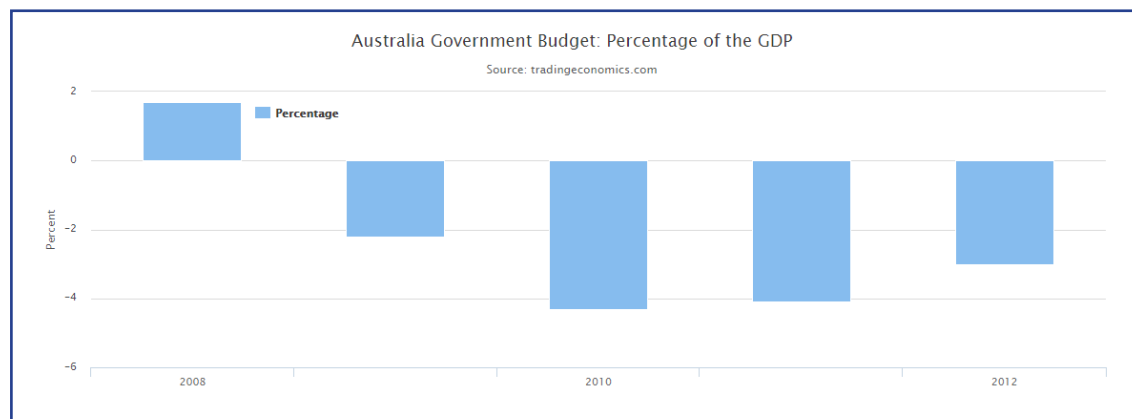
## Rudd's stimulus package: what will you get?

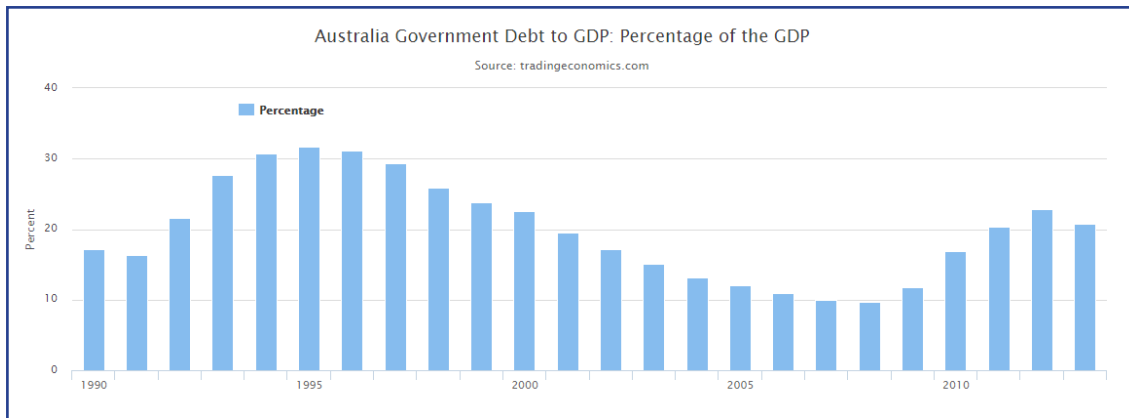
Click on the link and read about Rudd's stimulus package and then answer the question

<http://www.smh.com.au/articles/2009/02/04/1233423265116.html>

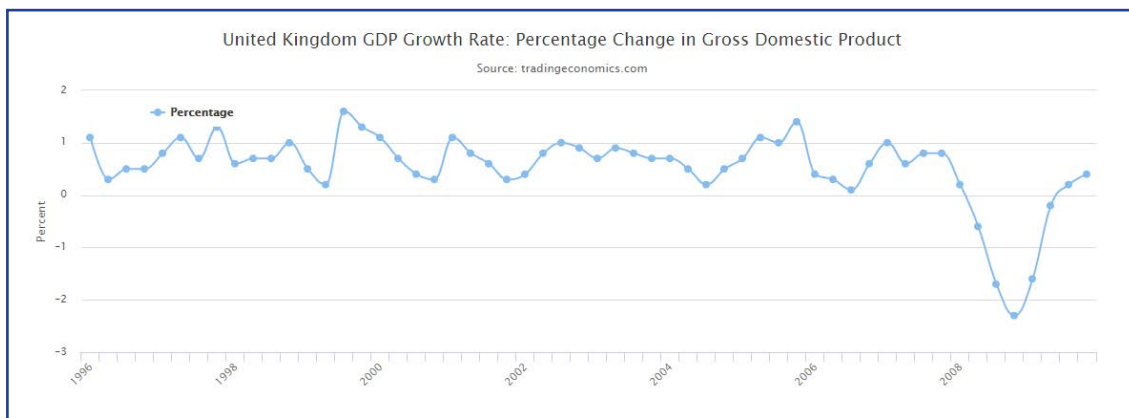
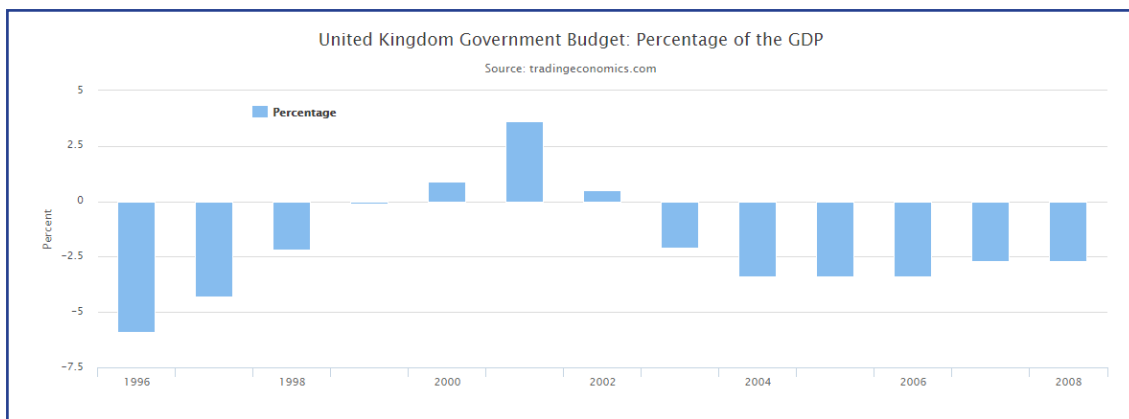
**Question: Is this a good plan? What will happen to the Australian budget position?**

## Data set 2: Australia post-2008



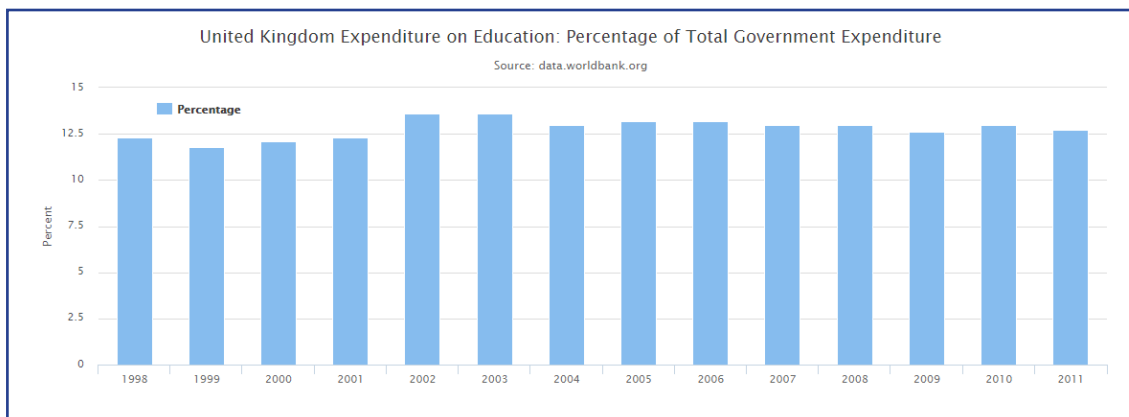
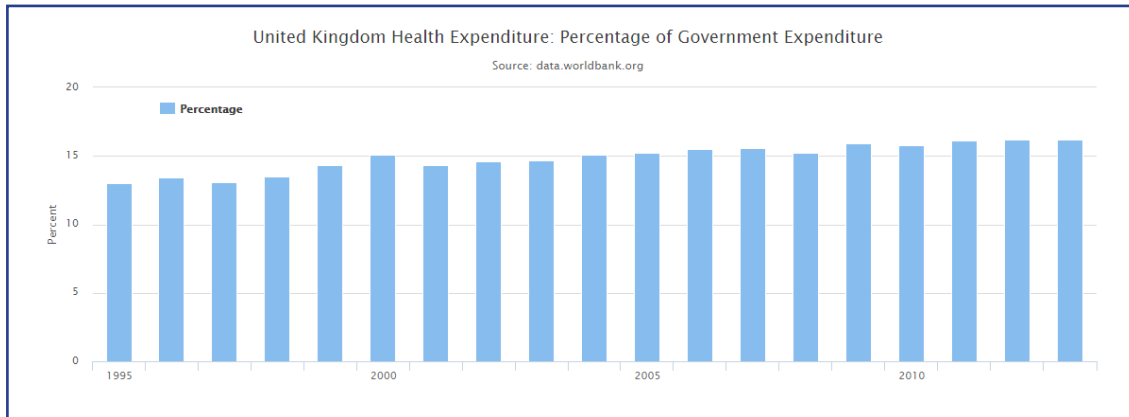


## Data set 3: UK 1996-2008



**Question: What must the UK Government be doing after about 2001?**

## Data set 4: UK health and education spending under Labour



**Question: Who got it right – Australia or the UK?**