

To the Teacher

The following activities are designed to build on key concepts in Unit three and gently introduce some aspects of budgetary policy. Questions One and Two could serve as revision activities for Unit three Economics and the statistics may prove useful for students completing SAC's. Some of the extension activities could be used with some year 11 classes. All can be done individually or in-groups. To cutback on the amount of time some of these activities might take groups could be allocated one economic objective for questions one and two rather than covering all five.

The Budget 2001-2002

The budget is the main tool of Fiscal policy and is used by Governments to achieve economic objectives. It is a statement of what the government expects to receive in revenue over the year ahead and what it expects to spend over the next 12 months. In simple terms the Budget balance is the difference between what the Government spends and what it receives in revenue. Later in the year you will develop a much deeper understanding of budget balances and the role of Fiscal Budgetary policy in achieving economic objectives. The following activities are designed to introduce you to some of the issues in this year's budget.

Where have we been and how did we go

Question One.

- (a) Using the attached table of Government estimates and forecasts for the full financial year 2000-01 assess the performance of the Australian Economy against the Governments targets for each objective. Did we achieve the target or not?
- (b) For each objective list (if applicable) the major problems which have or may in the future prevent the Australian economy from achieving the Government target for each objective.
- (c) List what you think the Government **should** do to achieve each objective. What is your opinion?

Will it work ?

Question Two

For this activity you will need to use the document entitled the Budget at a glance. (See below)

- (a) For each objective list the Budget measures, which you believe, will help us achieve that objective.
- (b) Compare the Governments responses to your own. Will the budget work? Will it help us achieve the objective or not?
- (c) Rate the Governments performance is it a good or bad budget in your opinion and why?

A number of tables have been included with this handout to help you organise your views.

Extension Activities

- (1) Using the Web Page <http://www.netspace.net.au/~rob/Open/cos.html> visit a range of pressure groups and read their press releases on the budget. Report back to your class on their responses to the budget. Did they approve or disapprove and why?
- (2) Develop a class survey. Was the budget well or badly received? What effects might community opinion have on economic activity in Australia?
- (3) Prepare your own newspaper report on this year's budget.
- (4) Using the data collected in questions one and two prepare your own response to the budget. If you were the leader of the opposition what would you say?
- (5) Organise a class debate, the pro and anti budget debate.
- (6) Investigate the impact of the budget on a particular group of Australians: Senior Australians, Indigenous Australians etc.
- (7) Finally you may wish to investigate the impact of the budget on demand and supply factors. So how will the budget affect the main forms of expenditure in our economy? (Consumption, Investment etc) How will it affect Aggregate Supply? (Profits costs of production and long term productive capacity?) Overall what impact would you expect the budget to have on the level of economic activity?

Key Budget Statistics

	(Outcomes) 1999-2000	(Estimates) 2000-01	(Forecasts) 2001-02
Demand and Output(a)(b)	These figures show actual and forecast annual percentage changes.		
Household consumption	4.5	2 3/4	3
Dwellings	12.4	-25	5
Total business investment(c)	3.6	0	5
Other buildings and structures(-11.0	-22	6
Machinery and equipment(c)	8.8	5	3
Public final demand(c)	5.6	2 1/4	2 1/4
Gross national expenditure	4.5	1/2	3
Net exports(d)	-0.9	1 1/4	1/4
Gross Domestic Product(a)	4.3	2	3 1/4
Prices and wages			
Consumer Price Index (Headline)(e)	3.2	5 3/4	2
Unemployment rate (per cent)	6.6	6 1/4	7
Current account balance			
\$billion	-33.7	-20 1/2	-20
Percentage of GDP	-5.3	-3	-3

Source Budget Overview and Economic Outlook p 25

<http://www.finance.gov.au/Budget/2001-2002/highlights/index.htm>

Budget at a Glance

The following has been taken from the Budget at a glance available at <http://www.aph.gov.au/budget/highlights/index.htm>

The Fiscal Outlook

An underlying cash surplus of \$1.5 billion is expected in 2001-02 - the fifth surplus in a row. Further surpluses are in prospect.

- * This is the longest run of cash surpluses in almost 30 years.
- * By the end of 2001-02, the Government will have repaid around \$60 billion of net debt.

The Economic Outlook

Economic growth is expected to rebound to 3 1/4% in 2001-02.

- * Lower inflation of 2% is expected.
- * Unemployment is expected to be around 7%.
- * The current account deficit is at decade lows.

Further Tax Cuts

Around \$5 billion next year in tax cuts and simpler administration.

- * Full input tax credits for motor vehicles brought forward to 23 May 2001. This will slash business costs by over \$600 million and boost motor vehicle sales.
- * Company tax rate to drop further - from 34% to 30%.
- * State Financial Institutions Duty (FID) and stamp duty on most share transactions to be abolished.
- * Fuel excise reduced by 1.5 cents per litre.
- * Fuel excise indexation abolished.

Acknowledging Older Australian

Payment of \$300 for people of Age Pension age who receive income support or are outside the taxation and social security system.

- * Increase in the effective tax-free threshold for people of Age Pension age.
- * Increase in income thresholds for Commonwealth Seniors Health Card and extension of the telephone allowance and other concessions to all holders of a Commonwealth Seniors Health Card.
- * Superannuation assets exempted from social security means tests for people aged between 55 years and the Age Pension age.
- * Payment of \$25,000 to Aust. Defence Force Prisoners of War of the Japanese, civilian internees and detainees of the Japanese or their surviving spouses.

Australians working together

\$1.7 billion to build a more active participation-based social safety net to substantially improve our welfare system.

- * The new system improves employment assistance, encourages training and rewards those engaging in part-time and full-time work.
- * This will result in more people moving from welfare into work, securing a better income for themselves and their families, and in turn delivering benefits to all Australians.

Enhancing Australia's health

\$290 million for high priority areas, including mental health, asthma, diabetes and cervical cancer.

- * \$43 million to improve after hours medical care.
- * Increases in patient rebates for GP services.
- * An extra \$162 million for sport.

Rural and regional Australia

\$593 million for strengthened quarantine protection.

- * \$147 million for rural and regional telecommunications and internet services.
- * \$104 million for more practice nurses in rural and regional Australia.
- * Over 1,800 more places in regional universities.
- * \$850 million for roads in rural and regional Australia.

Safeguarding our Natural Resource

Another \$1.0 billion for the Natural Heritage Trust so it can continue to promote sustainable agriculture and natural resource management.

- * \$700 million for a National Action Plan to address salinity and water quality, announced in October.

Addressing Indigenous Disadvantage

\$86 million for the Commonwealth native title system.

- * \$40 million for primary health care services for indigenous Australians.
- * \$83 million to promote self-reliance for indigenous people.
- * An extra \$75 million for indigenous housing.

Education and Innovation

\$3.0 billion to promote innovation.

- * 5,500 more university places for information and communications technology, maths and science.