

## Week 1/2: Economic Prosperity + Economic Crisis

### Economic structuring

#### Organisation of economic activity

- relationship of market, state and community
- capabilities and limits of markets? roles for government and community? most effective means for economic progress and alternatives
- need to understand the political economic forces

relationship of market state and community=

economic growth = energy = fossil fuels

= higher standards of living, better income

= environmental impact

**STATE** = more than the government, bureaucracy, public state; Reserve bank, central bank, ACCC, judiciary, armed forces, police forces

**MARKET** = a group of buyer and sellers exchanging a commodity - medium of exchange  
= monetary = commodity always has a price

**COMMUNITY** = household, NPO's, Charities

consider: role of community in the market - we always engage within a market.

e.g. provision of higher education - funded by the government however we pay fees and expect a service to be provided. involvement in the market = uni fees, transport to uni, buying textbooks, food etc. all markets which cost that we buy and engage with.

What is the appropriate role for government and community? to organise the economic activity. economic activity in constant change. must be understood within a historical context. must identify the forces driving change.

economic change = constantly changing from periods of growth to periods of uncertainty

capitalism is characterised by turbulence, by a cyclical pattern of Boom and Bust.

3 world economic events:

1930's - depression

1970's - economic crisis

2000's - GFC

Why did they occur? **RESTRUCTURING OF CAPITAL**

**Capital - when used, the term embraces all 3 definitions**

= **goods**, manufacturing, machinery, industrial  
= **money**, stocks, savings, debt (money used to buy goods)  
= **owners of capital goods or capital money** (those who have the money to buy the goods)

Why restructure? **INCREASE PROFIT** How?

## **6 Critical Interrelated dimensions**

### **1. Re-organisation of Business**

mergers = voluntary, often a hostile takeover e.g. AGL, Billabong. why merge? reduce costs, eliminate inefficiency, increase market share = higher profits  
= job losses, consumer interests?  
is competition preferable to monopoly?  
Should processes be regulated or not?

### **1. Geographical restructuring of business**

#### **Globalisation - of production**

minimise taxes + costs, find new markets, less restrictive

proliferation of fragmented productive activities and business networks across the globe with increasing interdependency. ( products existing as fragments scattered over the globe) e.g NIKE - shoe is divided into parts, each made in different country.

proliferation of activities affects:

employment - creates jobs in one place, losses in another

changes support business interests but create economic + social problems

### **1. Labour displacement**

recent ICT revolution = process of technological change happening over last 20yrs  
however rapidity of change has dramatically increased. = job growth in services sector = also job losses as sectors are eliminated; older generations from obsolete industries find it hard to get jobs in these service sectors.

changes in capital labour relationship

driven by: production and technological changes, reassertion of managerial prerogatives, drive for greater flexibility

casualisation of work/contract labour

increased intensity of labour

greater economic insecurity

**FORDISM to POST FORDISM** Henry Ford credited to mass production + standardised output. now, regulations gone, greater flexibility for companies to hire/fire at will as well as being able to sell a wider range of the same product. GREATER FLEXIBILITY

economic role of government - governments run the game

political vs. ideological rhetoric

governments increasingly advocate the need for market provision as opposed to government provision.

neoliberalism - freer market forces - aimed to lead to more efficient outcomes

push for:

- deregulation - on practices
- privatisation - sale of gov. assets to private owners
- trade + capital liberalisation
- removal of tariffs on imported goods
- trade flows freed up e.g. US/AUS free trade agreement

foreign banks in australia since 1980's.

company tax rates - lower tax rates to provide incentives for businesses to engage in better economic activity.

Winners and Losers

- unevenness of employment practices
- economic and social inequalities

changes in prevailing economic ideologies

any economic system is sustained by ideologies that embody beliefs about how the economy operates and the social value it serves.

modern capitalism = neoliberalism

- ascending of free market economics
- encouraged to act in self interest

Capitalism - the system by which majority of the world lives. there are different forms of it e.g. asian, state led (france, germany), market (UK, USA)