

## ECONOMICS

**Examine similarities and differences between Australia and Indonesia in terms of economic growth and quality of life. Contrast the role of government in Australia and Indonesia and compare the challenges faced.**

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Both the Australian and Indonesian economics have government intervention; however Australia is a developed economy whilst Indonesia is a developing economy.

The economic growth for the Australian economy is lower than the Indonesian economy, particularly from 2005-06 and 2009-10. Economic growth refers to the sustained increase in a country's productive capacity over a period of time and is measured by the percentage increase in GDP year on year. During 2005-06, Australia had a real GDP growth rate of 3.3% due to the mining boom at the time. Though, in Indonesia the growth rate was 5.5% which was relatively lower to their usual growth rate. In 2004, Indonesia experienced the Boxing Day Tsunami which led to damages that totalled to US\$ 4.5 billion, thus impacting on their economy. The growth rate is still higher than Australia's economy because the Indonesian economy is developing. In 2009-10, the effects of the late 2008 Global Financial Crisis could be seen in the Australian economy growth rate of 2.3%, compared to the 6% growth rate of the Indonesian economy. The Indonesian government encouraged consumers to spend more during that period. The Australian government also encouraged consumers to spend more but it was a bit after the statistics for the 2009-10 period had been accounted for.

There are stark contrasts in the quality of life of Indonesia and Australia. This can be seen in the dramatic difference of the Human Development Index (HDI) and each country's HDI rankings. Economic development is a broad measure of welfare in a nation that includes indicators of health, education, environmental quality and material living standards. The Human Development Index (HDI) is a measure of each country's quality of life. The Australian HDI is 0.929 and is ranked 2nd in the world (CIA Factbook) whilst Indonesia has an HDI of only 0.614, ranked 124th. To further support this, the literacy rate of Australia is 99% and Indonesia, 90%. The government of Indonesia considers education a very important development agenda and spends 18% of its government expenditure on it. Although Australia only spends 8.2% of its government expenditure on education, it still has a high literacy rate because it is a developed nation and provides free education for primary and secondary schooling. Indonesia and Australia face different health problems. The Australian government spends 16.4% of its expenditure on health, providing Medicare, a system of public funding for health, and rebates for private health insurance. In contrast, Indonesia only spends 5-7% of its government expenditure on health. Because the quality of life in Indonesia is much lower, they face problems such as common diseases like tuberculosis, malaria and cholera, leading to a high infant mortality rate. The average life expectancy of an Australian is 81.9 years, comparable to Indonesia's average life expectancy of 69.7 years.

Furthermore, both governments need to deal with the environmental issues that arise. Both countries are large emitters of carbon dioxide. Australia is the 14th largest emitter in the world and Indonesia is only a few places behind, at 18th place. However, Australia's population of 22 million is much smaller than Indonesia's 245 million. Hence, per capita, Australians emit much more than Indonesians. The governments of both countries have implemented fiscal policies that have charged greater taxes, given subsidies and invest in programs, in order to help reduce the amount emitted. Both countries aim to commit to doing this. Environmental sustainability is important because it impacts on future agriculture, health and economic factors such as global trade, investment, insurance and energy supplies. For Australia, the generation of electricity is a problem because of the large use of coal. The government is implementing a Carbon Tax to limit firms to their use of energy. For Indonesia, forest fires create a lot of air pollution, affecting water quality. Therefore, the government spends 1.1% of its expenditure on water and land management.

In addition, the Australian government spends 33% of its expenditure on welfare, to ensure all Australians have a basic standard of living. In comparison, Indonesia spends less than similar countries and economies on welfare. More than 50% of the nation lives under the poverty line of US\$1.25 per day, contributing to the low quality of life. Armed conflicts also occur in cities such as Aceh. Internal conflicts cost the government very much. It also defers foreign investment, which slows economic growth.

It is evident that though both the Australian and Indonesian economies have government intervention, they experience different extremities of quality of life issues and must use different strategies to deal with the different issues. Australia is a developed country with a very high quality of life and GDP per capita of US\$40 800 (CIA) whilst Indonesia is still developing with a GDP per capita of only US\$4700 and a very large population. Indonesia has much to fix to achieve Australia's standard of living.