

## ECON8069 Assignment

**Due date: Friday 9th May via Turnitin**

**Word Limit: 800 words. This does not have to include tables and graphs, however, make sure that you explain all tables and graphs you use.**

**Your assignment will consist of two parts:**

- 1. Choose *three* macroeconomic variables and collect the data for these variables for Australia and one other country of your choice. (For example (but not limited to), GDP, GDP growth, unemployment, underemployment, terms of trade, inflation, interest rates, etc.) Critically compare the similarities and differences between Australia and the other country you have chosen**
  - a. What is similar?**
  - 2. b. What is different?**
  - 3. c. Reasons for these similarities and differences.**

We have chosen three key macroeconomic variables for our analysis. The variables are:

1. GDP growth rate
2. Unemployment rate
3. Inflation rate

Moreover we have chosen country Iraq to have a comparative analysis with Australia.

The time period is chosen 1991-2015

The data are collected from the official website of Wordlbank (WorldBank, 2017)

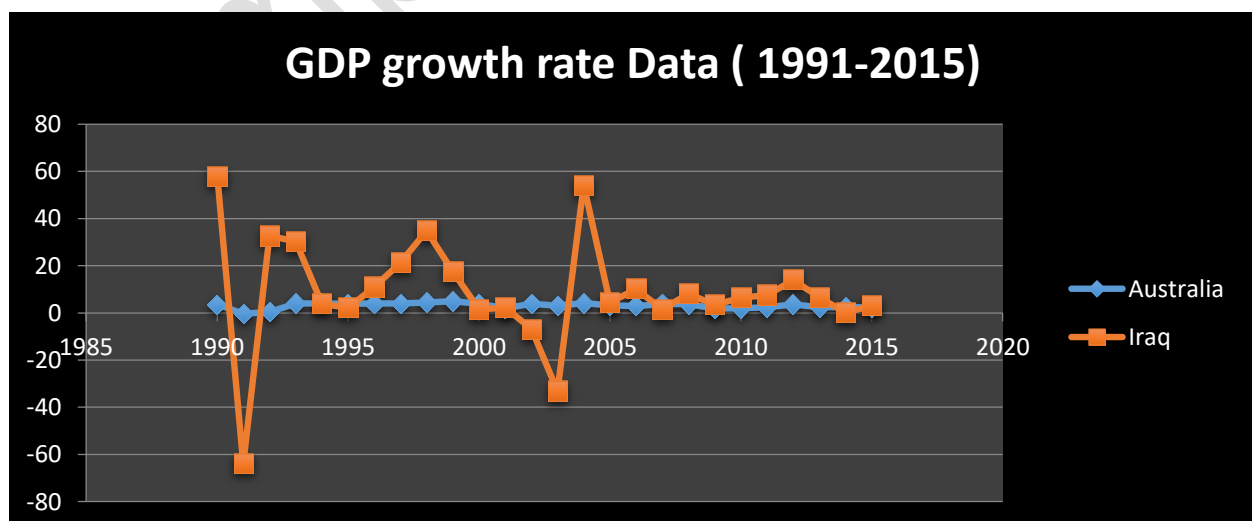
The data are collected and shown in attached excel.

Let us provide a deep insight about the similarities and differences on these three macroeconomic data of two major economies: Iraq and Australia.

### **GDP Growth rate:**

GDP growth rate is one of the major macroeconomic variables to assess the economic health of an economy. Though GDP growth rate as a key parameter to gauge economic health is getting severe criticisms during recent times, it still plays an important role in evaluating economic performance of any economy.

The following chart shows a comparison of GDP growth rate between Australia and Iraq (1991-2015)



The economic background of these two economies is very much different. Australia is a vibrant developed and resource rich economy. Australia has gained remarkable economic progress over the years – economic prosperity was largely fuelled by its mining boom. The economic outlook of Australia is weak primarily due to external factors. Since China is the major trading partner, economic slowdown of China has a serious impact on Australia's economic performance. Moreover a persistence fall in global commodity price and fall in oil price also play a major role here. After the end of mining boom and almost collapse of its once vibrant manufacturing sector, the economy is undergoing a major structural shift. Australia is looking forward to diversified drivers of growth and prosperity and achieved comparative advantage in some of the service sectors.

Iraq was one of the prosperous economies in the Middle East. The country is blessed with abundance source of oil. Due to its massive reserve, Iraq plays a dominant role in OPEC. The wealth of natural resource is the major driving force of Iraq's economic progress. But too much reliance on oil export has eventually become a curse rather than a blessing for Iraq economy. (Looney, January–March 2006)

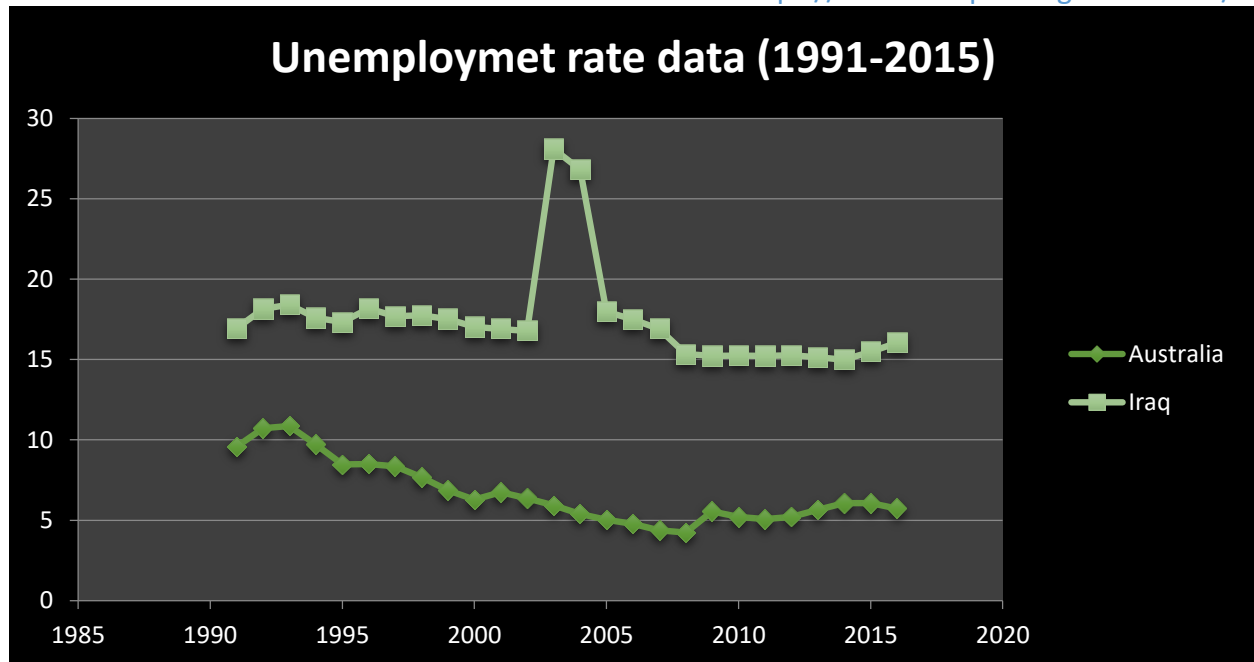
Iraq's deep structural economic problems are deeply rooted with the war with US, religious extremism, and grossly corrupt governance. The economic growth was heavily disrupted by mis-governance and extreme corruption. War and war related crisis since 1980 has distorted, devastated and crippled the economy in every possible economic aspect. (H.Cordesman, 2015)

As far as the GDP growth rate is concerned, they have very less similarities. While the GDP growth rate has tremendous fluctuations for Iraq over the period of 1990-2015, for Australia it

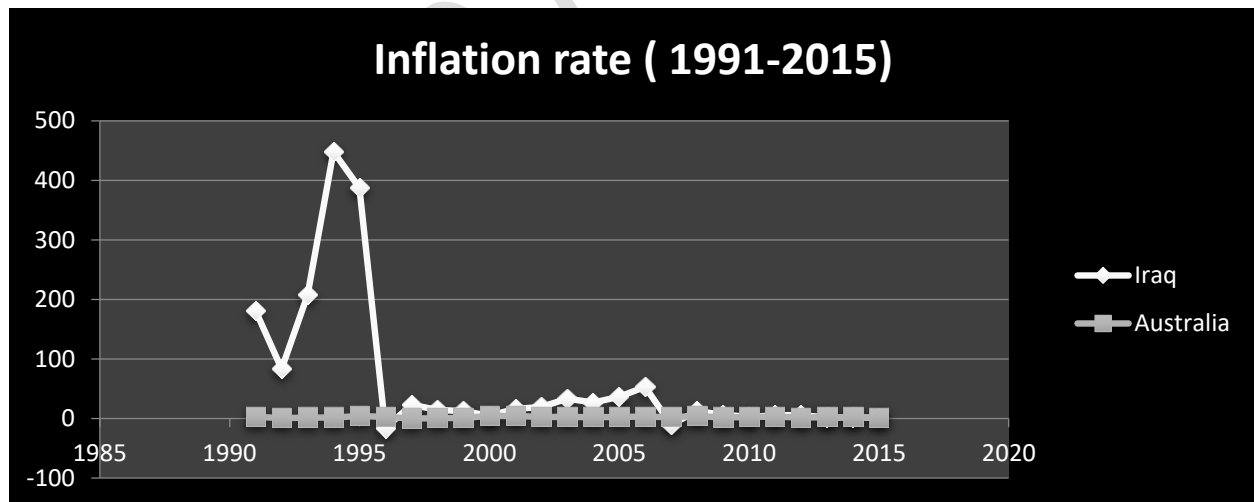
remains relatively flat. Iraq significantly lacks the stability in its economic growth. The only similarity in trends in GDP between Australia and Iraq is they both withstand the global financial crisis during 2008-2009. While most of the economy's GDP had a sharp downfall, these two economies do not experience negative growth rate during that period.

#### **4. Unemployment rate :**

There is literally no similarity in trends in unemployment rate between Iraq and Australia. But the only similarity lies in the fact that unemployment remains an issue of serious concern for both during the recent times. Unemployment rate is substantially higher in Iraq relative to Australia for all the years of the given period. The unemployment rate has reached to the peak 28.10% during 2003 where the peak rate for Australia was 10.8% during 1992-93. The data set confirms a massive and continuing employment crisis persists in Iraq over the said period.



### Inflation rate:



We do not observe much similarity in the trends of inflation rate between the two nations of Iraq and Australia. The only similarity is both the economy now has stabilized to a flat level though at

different level of inflation. Due to adoption of inflation targeting policy regime, the inflation rate remains low and stable in Australia. The volatile behaviour of energy and transportation prices largely contributed the large part of variance in Iraq's headline inflation rate since 2003. (Kock, 2010)

**5. Choose a time period within the data that you have collected and for *one* of the countries highlight the economic fluctuations (business cycles) within that period. Explain what might be the cause of the economic fluctuations and support your argument with your data.**

We have considered the period of 2002-2003 when Iraq has entered to huge economic crisis. The data published by World Bank confirms that the real GDP growth rate came down to -33.10083802% during 2003. The economy has entered to deep recessionary phase of business cycle. Iraq crisis during 2003 is consistent with geopolitical implications more than its economic ramifications. The crisis was primarily caused by Iraq war that started with U.S. invasion in 2003. Iraq's crisis has threatened the world economy to a significant extent. Iraq plays a dominant role in global oil landscape. Disruption in the supply of oil from Iraq in the global market has a serious impact- the price of crude oil began to climb \$110 per barrel. (Filger)

Saddam led Iraq has experienced huge economic decline even before even before the 2003 invasion. The consequences of the war was not only restricted in the economic crisis but it is felt on the political, economic, social, and humanitarian levels. Unemployment, poverty government revenue, standard of living, public security, healthcare, education and infrastructure all are badly hit by the economic crisis. Unemployment rate has reached to as high as 28.10% in 2003. The

disrupted economy is still struggling to rebound and restore macroeconomic stability.

Needless to mention, there is huge economic cost to United States too. Nobel laureate economist Joseph Stiglitz has estimated the total cost of US invasion is between 3 to 4 trillion dollars. US have experienced a massive rise in public debt during this period. (Bassil, Nov-Dec 2012)

### References

- Bassil, Y. (Nov-Dec 2012). The 2003 Iraq War: Operations, Causes, and Consequences. *IOSR Journal Of Humanities And Social Science (JHSS)*, 29-47.
- Filger, S. (n.d.). *Iraq Crisis Threatens Global Economy*. Retrieved May 03, 2017, from The Huffington Post: [http://www.huffingtonpost.com/sheldon-filger/iraq-crisis-threatens-global-economy\\_b\\_5492840.html](http://www.huffingtonpost.com/sheldon-filger/iraq-crisis-threatens-global-economy_b_5492840.html)
- H.Cordesman, A. (2015, 15 September ). *War and the Iraqi Economy: A Case Study*. Retrieved May 03, 2017, from Centre For Strategic and International Studies : <https://www.csis.org/analysis/war-and-iraqi-economy-case-study>
- Kock, D. A. (2010, July). *Inflation and Conflict in Iraq: The Economics of Shortages Revisited*. Retrieved May 03, 2017, from IMF Working Paper : <https://www.imf.org/external/pubs/ft/wp/2010/wp10159.pdf>
- Looney, R. (January–March 2006). Can Iraq Overcome the Oil curse. *WORLD ECONOMICS* • Vol. 7 • No. 1.
- WorldBank. (2017). *World Bank Open Data*. Retrieved May 09, 2017, from The World Bank: <http://data.worldbank.org/>

**Appendix**

	GDP Growth rate data	
	Australia	Iraq
	AUS	IRQ
	GDP growth (annual %)	GDP growth (annual %)



	NY.GDP.MKTP.KD.ZG	NY.GDP.MKTP.KD.ZG
	Australia	Iraq
1990	3.529134884	57.81782835
1991	-0.379883394	-64.04710697
1992	0.399007033	32.5922112
1993	4.060134769	30.28982949
1994	4.037946572	3.854532449
1995	3.87904044	2.120021498
1996	3.949140722	11.02078564
1997	3.947341804	21.23793613
1998	4.438243428	34.85709513
1999	5.007096354	17.58226601
2000	3.868657682	1.406474812
2001	1.929386797	2.305316984
2002	3.856686721	-6.900180223
2003	3.070798721	-33.10083802
2004	4.149374345	54.15777462
2005	3.206642301	4.400617192
2006	2.982870285	10.15819958

2007	3.757657864	1.377598148
2008	3.706699506	8.228107104
2009	1.819678261	3.379299094
2010	2.018182144	6.402564845
2011	2.379561336	7.5464712
2012	3.632720303	13.93643017
2013	2.440049062	6.572160298
2014	2.499851222	0.060108872
2015	2.240028575	3.019924564

**Unemployment, total (% of total labor force) (modeled ILO estimate)**

	Australia	Iraq
	AUS	IRQ
	Unemployment, total (% of total labor force) (modeled ILO estimate)	Unemployment, total (% of total labor force) (modeled ILO estimate)
	SL.UEM.TOTL.ZS	SL.UEM.TOTL.ZS
	Australia	Iraq
1991	9.579000473	16.93
1992	10.72900009	18.145
1993	10.8739996	18.4

1994	9.718999863	17.585
1995	8.468999863	17.328
1996	8.505999565	18.162
1997	8.362000465	17.687
1998	7.676000118	17.762
1999	6.872000217	17.52
2000	6.282999992	17.032
2001	6.742000103	16.9
2002	6.368000031	16.782
2003	5.928999901	28.1
2004	5.394999981	26.8
2005	5.032999992	17.97
2006	4.782000065	17.5
2007	4.376999855	16.903
2008	4.234000206	15.34
2009	5.56099987	15.224
2010	5.210999966	15.242
2011	5.080999851	15.219
2012	5.221000195	15.269
2013	5.656000137	15.138
2014	6.073999882	14.983
2015	6.059999943	15.478
2016	5.737999916	16.045

### Inflation Rate

INDICATOR_CODE	INDICATOR_NAME			
NY.GDP.DEFL.KD.ZG	Inflation, GDP deflator (annual %)			
	Australia	Iraq		
1991	3.046584732	111.1264182		
1992	1.550377408	104.5007667		
1993	0.879256497	114.4676717		
1994	1.021835572	396.4380174		
1995	2.236120468	295.3676671		
1996	2.685930346	-12.54413745		

1997	1.224563967	91.49879784		
1998	1.273740412	-15.86076554		
1999	0.337824038	71.14804492		
2000	2.559600571	43.67813985		
2001	4.713605423	-19.57653265		
2002	2.86295558	6.653371038		
2003	3.116066108	7.804235421		
2004	3.283446031	16.72169956		
2005	3.710270252	32.30692297		
2006	5.066735536	18.00503017		
2007	4.977313384	15.01581429		
2008	4.537811642	30.17540867		
2009	4.926167998	-19.52120051		
2010	1.007900819	16.58674075		
2011	6.18684184	24.68943742		
2012	2.05591428	2.669769383		
2013	-0.199371324	0.984153519		
2014	1.413621118	-2.580487595		
2015	-0.65182248	-23.49523799		

<http://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG?locations=AU-IQ>