

“My Mate Dave”

Your Task ...

There are a number of underlined phrases in the following story. Each represents an economic term or concept that you have studied this year.

Write the number of the phrase in your book and select from the list below the appropriate term that matches

- Productivity
- Economies of scale
- Sole trader
- Vertical integration
- Tertiary industry
- Limited liability
- Investment
- New technology
- Partnership
- Horizontal integration
- Entrepreneur
- Shareholders
- Unlimited liability
- Opportunity cost
- Diversification
- Division of labour
- Specialist

My Mate Dave.....

I first met Dave at university. Dave was in his 10th year of completing a BA specialising in rugby and beer consumption. When I first met him he was trying to sell copies of that year's exams which he reckoned had fallen off the back a truck - Dave fancied himself as a bit of a wheeler and dealer, an ideas man (1) though I've heard him called many other names besides.



I lost touch with Dave after I left university as he travelled overseas for several years doing a bit of this and a bit of that. I bumped into him again at a fleamarket one Saturday morning where he was running a stall. Dave was the type of character who could never really work for someone else as he always had schemes for making millions.

Dave's latest venture involved buying items at bargain prices through a newspaper advertising secondhand goods. He would resell the items at a substantial mark-up at flea markets on the weekend. Dave had bought a van and set himself up in business with minimal hassle buying and selling used goods (2).

Eventually Dave tired of having to get up early on the weekends to get to the market so he employed a mate to do the market side of things. Dave wanted to expand his business.



Dave reckoned there was a market for jukebox rentals particularly for parties and weddings. This would provide an additional source of income for the business. (3) Dave was also considering the possibility of producing tropical fish for office displays. He didn't have enough money to do both so decided to just do the juke box rentals which seemed more lucrative and less smelly (4).

Dave's business prospered so eventually he sold it to a retired goat farmer from a country town.

At this stage Sky TV was becoming popular so Dave decided to set up a business as a Sky aerial installer. This required a substantial amount of money which is where Marty comes into the story. Marty was a plumber by trade but shared Dave's desire to be self-employed rather than have to take orders from someone else.

Marty and Dave decided to go into business together and share the cost of stock and renting a premises from which to operate (5). They leased a shop and acquired a number of aerials.

Business boomed. Dave and Marty were making lots of money installing and selling aerials (6) but it was too good to last. Marty shot through overseas with Dave's girlfriend (Sue) and a large quantity of aerials. Dave was devastated, as aerials are extremely expensive (Dave's not renowned for his emotional sensitivity.)

The business folded owing money to a number of suppliers. Unfortunately Dave had to sell his house, his heavy metal collection and all his motor bike posters to pay off the business debts for which he was liable (7).

Dave is a fairly irrepressible character and after a period of depression lasting about 45 minutes he spotted an ideal business opportunity. He borrowed money from his family and friends and took a lease out on a small factory.

Dave moved into producing possum sausages.



Dave decided to play it safe this time so he formed a company so that if things went wrong he wouldn't lose his personal assets again (8). Dave's long-suffering mother and sister were the other two owners of the company (9). They also worked for Dave in the factory along with a few other family members.

Initially things were a bit disorganised but then Dave decided to reorganise the production methods. Dave assigned his sister (Trish) the job of skinning the possums, his brother Jim had the task of feeding the possums into the sausage machine. Dave's mum had the task of operating the packaging machine and cleaning up the leftover possum bits at the end of the day (10).

When Dave's older brother, Sid was released from prison he had the task of delivering the sausages to the various retail outlets. Dave was responsible for marketing and finance.

This re-organisation was very successful and output per person (11) skyrocketed as they became very efficient in their jobs.

The factory production climbed steadily. Dave was able to get big discounts on possums as his factory was one of the biggest buyers of possums. This meant that the cost per sausage produced fell substantially (12).

Dave decided to expand. He bought the factory next door that produced plastic raincoats (13). He also bought the café on the corner and introduced possum sausages onto the menu (14).

He bought a pie-making machine and started producing possum pies. He also employed a fashion designer who developed a range of possum fir garments including underclothes, socks and jumpers, possum ties and possum skin wetsuits.

The possum garments were an immediate hit. There was however a degree of controversy after it was reported in the local paper that a pedestrian (decked out in the full range of possum clothing) was hit by a car that mistook him for the real thing.

Dave also decided to expand his possum pie production. He bought and installed a possum pie producing machine (15) which he imported from Czechoslovakia. This machine was the latest on the market (16). The possums were fed into one end and the fully packaged pies were produced at the other end. Dave also employed a Czechoslovakian engineer who had trained specifically in this type of machinery to help run the machine (17).

Dave also introduced a new marketing technique - mail order possum pies.

Unfortunately one day tragedy struck. One hot summer afternoon the Czechoslovakian engineer was doing routine maintenance on the machine. He noticed a particularly large possum protruding from the feeder. As he struggled to remove the possum he fell into the machine. Dave's mother was the only other person in the factory at the time. She's a lovely lady but deaf as a post and blind in two of her eyes (strange family). She heard and saw nothing.

The engineer was processed, packaged and distributed in a mail order of pies that was sent off that afternoon.



At this point I'll conclude my tale about Dave and his business ventures but highlight the moral of the story.....

If you're ever in business and someone like Dave owes you money it's worth believing him when he says:

"THE CHEQUE'S IN THE MAIL".