Economics

Subject Guide

The study of Economics examines the role of consumers, businesses, governments and other organisations in decision-making about the allocation of resources, the production and distribution of goods and services and the effect that these decisions may have on material and non-material living standards. Developing students' understanding of economics will enable them to appreciate the reasons behind these decisions as well as the intended and unintended consequences of economic decision-making. Acquisition of economics knowledge and skills assists students to make more informed and responsible economic decisions and contribute to public discourse as informed citizens.

All studies provide a foundation for further study and entry into the workplace. You should choose your studies according to what you enjoy, what you are interested in and your career aspirations. All studies are continually revised and updated to maintain a high degree of relevance and usefulness.

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Unit focus areas

Unit 1 - Economic decision-making

Economics is a dynamic and constantly evolving field of social science, which looks at the way humans behave and the decisions made to meet the needs and wants of society. In this unit students explore their role in the economy, how they interact with businesses, and the role of the government in the economy. Students are introduced to and explore fundamental economic concepts. They examine basic economic models where consumers and businesses engage in mutually beneficial transactions, and investigate the motivations behind both consumer and business behaviour. They examine how individuals might respond to incentives. Students are encouraged to investigate contemporary examples and case studies to enhance their understanding of the introductory economics concepts.

Students use demand and supply models to explain changes in prices and quantities traded. Through close examination of one or more markets, they gain insight into the factors that may affect the way resources are allocated in an economy and how market power can affect efficiency and living standards.

Students consider the insights of behavioural economics and how those insights contrast with the traditional model of consumer behaviour. They investigate at least one behavioural economics experiment, and analyse how the theories and observations of behavioural economics have been used by government in planning and implementing policy, and by businesses in managing their relationships with consumers.

Unit 2 - Economic issues and living standards

A core principle of economics is maximising the living standards of society. This is done through economic decisions that optimise the use of resources to produce goods and services that satisfy human needs and wants. Economic activity is therefore a key consideration for economics. Students consider the link between economic activity and economic growth and investigate the importance of economic growth in raising living standards. They evaluate the benefits and costs of continued economic growth and consider the extent to which our current measurements of living standards are adequate.

Economics provides useful tools for investigating contemporary issues that inspire debate and wide differences in opinion. Students undertake an applied economic analysis of two contemporary economics issues from a local, national and international perspective. They use the tools of data collection, analysis, synthesis and evaluation to examine the issue through an economics lens. They do this through investigation of the economic factors influencing the issue and via examination of its economic importance at a local, national and international level. Students consider the perspectives of relevant economic agents and evaluate the validity and effectiveness of individual and collective responses to the issue.

Unit 3 – Australia's living standards

The Australian economy is constantly evolving. The main instrument for allocating resources is the market, but government also plays a significant role in resource allocation. In this unit students investigate the role of the market in allocating resources and examine the factors that affect the price and quantity traded for a range of goods and services. Students develop an understanding of the key measures of efficiency and how market systems might result in efficient outcomes. Students consider contemporary issues to explain the need for government intervention in markets and why markets might fail to maximise society's living standards. As part of a balanced examination, students also consider unintended consequences of government intervention in the market.

Students develop an understanding of the macroeconomy. They investigate the factors that affect the level of aggregate demand and aggregate supply in the economy and apply theories to explain how changes in these variables might affect achievement of domestic macroeconomic goals and living standards. Students assess the extent to which the Australian economy has achieved these macroeconomic goals during the past two years.

Australia's living standards depend, in part, on strong economic relationships with its major trading partners. Students investigate the importance of international economic relationships and the effect of these on Australian living standards. Students analyse how international transactions are recorded, and examine how economic factors might affect the value of the exchange rate, the terms of trade and Australia's international competitiveness. Students also analyse how changes in the value of the exchange rate, the terms of trade and international competitiveness affect the domestic macroeconomic goals.

Unit 4 – Managing the economy

The ability of the Australian economy to achieve its domestic macroeconomic goals has a significant effect on living standards in Australia. Policymakers, including the Australian Government and the Reserve Bank of Australia (RBA), can utilise a wide range of policy instruments to affect these goals and to affect living standards.

This unit focuses on the role of aggregate demand policies in stabilising the business cycle to achieve the domestic macroeconomic goals. Students develop an understanding of how the Australian Government can alter the composition of budgetary outlays and receipts to directly and indirectly affect the level of aggregate demand, the achievement of domestic macroeconomic goals and living standards.

Students also examine the role of the RBA with a focus on its responsibility to conduct monetary policy. Students consider how the tools of monetary policy can affect interest rates, the transmission mechanism of monetary policy to the economy and how this contributes towards the achievement of the domestic macroeconomic goals and living standards.

Students consider and evaluate the strengths and weaknesses of the aggregate demand policies in achieving the domestic macroeconomic goals and living standards.

Expanding the productive capacity of the economy and improving Australia's international competitiveness is critical to ensuring that economic growth, low inflation and employment opportunities can be maintained both now and into the future. Students consider how the Australian Government utilises selected aggregate supply policies to pursue the achievement of the domestic macroeconomic goals and living standards over the long term.

Pre-requisites

Students are advised to complete Economics Units 1 and 2 before commencing Economics Units 3 and 4.

Assessment

For Units 1 and 2, students complete a range of outcomes and classwork throughout each semester. There will also be an examination at the end of the academic year.

For Units 3 and 4, students complete School-Assessed Coursework (50%) subject to external moderation and a written examination (50%).