



Economics

Victorian Certificate of Education Study Design

Victorian Curriculum and Assessment Authority
2009



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Latoya BARTON
The sunset (detail)
from a series of twenty-four
9.0 x 9.0 cm each, oil on board



Tarkan ERTURK
Visage (detail)
201.0 x 170.0 cm
synthetic polymer paint, on cotton duck



Liana RASCHILLA
Teapot from the *Crazy Alice* set
19.0 x 22.0 x 22.0 cm
earthenware, clear glaze, lustres



Nigel BROWN
Untitled physics (detail)
90.0 x 440.0 x 70.0 cm
composition board, steel, loudspeakers,
CD player, amplifier, glass



Kate WOOLLEY
Sarah (detail)
76.0 x 101.5 cm, oil on canvas



Chris ELLIS
Tranquility (detail)
35.0 x 22.5 cm
gelatin silver photograph



Christian HART
Within without (detail)
digital film, 6 minutes



Kristian LUCAS
Me, myself, I and you (detail)
56.0 x 102.0 cm
oil on canvas



Merryn ALLEN
Japanese illusions (detail)
centre back: 74.0 cm, waist (flat): 42.0 cm
polyester cotton



Ping (Irene) VINCENT
Boxes (detail)
colour photograph



James ATKINS
Light cascades (detail)
three works, 32.0 x 32.0 x 5.0 cm each
glass, fluorescent light, metal



Tim JOINER
14 seconds (detail)
digital film, 1.30 minutes



Lucy McNAMARA
Precariously (detail)
156.0 x 61.0 x 61.0 cm
painted wood, oil paint, egg shells, glue, stainless steel wire

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IMPORTANT INFORMATION

Accreditation period

Units 1–4: 2010–2016

The accreditation period commences on 1 January 2010.

Other sources of information

The *VCAA Bulletin* is the only official source of changes to regulations and accredited studies. The *VCAA Bulletin*, including supplements, also regularly includes advice on VCE studies. It is the responsibility of each VCE teacher to refer to each issue of the *VCAA Bulletin*. The *VCAA Bulletin* is sent in hard copy to all VCE providers. It is available on the Victorian Curriculum and Assessment Authority's website at www.vcaa.vic.edu.au

To assist teachers in assessing school-assessed coursework in Units 3 and 4, the Victorian Curriculum and Assessment Authority publishes an assessment handbook that includes advice on the assessment tasks and performance descriptors for assessment.

The current year's *VCE and VCAL Administrative Handbook* contains essential information on assessment processes and other procedures.

VCE providers

Throughout this study design the term 'school' is intended to include both schools and other VCE providers.

Photocopying

VCE schools only may photocopy parts of this study design for use by teachers.

Introduction

RATIONALE

Economics is the study of how individuals and societies use resources to satisfy needs. It is central to understanding why individuals and societies behave as they do.

Economic decisions are about resource use in producing goods and services and about the distribution of the proceeds of production. To understand the basis for these decisions, and their impact, requires an understanding of basic economic principles and concepts. Students will develop an awareness of the links between economics and the influence of political, ethical, environmental and social forces on economic decision making.

VCE Economics equips students with a unique set of concepts, ideas and tools to apply to individual and social circumstances, and helps them to be more informed citizens, consumers, workers, voters, producers, savers and investors.

Skills, as well as knowledge, play an important part in the VCE study of Economics. Students develop an ability to identify, collect and process data from a range of sources. They use the inquiry process to plan economics investigations, analyse data and form conclusions supported by evidence. They also use economic reasoning, including cost-benefit analysis, to solve economic problems, which assists them in understanding the economy, society and environment, and to verify values and attitudes about issues affecting the economy, society and environment.

AIMS

This study is designed to enable students to:

- understand and apply economic concepts, theories, terminology and tools;
- develop an understanding of the relationship between economic events and outcomes;
- understand how the Australian economy operates;
- develop an understanding of political, ethical, environmental and social factors, and the way in which they influence the outcomes of economic decision making;
- use economic methods of inquiry to understand the impact of economic decisions on living standards;
- develop a critical perspective on contemporary local, national and global economic issues;
- evaluate the appropriateness of government policies used to manage the economy.

STRUCTURE

The study is made up of four units:

Unit 1: Economics: choices and consequences

Unit 2: Economic change: issues and challenges

Unit 3: Economic activity

Unit 4: Economic management

Each unit deals with specific content contained in areas of study and is designed to enable students to achieve a set of outcomes for that unit. Each outcome is described in terms of key knowledge and key skills.

ENTRY

There are no prerequisites for entry to Units 1, 2 and 3. Students must undertake Unit 3 prior to undertaking Unit 4. Units 1 to 4 are designed to a standard equivalent to the final two years of secondary education. All VCE studies are benchmarked against comparable national and international curriculum.

DURATION

Each unit involves at least 50 hours of scheduled classroom instruction.

CHANGES TO THE STUDY DESIGN

During its period of accreditation minor changes to the study will be announced in the *VCAA Bulletin*. The *VCAA Bulletin* is the only source of changes to regulations and accredited studies and it is the responsibility of each VCE teacher to monitor changes or advice about VCE studies published in the *VCAA Bulletin*.

MONITORING FOR QUALITY

As part of ongoing monitoring and quality assurance, the Victorian Curriculum and Assessment Authority will periodically undertake an audit of VCE Economics to ensure the study is being taught and assessed as accredited. The details of the audit procedures and requirements are published annually in the *VCE and VCAL Administrative Handbook*. Schools will be notified if they are required to submit material to be audited.

SAFETY

It is the responsibility of the school to ensure that duty of care is exercised in relation to the health and safety of all students undertaking the study.

USE OF INFORMATION AND COMMUNICATIONS TECHNOLOGY

In designing courses for this study teachers should incorporate information and communications technology where appropriate and applicable to the teaching and learning activities.

EMPLOYABILITY SKILLS

This study offers a number of opportunities for students to develop employability skills. The ‘Advice for teachers’ section provides specific examples of how students can develop employability skills during learning activities and assessment tasks.

LEGISLATIVE COMPLIANCE

When collecting and using information, the provisions of privacy and copyright legislation, such as the Victorian *Information Privacy Act 2000* and *Health Records Act 2001*, and the federal *Privacy Act 1988* and *Copyright Act 1968*, must be met.

Assessment and reporting

SATISFACTORY COMPLETION

The award of satisfactory completion for a unit is based on a decision that the student has demonstrated achievement of the set of outcomes specified for the unit. This decision will be based on the teacher's assessment of the student's performance on assessment tasks designated for the unit. Designated assessment tasks are provided in the details for each unit. The Victorian Curriculum and Assessment Authority publishes an assessment handbook that includes advice on the assessment tasks and performance descriptors for assessment for Units 3 and 4.

Teachers must develop courses that provide opportunities for students to demonstrate achievement of outcomes. Examples of learning activities are provided in the 'Advice for teachers' section.

Schools will report a result for each unit to the Victorian Curriculum and Assessment Authority as S (Satisfactory) or N (Not Satisfactory).

Completion of a unit will be reported on the Statement of Results issued by the Victorian Curriculum and Assessment Authority as S (Satisfactory) or N (Not Satisfactory). Schools may report additional information on levels of achievement.

AUTHENTICATION

Work related to the outcomes of each unit will be accepted only if the teacher can attest that, to the best of their knowledge, all unacknowledged work is the student's own. Teachers need to refer to the current year's *VCE and VCAL Administrative Handbook* for authentication procedures.

LEVELS OF ACHIEVEMENT

Units 1 and 2

Procedures for the assessment of levels of achievement in Units 1 and 2 are a matter for school decision. Assessment of levels of achievement for these units will not be reported to the Victorian Curriculum and Assessment Authority. Schools may choose to report levels of achievement using grades, descriptive statements or other indicators.

Units 3 and 4

The Victorian Curriculum and Assessment Authority will supervise the assessment of all students undertaking Units 3 and 4.

In VCE Economics the student's level of achievement will be determined by school-assessed coursework and an end-of-year examination. The Victorian Curriculum and Assessment Authority will report the student's level of performance on each assessment component as a grade from A+ to E or UG (ungraded). To receive a study score, students must achieve two or more graded assessments and receive S for both Units 3 and 4. The study score is reported on a scale of 0–50; it is a measure of how well the student performed in relation to all others who took the study. Teachers should refer to the current year's *VCE and VCAL Administrative Handbook* for details on graded assessment and calculation of the study score. Percentage contributions to the study score in VCE Economics are as follows:

- Unit 3 school-assessed coursework: 25 per cent
- Unit 4 school-assessed coursework: 25 per cent
- End-of-year examination: 50 per cent

Details of the assessment program are described in the sections on Units 3 and 4 in this study design.

Unit 1: Economics: choices and consequences

The study of economics involves a close examination of how a society organises itself to meet the needs and wants of its citizens. In Australia scarce resources are allocated primarily by the market mechanism. Students come to understand how the decisions made by individuals, firms, governments and other relevant groups affect what is produced, how it is produced and who receives the goods and services that are produced. By focusing on one or more markets, a closer examination can be made of the factors that influence the prices and allocation of resources and how economic decisions are made to solve economic problems as they evolve. Through an examination of market structure, students gain an appreciation of the importance of competition and how market power may affect the allocation of resources and the welfare and living standards of the general population.

A number of contemporary economic issues have an influence on current and future living standards in Australia. Students examine the importance of maintaining sustainable rates of economic growth for current and future living standards. To increase economic growth, more goods and services need to be produced each year. Through a consideration of the importance of natural resources and the environmental impact of economic growth, students develop knowledge about the potential trade-offs between economic growth and sustainable development. The role of key economic decision makers will also be examined and students will be given the opportunity to investigate the importance of international efforts to maintain the long-term economic security of the world economy. Students also examine other important economic issues that are currently affecting the Australian and world economies. Teachers may choose between a study of inflation, the distribution of wealth and income or another relevant economic issue that may be of interest. In each case it will be important for students to understand the factors that influence the issue and how changes in this area will affect living standards.

AREA OF STUDY 1

A market system

The Australian economy is primarily a market based system. This area of study introduces the basic economic concepts and the workings of markets: places where buyers and sellers exchange goods and services. Decisions made by households, businesses, governments and other relevant groups have an impact on the way resources are allocated in different markets. A case study approach in this area enables students to make meaningful connections between economic theory and the workings of different markets in the Australian economy. To develop knowledge and understanding about the nature, operation and role of markets, students will consider one or more of the following:

- agricultural markets, such as wool, wheat and beef
- other commodity markets, such as minerals
- community markets
- the finance market
- the foreign exchange market
- labour markets
- the property/housing market
- leisure markets, such as sport, music and other entertainment
- the stock market
- the transport market
- online markets
- the health market
- any other relevant market.

Outcome 1

On completion of this unit the student should be able to explain the role of markets in the Australian economy, how markets operate to meet the needs and wants of its citizens, and apply economic decision making to current economic problems.

To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 1.

Key knowledge

This knowledge includes

- the basic economic problem: relative scarcity;
- the need for economic decision making and the concept of opportunity cost;
- the nature and distinctive features of the Australian economy, including the ownership, allocation and distribution of resources and the role of households, businesses, government and other relevant groups;
- the degree of market power in different markets, including perfect competition, monopolistic competition, oligopoly and monopoly, and its impact upon prices, resource allocation and economic welfare;
- the nature and effectiveness of strategies employed by business to increase profitability, including price discrimination, multiple branding and illegal, anti-competitive behaviour;
- the role of markets in the determination of prices and the allocation of resources, including the influences on the incentives and choice of consumers and of business, and the factors that could change demand and supply in the market and the impact on price and quantity;
- the role of relative prices in the allocation of resources.

Key skills

These skills include the ability to

- use a range of sources to acquire economic information;
- sort and communicate economic information;
- define key economic concepts and use them appropriately;
- apply economic knowledge, concepts and theories to predict the effect of economic events on market outcomes;
- apply decision making to current economic problems within a specific market.

AREA OF STUDY 2

Economic issues

All economies face issues that have an impact on the living standards and on the stability of the economy. Through a consideration of economic growth and sustainable development and one other contemporary economic issue, students will develop an understanding of the way the decisions made by economic decision-makers, including households, businesses, government and other relevant groups, may affect living standards.

Outcome 2

On completion of this unit the student should be able to describe the nature of economic growth and sustainable development and one other contemporary economic issue, explain how these issues are affected by the actions of economic decision-makers, and evaluate the impact of these issues on living standards.

To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 2.

Key knowledge

*This knowledge includes the issue of economic growth and sustainable development and **one other contemporary economic issue**:*

Economic growth and sustainable development

- the meaning and measurement of economic growth including the limitations of growth as a measurement of living standards;
- the benefits of economic growth including the factors that may influence material and non-material living standards;
- alternative definitions of sustainable development;
- the nature of environmental resources;
- trade-offs and compatibility between economic growth and environmental sustainability;
- positive and negative externalities and the effect of externalities on the allocation of resources;
- the role of households, businesses, governments and other relevant groups in influencing decision making on the rate of economic growth and the environment;
- international action and cooperation on economic growth and environmental issues.

Other contemporary economic issues:

Creation and distribution of wealth and income

- definitions of income and wealth;
- measures of the distribution of income and wealth;
- trends in the distribution of income in Australia;
- factors affecting the creation and distribution of income and wealth;
- the effects of inequity in the distribution of income and wealth on the living standards of households;
- the role of government in influencing the distribution of income and wealth including policies to reduce the incidence of poverty;
- a global perspective on relative and absolute poverty and the distribution of income and wealth;
- international action taken to reduce global poverty.

Inflation

- definition and measurement of inflation;
- the reasons for the importance of maintaining a low inflation environment in Australia;
- the impact of inflation on households, businesses, government and other relevant groups;
- aggregate demand and aggregate supply factors affecting inflation;
- aggregate demand side and aggregate supply side policies used to maintain low rates of inflation;
- international factors influencing the inflation rate and international comparisons.

An economic issue selected by the teacher and/or students

- a definition of the issue including relevant statistical indicators;
- reasons why the issue is of importance to the Australian economy;
- the way in which aggregate demand side and aggregate supply side factors influence the issue;
- different perspectives of, and the effect of decisions made by households, businesses, and other relevant groups on the selected issue;
- policy action taken by government to address the issue;
- a global perspective on the issue.

Key skills

These skills include the ability to

- use a range of sources to acquire economic information;
- sort and communicate economic information;
- define key economic concepts and use them appropriately;
- describe the nature of selected contemporary economic issues;
- explain, using economic theory, how a range of aggregate demand side and aggregate supply side factors may influence selected contemporary economic issues;
- interpret and analyse a range of economic information about contemporary economic issues;
- evaluate the impact of selected contemporary economic issues on living standards.

ASSESSMENT

The award of satisfactory completion for a unit is based on a decision that the student has demonstrated achievement of the set of outcomes specified for the unit. This decision will be based on the teacher's assessment of the student's overall performance on assessment tasks designated for the unit.

The key knowledge and key skills listed for each outcome should be used as a guide to course design and the development of learning activities. The key knowledge and key skills do not constitute a checklist and such an approach is not necessary or desirable for determining the achievement of outcomes. The elements of key knowledge and key skills should not be assessed separately.

Assessment tasks must be a part of the regular teaching and learning program and must not unduly add to the workload associated with that program. They must be completed mainly in class and within a limited timeframe. Teachers should select a variety of assessment tasks for their assessment program to reflect the key knowledge and key skills being assessed and to provide for different learning styles.

For this unit students are required to demonstrate achievement of two outcomes. As a set these outcomes encompass both areas of study.

Demonstration of achievement of Outcomes 1 and 2 must be based on the student's performance on a selection of assessment tasks. Where teachers allow students to choose between tasks they must ensure that the tasks they set are of comparable scope and demand.

Assessment tasks for this unit are chosen from the following:

- an analysis of written, visual and statistical evidence;
- a folio of applied economic exercises;
- problem-solving tasks;
- a folio of annotated media commentaries using print or electronic materials;
- a report of an investigation;
- case studies;
- a debate;
- an essay;
- a presentation (oral, multimedia, visual);
- a web page;
- economic simulation activities;
- a test.

Unit 2: Economic change: issues and challenges

The changing nature of Australia's population will have an impact upon future rates of economic growth and living standards. With a large group of citizens approaching retirement age, the government faces challenges associated with balancing its budget and funding the healthcare needs of its population. Through a detailed examination of the factors that affect demographic makeup and change, students gain an appreciation of the potential challenges facing businesses wishing to expand, government budgeting and future living standards.

A low unemployment rate is seen as a priority for the federal government and there is a range of policy initiatives that are directed to the achievement of this goal. Students analyse the impacts of high unemployment on both society and the individual. They evaluate the effectiveness of government policies aimed at reducing unemployment and potential skills shortages, and the impact that these may have on future living standards.

Australia's wealth depends, in part, upon the decisions made and the levels of economic activity in other countries. Through a close examination of Australia's trading relationships, students come to appreciate the factors that influence Australia's balance of payments and exchange rate. Increased volume of world trade, movement of capital and migration of people will all be examined in the context of how they affect living standards in Australia.

AREA OF STUDY 1

Population, employment and change

This area of study focuses on the changing nature of population and demographics, the labour market and other related factors influencing the level of economic prosperity in the country. Australia's ageing population poses serious challenges for the federal government and for businesses wishing to expand production. Large increases in population through natural increases and immigration will have economic, cultural and environmental consequences. Students examine and analyse the impact on Australia's living standards of changing employment and participation patterns, skills shortages and technological change.

Outcome 1

On completion of this unit the student should be able to describe the factors that influence Australia's population and labour markets, and analyse how changes in these areas may impact upon living standards.

To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 1.

Key knowledge

This knowledge includes

- the nature and meaning of living standards;
- overview of the characteristics of, and influences on, Australia's changing population in terms of size, composition and distribution;
- the economic consequences of demographic change including the possible impact on a nation's living standards;
- an overview of population policies in Australia and internationally;
- the nature of employment, unemployment, paid and unpaid work;
- reasons for work;
- factors that may influence the demand for, and supply of, labour;
- measurement of the labour market;
- changing labour market trends in Australia and internationally;
- causes and types of unemployment;
- the impact on employment of aggregate demand management policies (budgetary policy, monetary policy), aggregate supply management policies (budgetary policy including vocational education and training, welfare reform, jobs network) and microeconomic reforms (taxation reform, labour market reform, trade liberalisation);
- effects of changes in the levels and incidence of employment and unemployment on individuals, society, the economy, government and businesses.

Key skills

These skills include the ability to

- use a range of sources to acquire economic information;
- sort and communicate economic information;
- define key economic concepts and use them appropriately;
- describe the factors that influence population and labour markets;
- interpret and analyse economic information to assess the impact of population change and employment on living standards;
- analyse the validity of alternative economic arguments in relation to population and labour market issues in the Australian economy.

AREA OF STUDY 2

Global economic issues

Issues exist in economies that have an impact on living standards and on the stability of the economy. Students consider two of the contemporary global economic issues listed below in light of how the economic decisions made by domestic and international households, businesses, governments and other relevant groups influence the Australian and international economies.

Outcome 2

On completion of this unit the student should be able to describe the nature of two contemporary global economic issues, explain how each issue is affected by the actions of economic decision-makers, and evaluate the impact of the issue on living standards.

To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 2.

Key knowledge

This knowledge includes

International economic relations

- the benefits of trade;
- Australia's balance of payments, including the structure of the balance of payments, the changing composition and direction of trade and capital flows and recent trends;
- Australia's exchange rate: recent trends and factors affecting the value of the Australian dollar;
- current aggregate demand and aggregate supply factors influencing world trade and capital flows between nations;
- the nature, measurement and consequences of Australia's foreign debt, including recent trends;
- trade liberalisation versus protectionism, including the role of tariffs, and other import controls and export promotion;
- Australia's trading agreements and alliances and the importance of regional relationships;
- overview of the economic relationship between the Australian economy and the economy of an Asian trading partner.

Development economics

- the sources and stages of economic development;
- measurement of development, including the United Nations Human Development Index;
- international comparisons of economic development;
- the causes of poverty, including how poor countries became heavily indebted;
- strategies to promote economic growth and development;
- the role of government and private foreign aid in the promotion of economic development in the Asian region;
- current issues facing a developing nation in Asia.

Economic globalisation

- alternative definitions of globalisation;
- theories to explain the emergence and continuing growth of globalisation;
- theories to explain the expansion of business across national boundaries, including international division of labour, economies of scale, the role of information and communications technology, deregulation of labour, product and financial markets;

- reasons for the increased importance of the Asian region in the global economy;
- the effects of globalisation on Australian consumers, labour and financial markets, the government and the environment;
- the economic, social, environmental and ethical context of multinational/transnational corporations;
- the impact of globalisation on one other economy, including social and ethical considerations and how they impact on consumers, producers, the government and the environment;
- international responses to the opportunities and challenges associated with globalisation.

A global economic issue selected by the teacher and/or students

- a definition of the global economic issue including relevant statistical indicators;
- reasons why the issue is of importance to the world economy;
- the ways in which aggregate demand side and aggregate supply side factors influence the issue;
- a consideration of the different perspectives of, and action taken on, the issue by households, businesses, government and other relevant groups;
- policy action taken by government to address the issue.

Key skills

These skills include the ability to

- use a range of sources to acquire economic information;
- sort and communicate economic information;
- define key economic concepts and use them appropriately;
- describe the nature of contemporary global economic issues;
- explain the role of economic decision-makers in influencing global economic issues;
- analyse economic arguments about selected contemporary global economic issues;
- evaluate the impact of selected contemporary global economic issues on living standards.

ASSESSMENT

The award of satisfactory completion for a unit is based on a decision that the student has demonstrated achievement of the set of outcomes specified for the unit. This decision will be based on the teacher's assessment of the student's overall performance on assessment tasks designated for the unit.

The key knowledge and key skills listed for each outcome should be used as a guide to course design and the development of learning activities. The key knowledge and key skills do not constitute a checklist and such an approach is not necessary or desirable for determining the achievement of outcomes. The elements of key knowledge and key skills should not be assessed separately.

Assessment tasks must be a part of the regular teaching and learning program and must not unduly add to the workload associated with that program. They must be completed mainly in class and within a limited timeframe. Teachers should select a variety of assessment tasks for their assessment program to reflect the key knowledge and key skills being assessed and to provide for different learning styles.

For this unit students are required to demonstrate achievement of two outcomes. As a set these outcomes encompass both areas of study.

Demonstration of achievement of Outcomes 1 and 2 must be based on the student's performance on a selection of assessment tasks. Where teachers allow students to choose between tasks they must ensure that the tasks they set are of comparable scope and demand.

Assessment tasks for this unit are chosen from the following:

- an analysis of written, visual and statistical evidence;
- a folio of applied economic exercises;
- problem-solving tasks;
- a folio of annotated media commentaries using print or electronic materials;
- a report of an investigation;
- case studies;
- a debate;
- an essay;
- a presentation (oral, multimedia, visual);
- a web page;
- economic simulation activities;
- a test.

Unit 3: Economic activity

The Australian economy is a contemporary market capitalist economy. In such an economy, the principal means of allocating scarce resources is the price mechanism. Students examine the factors that affect the price and quantity traded in individual markets. Students investigate the importance of competition and analyse the degree of market power in different industries and how this affects the efficiency of resource allocation. Students also come to appreciate that markets will not always lead to the most efficient allocation of resources. Through an examination of market failure, students are able to explain situations where the market does not operate freely and discuss the role of government in the allocation of resources.

The federal government has a range of macroeconomic goals, which they monitor with appropriate statistical indicators. Some of these goals are explicitly stated while others are inherent in the actions that are taken. Students examine five key economic goals which may vary in importance from time to time and which are pushed for economic, political and social reasons. Through a detailed study of these goals and an examination of the trend in these goals over the last four years, students develop an understanding of the role that each goal plays in improving living standards.

Growth in Australia is dependent upon its international relationships. Students examine the role of trade with international households, businesses, governments and other groups, and the importance of international movement of capital for Australia's living standards.

The benefits of economic growth are not always shared equally and the living standards of some may increase by more than others. Students examine the reasons for income inequality and the social costs and benefits, and the impact on living standards associated with inequity.

AREA OF STUDY 1

An introduction to microeconomics: The market system and resource allocation

Economic activity refers to the actions taken by individuals, businesses or government that generate production, income, expenditure and employment. Most economic activity is undertaken through markets which coordinate the decisions of buyers and sellers. The prices determined in the market will have a significant impact upon how scarce resources are allocated. Students consider the factors that influence the buying decisions made by consumers in conjunction with the production and supply decisions made by businesses. Students gain an appreciation of the way in which the market system operates in the Australian economy and evaluate the effectiveness of the market system in achieving an efficient allocation of resources.

Outcome 1

On completion of this unit the student should be able to explain how markets operate to allocate scarce resources, and discuss the extent to which markets operate freely in Australia.

To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 1.

Key knowledge

This knowledge includes

- key economic concepts including relative scarcity, opportunity cost and the efficient allocation of resources;
- economic factors influencing decision making of households, businesses, government and other relevant groups;
- the law of demand and the demand curve;
- microeconomic demand side factors that influence prices and quantity of goods and services in individual markets, including disposable income, the price of substitutes and complements, preferences and tastes, interest rates, population growth and demographic change, and consumer sentiment;
- the law of supply and the supply curve;
- microeconomic supply side factors that influence prices and quantity of goods and services in individual markets, including the prices of the factors of production, technological change, productivity growth and climatic conditions;
- effects of changes in supply and demand on equilibrium prices and quantity traded;
- the role of relative prices in the allocation of resources;
- the meaning and significance of price elasticity of supply and demand;
- factors affecting price elasticity of demand, including the degree of necessity, availability of substitutes and proportion of income;
- factors affecting price elasticity of supply, including spare capacity, production period and durability of goods;
- market structure including perfect competition, monopolistic competition, oligopoly and monopoly, and its impact on prices, the efficiency of resource allocation and living standards;
- sources of market failure including market power, public goods, externalities and asymmetric information;
- the reasons for government intervention in the market, including addressing market failure, redistribution of income and stabilisation of the level of economic activity.

Key skills

These skills include the ability to

- use a range of sources to acquire economic information;
- define key economic concepts and use them appropriately;
- construct graphs and tables to represent economic data;
- interpret and analyse statistical and graphical data;
- use economic theory and evidence to explain how resources are allocated in a market system;
- evaluate the competitiveness of markets in the Australian economy;
- discuss the extent to which markets operate freely in Australia.

AREA OF STUDY 2**An introduction to macroeconomics: Output, employment and income**

There is a range of economic goals which may vary in importance over time. The general aim of achieving these goals is to increase living standards. Students consider a range of aggregate demand and aggregate supply factors which influence these goals. Consequently, they develop an understanding of the relative importance of each goal and the relevant trade-offs the government must make in the pursuit of these goals.

Outcome 2

On completion of this unit the student should be able to explain the nature and importance of key economic goals in Australia, describe the factors that may have influenced the achievement of these goals over the past four years, and analyse the impact each of these goals may have on living standards.

To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 2.

Key knowledge

This knowledge includes

The nature and purpose of macroeconomic activity

- the business cycle;
- aggregate demand and its components;
- aggregate supply;
- material and non-material living standards, and the nature and purpose of economic activity as it relates to living standards and long-term economic prosperity;
- factors influencing living standards including income per capita, environmental quality and the distribution of income;

Low inflation

- the meaning of the Reserve Bank of Australia's goal of stability of the Australian currency (low inflation);
- measuring rates of inflation using the Consumer Price Index;
- the impact on living standards of failing to meet the goal of low inflation;
- aggregate demand and aggregate supply factors that may have influenced the rate of inflation over the past four years;

Strong and sustainable economic growth

- the meaning of the goal of strong and sustainable economic growth;
- economically sustainable development including consideration of access to, and use of, natural resources;
- ways of measuring economic growth using Real Gross Domestic Product (GDP);
- limitations of GDP and alternative measures of living standards, including Genuine Progress Indicator (GPI) and Measuring Australia's Progress (MAP);
- the reasons for pursuing economic growth, including the impact upon material and non-material living standards;
- the impact on living standards of failing to meet the goal of strong and sustainable economic growth;
- aggregate demand and aggregate supply factors that may have influenced the rate of economic growth over the past four years;
- factors that may influence Australia's future rates of economic growth;

Full employment

- the meaning of the term full employment;
- measures of the labour force including the participation rate, the unemployment rate and the labour force underutilisation rate;
- the costs and benefits of achieving full employment including the impact on living standards;
- aggregate demand and aggregate supply factors that may have influenced the achievement of full employment over the past four years;

External stability

- the nature, significance and measurement of international transactions including the balance of payments, exchange rates, terms of trade and net foreign debt;
- the impact on living standards of changes in international transactions;
- the nature of free trade and protection including advantages and disadvantages, methods of protection, and the effects of free trade on domestic and global trade and living standards;
- aggregate demand and aggregate supply factors that may have influenced international transactions over the past four years;

Equity of income distribution

- sources of income and the meaning of equity in the distribution of income;
- ways of measuring income distribution, inequity and poverty including the Lorenz Curve, the Gini Coefficient and the Henderson Poverty Line;
- economic and social costs and benefits of income inequality, and how this might influence living standards;
- the trade-off between equity and efficiency;
- factors that may have influenced the distribution of income over the past four years.

Key skills

These skills include the ability to

- use a range of sources to acquire economic information;
- define key economic concepts and use them appropriately;
- apply economic concepts and theories to explain the nature and importance of key economic goals;
- interpret and analyse statistical and graphical data to investigate the factors that have influenced the achievement of key economic goals over the past four years;
- analyse the impact of key economic goals on living standards.

ASSESSMENT

The award of satisfactory completion for a unit is based on a decision that the student has demonstrated achievement of the set of outcomes specified for the unit. This decision will be based on the teacher's assessment of the student's overall performance on assessment tasks designated for the unit. The Victorian Curriculum and Assessment Authority publishes an assessment handbook for this study that includes advice on the assessment tasks and performance descriptors for assessment.

The key knowledge and key skills listed for each outcome should be used as a guide to course design and the development of learning activities. The key knowledge and key skills do not constitute a checklist and such an approach is not necessary or desirable for determining the achievement of outcomes. The elements of key knowledge and key skills should not be assessed separately.

Assessment of levels of achievement

The student's level of achievement in Unit 3 will be determined by school-assessed coursework and an end-of-year examination.

Contribution to final assessment

School-assessed coursework for Unit 3 will contribute 25 per cent.

The level of achievement for Units 3 and 4 is also assessed by an end-of-year examination, which will contribute 50 per cent.

School-assessed coursework

Teachers will provide to the Victorian Curriculum and Assessment Authority a score representing an assessment of the student's level of achievement.

The score must be based on the teacher's rating of performance of each student on the tasks set out in the following table and in accordance with the assessment handbook published by the Victorian Curriculum and Assessment Authority. The assessment handbook also includes advice on the assessment tasks and performance descriptors for assessment.

Assessment tasks must be a part of the regular teaching and learning program and must not unduly add to the workload associated with that program. They must be completed mainly in class and within a limited timeframe. Where optional assessment tasks are used, teachers must ensure that they are comparable in scope and demand. Teachers should select a variety of assessment tasks for their program to reflect the key knowledge and key skills being assessed and to provide for different learning styles.

Outcomes	Marks allocated*	Assessment tasks
Outcome 1 Explain how markets operate to allocate scarce resources, and discuss the extent to which markets operate freely in Australia.	40	The student's performance on each outcome is assessed using one or more of the following: <ul style="list-style-type: none"> • a folio of applied economic exercises • an essay • a test • a report.
Outcome 2 Explain the nature and importance of key economic goals in Australia, describe the factors that may have influenced the achievement of these goals over the past four years, and analyse the impact each of these goals may have on living standards.	60	
Total marks	100	

*School-assessed coursework for Unit 3 contributes 25 per cent.

Unit 4: Economic management

The federal government attempts to influence the achievement of its economic goals using a range of policies. The government can influence the level of aggregate demand in the economy by relying upon its demand management policies. In recent years, the primary aggregate demand management tool has been monetary policy whereby the Reserve Bank of Australia alters the cost and availability of credit in the economy. Students learn how changes in interest rates will affect inflation, the rate of unemployment and the rate of economic growth. Students also develop an understanding of how the federal government alters the composition and magnitudes of its receipts and expenditure to influence directly and indirectly the components of aggregate demand. Budgetary policy may also be used to target or influence the achievement of external stability and equity in the distribution of income. The relationship between the two macroeconomic demand policies is analysed in terms of their impact upon domestic economic goals.

The government also aims to improve living standards through effective management of the supply side of the economy. The productive capacity of the economy needs to be expanded to meet growing demand. Students investigate how the government has utilised fiscal policy to influence aggregate supply directly in the economy. The role of microeconomic reform in promoting competition, efficiency and expanding the productive capacity is also evaluated in terms of its impact on domestic and international economic goals. Students apply the language, theories and tools of economics to develop a critical perspective about the role of aggregate demand and aggregate supply policies in the current government policy mix.

AREA OF STUDY 1

Macroeconomic demand management policies

In this area of study, students develop a detailed knowledge of how the federal government can use budgetary policy and monetary policy to achieve its economic goals, and examine how the policies have been implemented over the past four years.

Outcome 1

On completion of this unit the student should be able to explain the nature and operation of government macroeconomic demand management policies, explain the relationship between budgetary and monetary policy, and analyse how the policies may be used to achieve key economic goals and improve living standards in Australia.

To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 1.

Key knowledge

This knowledge includes

- the nature and operation of budgetary policy including the level and composition of government receipts and expenditure, the operation of automatic (built-in) and discretionary stabilisers, and methods of financing a budget deficit or using a budget surplus;
- the ways budgetary policy may be utilised to influence the level of aggregate demand in order to manage the goals of stability of the currency (low inflation), strong and sustainable economic growth, and full employment, and the impact on living standards;
- the ways budgetary policy may be utilised to influence external stability and equity in income distribution;
- specific budgetary policy initiatives from the past four years that were designed to influence the level of aggregate demand;
- the nature and operation of monetary policy including the ways monetary policy may be utilised to influence the level of aggregate demand in order to manage the stability of the currency (low inflation), strong and sustainable economic growth and full employment, and its impact on living standards;
- the way the implementation of monetary policy in the past four years may have influenced the level of aggregate demand;
- the relationship between monetary policy and budgetary policy in the management of aggregate demand.

Key skills

These skills include the ability to

- define key economic concepts and use them appropriately;
- gather relevant data and information about the nature and operation of aggregate demand management policies in Australia;
- apply economic theories and concepts to government demand management policies;
- apply skills of economic analysis, including problem-solving, to analyse how aggregate demand management policies have been used to influence key economic goals;
- analyse the impact of aggregate demand policies on living standards in Australia.

AREA OF STUDY 2

Aggregate supply policies

Australia's long-term prosperity and living standards depend upon effective management of the supply side of the economy. Students develop an understanding about how these aggregate supply policies operate to achieve desired outcomes in relation to the achievement of key economic goals. Students develop a detailed knowledge of how the federal government has used policies to manage aggregate supply over the past four years and the initiatives introduced to expand future productive capacity. Students also examine the role of aggregate demand and aggregate supply policies in the current government policy mix.

Outcome 2

On completion of this unit the student should be able to explain the nature and operation of government aggregate supply policies, analyse how they may be used to achieve key economic goals and improve living standards in Australia, and analyse the current government policy mix.

To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 2.

Key knowledge

This knowledge includes

- the nature, operation and aims of aggregate supply policies;
- how one of the following microeconomic reform policies is intended to influence the achievement of the government's key economic goals and living standards:
 - National Competition Policy
 - Labour market reform
 - Deregulation of key markets
 - Trade liberalisation;
- how budgetary policy, including the role of taxation and infrastructure spending, may affect the level of aggregate supply in order to influence the government's key economic goals and living standards;
- the impact of immigration policies on the labour market and aggregate supply and the way in which this influences the achievement of the government's key economic goals and living standards;
- how one environmental policy is designed to influence aggregate supply, long-term economic prosperity and living standards;
- the relationship between aggregate supply and macroeconomic demand policies in the current government policy mix.

Key skills

These skills include the ability to

- define key economic concepts and use them appropriately;
- gather and interpret relevant data and information about the nature and operation of aggregate supply management policies in Australia;
- apply economic theories and concepts to aggregate supply policies implemented by the Australian Government;
- analyse the impact of aggregate supply policies on living standards in Australia;
- analyse the role of aggregate demand and aggregate supply policies in the current government policy mix.

ASSESSMENT

The award of satisfactory completion for a unit is based on a decision that the student has demonstrated achievement of the set of outcomes specified for the unit. This decision will be based on the teacher's assessment of the student's overall performance on assessment tasks designated for the unit. The Victorian Curriculum and Assessment Authority publishes an assessment handbook for this study that includes advice on the assessment tasks and performance descriptors for assessment.

The key knowledge and key skills listed for each outcome should be used as a guide to course design and the development of learning activities. The key knowledge and key skills do not constitute a checklist and such an approach is not necessary or desirable for determining the achievement of outcomes. The elements of key knowledge and key skills should not be assessed separately.

Assessment of levels of achievement

The student's level of achievement in Unit 4 will be determined by school-assessed coursework and an end-of-year examination.

Contribution to final assessment

School-assessed coursework for Unit 4 will contribute 25 per cent.

The level of achievement for Units 3 and 4 is also assessed by an end-of-year examination, which will contribute 50 per cent.

School-assessed coursework

Teachers will provide to the Victorian Curriculum and Assessment Authority a score representing an assessment of the student's level of achievement.

The score must be based on the teacher's rating of performance of each student on the tasks set out in the following table and in accordance with the assessment handbook published by the Victorian Curriculum and Assessment Authority. The assessment handbook also includes advice on the assessment tasks and performance descriptors for assessment.

Assessment tasks must be a part of the regular teaching and learning program and must not unduly add to the workload associated with that program. They must be completed mainly in class and within a limited timeframe. Where optional assessment tasks are used, teachers must ensure that they are comparable in scope and demand. Teachers should select a variety of assessment tasks for their program to reflect the key knowledge and key skills being assessed and to provide for different learning styles.

Outcomes	Marks allocated*	Assessment tasks
Outcome 1 Explain the nature and operation of government macroeconomic demand management policies, explain the relationship between budgetary and monetary policy, and analyse how the policies may be used to achieve key economic goals and improve living standards in Australia.	50	The student's performance on each outcome is assessed using one or more of the following: <ul style="list-style-type: none"> • an essay • a report • problem-solving exercises • a test • a folio of media commentaries using print and/or electronic media • a folio of applied economic exercises.
Outcome 2 Explain the nature and operation of government aggregate supply policies, analyse how they may be used to achieve key economic goals and improve living standards in Australia, and analyse the current government policy mix.	50	
Total marks	100	

*School-assessed coursework for Unit 4 contributes 25 per cent.

End-of-year examination**Description**

The examination will be set by a panel appointed by the Victorian Curriculum and Assessment Authority. All the key knowledge and key skills that underpin the outcomes in Units 3 and 4 are examinable.

Conditions

The examination will be completed under the following conditions:

- Duration: two hours.
- Date: end-of-year, on a date to be published annually by the Victorian Curriculum and Assessment Authority.
- Victorian Curriculum and Assessment Authority examination rules will apply. Details of these rules are published annually in the VCE and VCAL Administrative Handbook.
- The examination will be marked by assessors appointed by the Victorian Curriculum and Assessment Authority.

Contribution to final assessment

The examination will contribute 50 per cent.

Further advice

The Victorian Curriculum and Assessment Authority publishes specifications for all VCE examinations on the Victorian Curriculum and Assessment Authority website. Examination specifications include details about the sections of the examination, their weighting, the question format/s and any other essential information. The specifications are published in the first year of implementation of the revised Units 3 and 4 sequence together with any sample materials.

Advice for teachers

DEVELOPING A COURSE

A course outlines the nature and sequence of teaching and learning necessary for students to demonstrate achievement of the set of outcomes for a unit. The areas of study broadly describe the learning context and the knowledge required for the demonstration of each outcome. Outcomes are introduced by summary statements and are followed by the key knowledge and key skills which relate to the outcomes.

Teachers must develop courses that include appropriate learning activities to enable students to develop the key knowledge and key skills identified in the outcome statements in each unit.

For Units 1 and 2, teachers should select assessment tasks from the list provided. Tasks should provide a variety and the mix of tasks should reflect the fact that different types of tasks suit different knowledge and skills and different learning styles. Tasks do not have to be lengthy to make a decision about student demonstration of achievement of an outcome.

In Units 3 and 4, assessment is more structured. For some outcomes, or aspects of an outcome, the assessment tasks are prescribed. The contribution that each outcome makes to the total score for school-assessed coursework is also stipulated.

Units 1 and 2

Unit 1 consists of Area of Study 1: A market system, followed by Area of Study 2: Economic issues. There is a compulsory issue study within this area of study: Economic growth and sustainable development. Unit 2 commences with Area of Study 1: Population, employment and change, followed by Area of Study 2: Global economic issues.

Following the completion of the compulsory issue, teachers have flexibility in the way they arrange the remainder of Units 1 and 2. In Unit 1, teachers select an additional issue for study, choosing from Creation and distribution of wealth, Inflation or an economic issue of choice. This issue of choice allows students to undertake an investigation into an issue based on their needs and interests. The selection may also be based on a 'teachable moment', enabling teachers to explore topics that are particularly relevant or current. (For example, taxation reform or a review of workplace relations.) In Unit 2, Area of Study 2 allows teachers to select two contemporary global economic issues from: International economic relations, Development economics, Economic globalisation or a global economic issue of choice. (For example, the global financial crisis or tackling climate change.)

Teaching approaches for a selected economic issue

The selected issue for study in Units 1 and 2, may be initiated by the teacher or the student. Topics may be selected based on student questions related to any of the issues that have been studied across the units, and thus provide an opportunity for extension and deeper understandings to be developed. However, issue choices may also be stand alone topics.

An approach to exploring this issue of choice may be to set it up as an inquiry or investigation. This would allow teachers and students to explore the divergent nature of economics and build on the skills of economic reasoning and interpretation developed in the Victorian Essential Learning Standards (VELS) Economics domain in the compulsory years. So when formulating a topic to be investigated, suggested approaches might involve:

- developing a hypothesis to be tested, and/or
- taking a problem-solving approach.

A hypothesis is a statement of what is assumed to be true. It may be written as a statement, question or an if-then proposition. This statement may then be tested through data collection and the gathering of evidence to see if it can be verified. Once confirmed, it becomes a conclusion or a generalisation. For example, in Unit 2 Outcome 2, a number of debates about the issue of globalisation are possible. These debates could be turned into hypotheses which could then be researched and tested. Examples of suitable hypotheses to research could include:

- Global integration promotes economic growth and efficiency.
- Globalisation improves living standards.

The topic could also be developed using a problem-solving approach whereby students identify an economic problem that they would like to investigate. They then investigate the problem using cost/benefit analysis. Such problem-based topics might include:

- How should Australia's taxation system be reformed so that equity outcomes improve?
- What policies might be used to tackle climate change?
- Should the Australian car industry be protected?
- What is the optimum size of Australia's population by 2020?

The steps involved in the inquiry or investigation could include the following:

- Generate a 'need to know' in students about possible investigations/inquiries by discussing possible topics for investigation, negotiating a topic, generating focus questions or linking to current media debates.
- Explore student perceptions through questioning to establish 'prior knowledge', discussing personal/group values, attitudes and perceptions related to the topic, examining views in the media.
- Generally describe the reasons why this issue is of importance in the Australian economy. That is discuss the 'point of investigating the issue/problem' by identifying the main players involved in the issue/problem. Discuss the motives, values, the relative power base related to the individuals or groups involved, the reasons for these players to be involved in the issue/problem, their goals in relation to the issue/problem. Describe the strategies used by the players and discuss how the players try to exert influence on the issue/problem.
- Frame questions for investigation. This might involve writing the topic as a hypothesis (statement, question, if-then proposition) or a problem-solving approach could be used (discussed above).
- Where possible include a global perspective on the issue/problem.
- Gather and evaluate data relevant to the topic/hypothesis. This could include primary sources (statistics, surveys) or research of secondary sources (texts, newspaper articles, websites).
- Establish appropriate evidence, and sources, to test the validity of the hypothesis and apply these and/or analyse the problem using a cost/benefit approach.

- If appropriate recommend policy actions relevant to the issue or problem being investigated.
- Confirm or reject the hypothesis and/or recommend further investigation if required.
- Take action (if appropriate). The sorts of activities that might be examples of taking action could include writing letters to the editor of a newspaper, writing letters to relevant members of parliament, setting up a website in order to publicise and educate a wider audience about the issue, presenting recommendations for action about the issue to a school assembly or to the school council or the local council.
- Include a reflection activity that asks students to relate understandings about new learning that has been developed and/or discusses how learning has been enhanced, influenced, changed or enriched.

Suggested timelines for developing courses

Unit 1: Economics: choices and consequences

In Unit 1, if we accept that there are approximately 16–18 weeks of teaching time, one way to divide up the study would be to spend 6 weeks on Area of Study 1: A market system, and 5–6 weeks on Area of Study 2: Economic growth and sustainable development, and 5–6 weeks on an issue of choice, that is, either, Creation and distribution of wealth and income or Inflation or an economic issue selected by the teacher and/or students.

Teachers may choose to organise the unit around a particular theme. For example, teachers may wish to introduce students to the ‘big ideas’ of economics through the study of commodities markets, linking this to the compulsory issue of Economic growth and sustainable development, followed by the issue study of the Creation and distribution of wealth and income.

Alternatively, teachers may wish to integrate their approach to Unit 1, that is to teach Outcome 1 key knowledge and skills through the market case studies as they relate to contemporary issues in the Australian economy in Outcome 2. For example, undertaking the compulsory issue of Economic growth and sustainable development with the issue of Inflation could include an examination of the nature and operation of the labour market and/or the finance market. A second example could involve undertaking the compulsory issue of Economic growth and sustainable development with the issue Creation and distribution of wealth and income, and look at leisure markets and/or the stock market.

Unit 2: Economic change: issues and challenges

In Unit 2, with approximately 16–18 weeks available, it would be appropriate to spend 5–6 weeks on Area of Study 1: Population, employment and change, and 5–6 weeks for each issue selected in Area of Study 2.

Again it may be possible to pursue a theme across Unit 2. For example, following the area of study completed on Population, employment and change, the issues of International economic relations and Economic globalisation might be selected. Students might consider how these issues might have changed, influenced and challenged Australia’s population and employment trends over time.

Unit 3: Economic activity

Assuming a semester of approximately 16 weeks, a suggested allocation of teaching time in Unit 3 would be 6–7 weeks for Area of Study 1, Outcome 1: An introduction to microeconomics: the market system and resource allocation, and 9–10 weeks for Area of Study 2, Outcome 2: An introduction to macroeconomics: output, employment and income. This suggested division reflects the mark allocation for the school-assessed coursework, that is, 40 per cent for Outcome 1 and 60 per cent for Outcome 2.

Following is a suggested time allocation for Area of Study 1, Unit 3: An introduction to microeconomics: the market system and resource allocation.

Weeks (based on 7 available weeks)	Key knowledge
1	Economics 'big ideas' – relative scarcity, opportunity cost, efficient allocation of resources Key economic decision-makers (households, businesses, governments and others) and factors influencing their decision making
1 and a half weeks	Demand – the laws of demand, elasticity and microeconomic demand-side factors
1 and a half weeks	Supply – the laws of supply, elasticity and microeconomic supply-side factors
1	The role of relative prices in the allocation of resources and market structures
1	Sources of market failure and reasons for government intervention
1	Preparing for and undertaking school-assessed coursework assessments

Following is a suggested time allocation for Area of Study 2, Unit 3: An introduction to macroeconomics: output, employment and income.

Weeks (based on 9 available weeks)	Key knowledge
1 and a half weeks	The nature and purpose of macroeconomic activity, including the business cycle; aggregate demand and aggregate supply; material and non-material living standards and factors influencing living standards
1	Low inflation
1	Strong and sustainable economic growth
1	Full employment
1 and a half weeks	External stability
1 and a half weeks	Equity of income distribution
1 and a half weeks	Preparing for and undertaking school-assessed coursework assessments

Unit 4: Economic management

Assuming a semester of approximately 16 weeks, a suggested allocation of teaching time in Unit 4 would be 8 weeks for Area of Study 1, Outcome 1: Aggregate demand management policies, and 8 weeks for Area of Study 2, Outcome 2: Aggregate supply policies.

Following is a suggested time allocation for Area of Study 1, Unit 4: Aggregate demand management policies.

Weeks (based on 8 available weeks)	Key knowledge
4	Nature and operation of budgetary policy; how budgetary policy influences aggregate demand; specific budgetary policy initiatives from the past four years designed to influence the level of aggregate demand and the ways budgetary policy may be utilised to influence external stability and equity in income distribution
2	Nature and operation of monetary policy; how monetary policy influences aggregate demand; how the implementation of monetary policy over the past four years may have influenced the level of aggregate demand
1	The relationship between budgetary monetary policy in the management of aggregate demand
1	Preparing for and undertaking school-assessed coursework assessments

Following is a suggested time allocation for Area of Study 1, Unit 4: Aggregate supply policies.

Weeks (based on 8 available weeks)	Key knowledge
2	The nature, operation and aims of aggregate supply policies and how one example of a microeconomic reform policy (National competition policy, Labour market reform, Deregulation of key markets or Trade liberalisation) is intended to affect competitiveness, productive capacity, resource allocation, inflation, economic growth and living standards
2	How budgetary policy may influence the level of aggregate supply and the impact of immigration policies on the labour market and the level of aggregate supply. How one environmental policy is designed to affect the level of aggregate supply, long-term economic prosperity and living standards
1	The relationship between aggregate supply and aggregate demand policies in the current government policy mix
1	Preparing for and undertaking school-assessed coursework assessments
2	Revision of Units 3 and 4 and examination preparation

Teaching and learning

Getting started

Establishing the relevance of economics and engaging students with the big ideas of the discipline are important ways of establishing commitment by students to more on-task behaviour, greater persistence and deeper understandings.

Part of establishing relevance is regularly making observations about what is going on at home, in school, in the local community, nationally and internationally and pointing out how economics may assist in explaining these observations.

There are some recent publications that introduce the principles of economics in non-technical and accessible ways through observations related to everyday life. Students starting out in economics should be encouraged to read this material and report back to the class about how their understandings about economics have been extended, enhanced and developed. Examples of titles include:

Frank, Robert H 2008, *The Economic Naturalist*, Virgin Books, Random House, London.

Hamilton, Clive & Denniss, Richard 2005, *Affluenza*, Allen & Unwin, Sydney.

Harford, Tim 2006, *The Undercover Economist*, Oxford University Press, Oxford.

Levitt, Steven D & Dubner, Stephen J 2006, *Freakonomics*, Penguin, London.

Another useful way to assist students to begin their understanding of the ‘big ideas’ related to economics and the economy, is to use a ‘synectics’ approach. Synectics is about a creative thinking teaching and learning approach that uses a familiar concept or idea as a metaphor or analogy in order to build new knowledge and understanding. Using the metaphor of ‘playing a game’ one can quickly build up a picture of what economics is about and how an economy works. If we think about the structure of a game, we understand that there are players, teams, goals, scores, rules and boundaries, coaches, umpires and commentators and so on. Educators and students should appreciate that economics is one of the biggest games in town! A number of players including consumers, producers, workers, governments, other economies may form teams such as the household team (made up of a number of consumers), employer associations (such as the Business Council of Australia representing the interests of large employers/producers), trade unions (made up of teams of workers), the government (public) team consisting of federal, state and local representatives, the rest of the world and so on. All players and teams are in the game to score goals. Some examples of these goals are consumers who want to maximise satisfaction by consuming as many goods and services as possible, producers who want to maximise profits and minimise costs, workers who want to maximise their income and working conditions, the federal government who aims for low inflation, full employment and strong and sustainable economic growth among other things. The game is played out in various markets (the playing field) with individuals and teams playing to score goals (which influences resource allocation and economic outcomes). The scores of the game are recorded on various scoreboards such as tables, which include statistics showing rates of economic growth, inflation rates, average weekly earnings, levels of profits. These scoreboards can be compared with scoreboards in other economies to evaluate economic progress and a country’s standard of living. There are coaches in the game who ‘instruct’ play built around the economic theories they adopt. These coaches include Keynes, Marx, Smith, etc. The game has commentators who regularly report in the print and electronic media and make their living commentating on the economic game. There are umpires such as the ACCC, and government agencies who monitor the play and seek to influence the play and its outcomes. The use of such a metaphor provides endless links when introducing economics to students.

The teaching and learning activities that follow have been informed by the latest research such as that described in the Victorian DEECD Principles of Learning and Teaching and E5 as well as the Project for Enhancing Effective Learning (PEEL). They have been written to encourage teaching for quality learning and to promote metacognition; that is, the teaching and learning activities:

- create occasions when students can work out part (or all) of the content or instructions;
- provide opportunities for choice and independent decision making;
- promote thinking and discussion which is exploratory, tentative and hypothetical;
- encourage students to learn from other students' questions and comments;
- use a wide variety of intellectually challenging teaching procedures;
- develop students' awareness of the 'big picture' in economics.

Given the high exposure of issues related to economics in the media each day, the learning activities have been designed to provide examples of ways to:

- encourage students to question current media comment;
- promote informed debate;
- engender in students the ability to make informed decisions about their own and the global economy.

Information and communications technology (ICT)

Research shows that the use of ICT appears to engage students which tends to lead to more on-task behaviour, greater persistence and deeper understanding. Therefore, in designing courses and developing learning activities for economics, teachers are encouraged to make use of information and communications technologies. This might include the use of a range of software such as PowerPoint, Excel, Publisher, Photostory, and other applications such as email and SKYPE, discussion forums, blogs and wikis, podcasts and vodcasts, and youtube. Think about how to use Web 2.0 to enhance students' abilities to upload, create, use converging media, compared to Web 1.0, which is about downloading, consuming, and using static media. Use some of these sites to explore the possibilities:

DEECD Victorian Education Channel eLearning and ICT resources at www.education.vic.gov.au/studentlearning/teachingresources/elearning.htm

DEECD Victorian Education Channel ePotential at <http://epotential.education.vic.gov.au/>

The Le@rning Federation at www.thelearningfederation.edu.au/default.asp

Teachers TV at www.teachers.tv/

SUITABLE RESOURCES

Courses must be developed within the framework of the study design: the areas of study, outcome statements, and key knowledge and skills.

A list of suitable resources for this study has been compiled and is available from the Economics study page on the Victorian Curriculum and Assessment Authority website: www.vcaa.vic.edu.au

VICTORIAN ESSENTIAL LEARNING STANDARDS (VELS)

Economics is a discipline-based learning domain in The Humanities in the VELS. It is expected that students come to VCE Economics with some background associated with the Economics standards achieved at Levels 4, 5 and 6.

VCE Economics also builds on knowledge and skills developed in the VELS domains of English, Civics and Citizenship, Communication and Thinking. The key links are as follows:

- In the English dimension of Reading, students interpret, critically analyse and reflect upon texts and media, such as newspapers, magazines and television.
- In the Civics and Citizenship domain, students develop the knowledge, skills and behaviours to participate in society and to take responsible action in relation to other citizens and the environment at a local and broader level. In the Community engagement dimension, students draw on a range of resources, including the mass media to articulate and defend their own opinions about political, social and environmental issues in national and global contexts, and contest, where appropriate, the opinions of others.
- In the Listening, viewing and responding dimension of the Communication domain, students consider alternative views, recognise multiple possible interpretations and respond with insight. They use subject specific language, and a wide range of communication forms.
- In the Thinking Processes dimension of Reasoning, processing and inquiry, students discriminate in the way they use a variety of sources. They generate questions that explore perspectives and process and synthesise complex information and complete activities focusing on problem solving and decision making that involve a wide range and complexity of variables and solutions. They employ appropriate methodologies for creating and verifying knowledge and make informed decisions based on their analysis of various perspectives and, sometimes contradictory, information.

EMPLOYABILITY SKILLS

Units 1–4 of the VCE Economics study provide students with the opportunity to engage in a range of learning activities. In addition to demonstrating their understanding and mastery of the content and skills specific to the study, students may also develop employability skills through their learning activities.

The nationally agreed employability skills* are: Communication; Planning and organising; Teamwork; Problem solving; Self-management; Initiative and enterprise; Technology; and Learning.

Each employability skill contains a number of facets that have a broad coverage of all employment contexts and are designed to describe all employees. The table below links those facets that may be understood and applied in a school or non-employment related setting, to the types of assessment commonly undertaken within the VCE study.

Assessment task	Employability skills: relevant facets
Annotated folio of activities	Communication (writing to the needs of the audience)
Data analysis	Communication (reading independently; writing to the needs of the audience) Planning and organising (collecting, analysing and organising information) Problem solving (using mathematics to solve problems) Technology (using IT to organise data)
Media response	Communication (listening and understanding; reading independently; writing to the needs of the audience; persuading effectively) Problem solving (testing assumptions taking the context of data and circumstances into account)

*The employability skills are derived from the Employability Skills Framework (*Employability Skills for the Future*, 2002), developed by the Australian Chamber of Commerce and Industry and the Business Council of Australia, and published by the (former) Commonwealth Department of Education, Science and Training.

Assessment task	Employability skills: relevant facets
Multimedia presentation	Communication (sharing information; speaking clearly and directly) Technology (having a range of basic IT skills; using IT to organise data; being willing to learn new IT skills)
Report (oral/written/visual)	Communication (sharing information; speaking clearly and directly; writing to the needs of the audience; using numeracy) Planning and organising (collecting, analysing and organising information) Technology (using IT to organise data)
Student-designed investigation	Initiative and enterprise (generating a range of options; initiating innovative solutions; being creative) Planning and organising (planning the use of resources including time management; weighing up risk, evaluating alternatives and applying evaluation criteria) Problem solving (developing practical solutions; testing assumptions taking the context of data and circumstances into account) Self management (evaluating and monitoring own performance; taking responsibility) Team work (working as an individual and as a member of a team; knowing how to define a role as part of the team)
Summary report of activities	Communication (writing to the needs of the audience) Planning and organising (collecting, analysing and organising information)
Test	Learning (managing own learning) Problem solving (using mathematics to solve problems)

LEARNING ACTIVITIES

Examples of learning activities for each unit are provided in the following sections. Shaded examples are explained in detail in accompanying shaded boxes.

Unit 1: Economics: choices and consequences

AREA OF STUDY 1: A market system

Outcome 1

Explain the role of markets in the Australian economy, how markets operate to meet the needs and wants of its citizens, and apply economic decision making to current economic problems.

Examples of learning activities

collect media sources such as newspaper articles, Internet reports, TV and film which illustrate the key knowledge and key skills in Area of Study 1; annotate the sources to show how the source material is enhancing your economic literacy and/or illustrates how Australian markets work and/or how economic decisions are made in the Australian economy

use software to create a photostory that uses images to illustrate examples of economic activity

determine criteria for selecting a mobile phone and/or a used car and identify the trade-offs made when selecting one type of phone or used car over another

undertake a range of applied economics exercises which explain how economic decisions are made in the Australian economy and apply economic decision making to solve economic problems

compare the methods used to allocate work responsibilities in households with those used to allocate work responsibilities in businesses

compare the advantages and disadvantages of different forms of economic decision making used in different countries or economic systems at different times, using as criteria broad goals such as freedom, efficiency, fairness, security and growth

your school has been left a \$1m bequest; in small groups, use the tools and methods of economic analysis to prepare a report on how this money might be used; you could survey the school community to gather data about how school stakeholders such as students, parents, staff, would like this money allocated; you could check the school charter or strategic plan to view areas of expenditure that have been prioritised for the school by the School Council; present your findings and recommendations to your class and/or to a wider audience such as the School Council

play the ASX school's stock exchange game; details at www.asx.com.au/

use the circular flow to model how the Australian economy operates

develop a list of questions to ask a guest expert speaker who understands the role of the market you are studying; for example, the local bank branch manager re the finance market, a speaker from the ACTU or Trades Hall re the labour market, a representative from the Victorian Farmers Federation re agricultural markets, or the local real estate agent re the property/housing market

arrange an excursion to see a market in action; for example, a house auction in your local community; the Queen Victoria Market or other community market, the Footscray Fresh Fruit and Vegetable Market, or the Pakenham Livestock Exchange

investigate various economic decision-makers in the Australian economy such as consumers, workers, savers, investors, employers, BCA, unions, employees, banks, governments and report on the nature, role, values, goals and strategies used by these economic decision-makers

using a range of resources, undertake a case study of a market to explain the nature and distinctive features of the market

view the film *Wall Street* to introduce and examine issues about the nature and operation of the stock market

select any three goods of your choice and list all the factors of production (land, labour, capital and enterprise) required to manufacture these goods and transport them to market

identify a well-known Australian entrepreneur; develop a profile of the entrepreneur, using biographies, the Internet, business magazines, *Who's Who in Australia*; share the profiles with the class and/or a wider audience by developing a wiki; discuss the characteristics of entrepreneurs in general

you are the consumer of the services offered by your school; if you were asked to assess whether the school was meeting your needs and wants as a consumer, how would you judge its performance? Write a report in response to this question

Detailed example

MEDIA LOG

This activity will assist students to build their economic literacy so that they use the language of economics in a knowledgeable and confident manner. It will also assist students to appreciate the relevance of economics in their everyday lives. As such this activity could be conducted across the weeks allocated to Area of Study 1 or could be conducted across the whole of semester 1.

A media log is a personal record kept while reading text, media articles, Internet materials, etc. or watching TV, film or youtube, of the students' observations, impressions and theories that relate to the big ideas of economics. The personal record may include writing that is exploratory and tentative. Possible activities to scaffold this task may include:

Students record their observations by

- making outlines
- writing summaries
- rewriting in a different format; for example, summarising the 'big ideas' in the article by using a concept or mind map
- identifying new developments – students could use these sentence stems to 'trigger' their thinking: I noticed that ... or I found it interesting that ...
- identifying the main players or groups involved, the significance of the time and place

- making links using these sorts of prompts: How does the title link with what I am reading? How does what I am reading link with my topic?

Students record their impressions by

- making speculations about the authors' attitude/bias/motives/values, about the headlines or title of the source, about possible endings to the report, etc.

Students devise questions by

- thinking about the sorts of issues the source generates, listing examples of lower order and higher order questions which could be posed to the whole class or could form the basis of further research
- posing questions that may be answered later
- listing questions for the author, players or the teacher.

Students record their reactions and responses by

- making connections to the topic they are studying – this reminds me about ...
- noting their personal reactions – this reminds me of ..., I like this idea about ..., I don't like the solution to this that is recommended because ...,
- offering advice; for example, using this prompt: I think the author should (this often allows students to reveal their own values and attitudes) ...

continued

Detailed example (continued)**Quotations**

Students note relevant key headings and quotes.

Predictions

Students make predictions; for example, what is the source about, given the heading or title? accompanying graph? accompanying cartoon? Students predict what happens next.

Theories

Students consider:

- What point is the author trying to make?
- What relevance has this material to me and my work?
- What have I learned from this material?

Reflections

Students:

- note their level of interest on a scale of one to ten
- assess accessibility and readability

- record what they have learned from material
- note how the material could be used to illustrate an economic theory or idea they are studying.

Concluding activity

At the end of the work on the area of study, students are to select three media sources and for each source write a response to each of these questions:

- How is this source linked to the key knowledge and key skills of Area of Study 1?
- Who are the economic decision-makers and what economic decisions are involved?
- How could this source be used to illustrate an economic concept or theory that has been studied?
- How has this source extended and/or enhanced my knowledge of economics?

AREA OF STUDY 2: Economic issues**Outcome 2**

Describe the nature of economic growth and sustainable development and one other contemporary economic issue, explain how these issues are affected by the actions of economic decision-makers, and evaluate the impact of these issues on living standards.

Examples of learning activities

launch the topic of Creation and distribution of wealth and income by undertaking an income distribution simulation activity and/or the group work postbox activity

undertake an investigation that researches what it is like to be poor in Australia

use PMI (Plus Minus Interesting) or PNQ (Positives Negatives Questions) charts to assess students' prior knowledge and engagement with contemporary economic issues; the interesting aspects or questions generated may form part of approaches to be taken in the study of the issue and/or be sources of investigations to be undertaken

create a visual to represent the meaning of this statement: 'The economy is a wholly-owned subsidiary of the environment'

prepare a report that outlines ways we measure economic growth and ways we measure the standard of living

'There is no single way of measuring the standard of living'; discuss this statement and comment on the difficulties involved in comparing living standards in different countries

a journalist writing in a newspaper recently claimed that Australia's standard of living has fallen compared to many other countries over the past 25 years; test this hypothesis by undertaking research that provides data to accept or reject this claim

as a class discuss the meaning of the concept of the economics of happiness; comment on how you think the economics of happiness may be linked to the rate of economic growth and the standard of living; as part of your investigation, work in small groups to devise criteria that could be used to assess the level of economic happiness; use these ideas to devise a survey to measure 'happiness' levels in family and friends; analyse your results and prepare a presentation and report that outlines how we might measure 'happiness' and how such a measure might:

- provide a more effective measure of wellbeing than traditional GDP measures
- influence workplace negotiations
- inform policy decisions by governments

construct annotated visual displays of data and information about contemporary Australian economic issues`

undertake an investigation/inquiry/webquest into a current economic issue facing the Australian economy using a range of resources including the Internet, primary statistical data, etc. in order to prepare for a 'hypothetical'/summit/forum to be conducted around the issue; suggested issues might include: tackling climate change; managing Victoria's water resources; how to achieve strong and sustainable economic growth; Australia should include nuclear power plants to source electricity; tackling traffic congestion in urban centres such as Melbourne

undertake problem-solving exercises using thinking approaches such as de Bono's thinking hats in relation to economic events and issues in the Australian economy

construct visual representations of data in relation to issues studies using information and communications technologies such as Excel

prepare a report individually or in a group analysing a current economic issue and present the report as a PowerPoint presentation or written report or web-page or annotated visual display (AVD)

conduct an environmental audit of your home or school; prepare a report that lists examples of sound environmental practice and makes recommendations for improving environmental outcomes

create a pamphlet, poster, short video, wiki that could be used to educate young people about the importance of savings and investment personally and for the economy

prepare a report on the importance of maintaining a low inflation environment in Australia

debate this topic: 'Economic growth is more important than ecological sustainability'

prepare a report for the Environment Minister on a range of policy actions you would recommend to tackle the issue of climate change

write an essay on this topic: 'Inequalities of income are due entirely to differences in ownership of factors of production'; discuss reasons why you agree or disagree with this explanation of income inequality

investigate the inflation rates of various countries; calculate the rates of return on investment and savings required by citizens of those countries in order to retain their net wealth and their standard of living

Detailed example 1**INCOME DISTRIBUTION SIMULATION: GROUP WORK POSTBOX ACTIVITY AND INVESTIGATION/ RESEARCH ACTIVITY****Example 1 – Income distribution simulation**

This activity could be used when introducing the issue study related to the Creation and distribution of wealth and income.

At the beginning of class, ask students to answer ten random questions about economics. These could include questions such as ‘Who is the Treasurer?’, ‘Is Australia currently experiencing strong rates of economic growth?’, ‘State one way we could measure Australia’s standard of living’, ‘What is meant by the term equilibrium price?’, ‘List what is meant by the term factors of production’.

When the test is over, provide students with the correct answers and ask them to calculate their score (10 marks for each correct question). Teacher to write 100, 90, 80 ... on board, and next to each score, write down how many students earned that result. As a group, students to add all the scores together. Teacher informs students that this represents total income earned by class through its work (on test).

Teacher breaks class into small groups. Each group is asked to brainstorm ways in which this income that has been generated could be divided up across the class. (Brainstormed examples might include each student is allocated what they earned; students may pay portion of their earnings as tax so that some earnings are available for redistribution with all provided with a guaranteed minimum income; all is collected and kept by the teacher.) Each group is to consider the list of possible ways and are asked to select the best method of distribution from their viewpoint. Each group, in turn, presents their preferred allocation method and explains why they chose that method.

As a post-simulation exercise, students discuss what is meant by a fair or equitable share of the income and possible ways to achieve fair or equitable income distribution.

Following the simulation, students write a short paragraph outlining what they believe is meant by an economic goal of a fair or equitable share of income.

Example 2 – Group work postbox activity

This activity could be used when introducing the issue study related to the Creation and distribution of wealth and income.

Each student writes their current opinion on five or six questions (these questions could be devised by the teacher or they could be student questions) on separate sheets of paper. These opinions are ‘posted’ in numbered boxes or envelopes, one for each question.

The class divides into groups and each group opens one postbox. In their group they read all responses, categorise and summarise the answers. They prepare a presentation to the class showing the range of views held about the question.

Example questions or statements could be:

- Why should equity in the distribution of income and wealth be a current economic objective in Australia? (Group 1)
- Does equity in the distribution of income and wealth rate as a current priority objective for the Australian government? (Group 2)
- Provide examples of ways current government policy supports equity. (Group 3)
- Provide examples of ways current government policy causes inequality in distribution of income and wealth to become more uneven. (Group 4)
- How has taxation reform over the last two years affected Australia’s distribution of income and wealth? (Group 5)
- What is the relationship between economic growth and achieving equity? (Group 6)

Following this part of the activity, groups then research their question to explore actual responses to the questions or statements and present their findings to the class comparing survey results with actual evidence collected.

In conclusion, students are asked to reflect on what they have learned from this task and whether they recommend any further questions for investigation.

Unit 2: Economic change: issues and challenges

AREA OF STUDY 1: Population, employment and change

Outcome 1

Describe the factors that influence Australia's population and labour markets, and analyse how changes in these areas may impact upon living standards.

Examples of learning activities

investigate a range of issues associated with population and demographic changes and their likely impact on the Australian economy

construct an annotated visual display of data and information which tracks changes in the size and structure of Australia's population over the past 50 years

research predicted changes in Australia's size and structure of population into the future; predict how these forecast changes are likely to impact on the labour market, rates of economic growth and the standard of living into the future

research and write a report on the role and importance of immigration to the Australian economy over the past century

use de Bono's six thinking hats approach to investigate the current stance of migration policy in Australia; in the opinion of the class, is this stance right or should Australia be encouraging more or less immigration in the short term, medium term and long term?

participate in a simulation as employers and employees to determine wage rates for labour for a new enterprise bargain at a workplace

investigate and account for changes in Australia's labour force participation rates over the past 40 years; recommend policies that have been implemented or could be implemented to raise labour force participation rates

identify and explain the issues involved in defining and measuring Australia's unemployment rate

conduct an investigation and write a report into just who is more likely to be unemployed in Australia; visit a Centrelink office or ask Centrelink to provide a speaker to provide information and data to assist your investigation

break the class up into small groups; each group is required to come up with recommended policy solutions in response to an unemployment cause or problem; share the recommendations of the groups with the class

discuss examples of causes or problems of unemployment and how to overcome employment, including structural unemployment, cyclical unemployment, long-term unemployment, hidden unemployment

debate the topic: 'All the unemployed are bludgers'

develop a simulation to demonstrate that the economic principle of the division of labour will increase the production of a good

prepare a journal for a week listing all the unpaid work undertaken by household members; estimate what it would cost for this work to be undertaken if someone was employed to do it; write a reflective piece of writing which outlines what you have learned about paid and unpaid work and the market and non-market economy on completion of this task

Detailed example 1**AN INVESTIGATION****An investigation**

You are to select one of the following investigations and write a report (approx 1000 words). You may present the report as a written report or in multimedia format. Use headings to break the report up and include relevant statistics, charts and tables to support your discussion. You must attach a bibliography.

Topics

Identify three important demographic issues confronting Australia today. Evaluate the effectiveness of current government policies in dealing with these issues. Discuss two other policies that could be implemented to handle these issues.

OR

Examine three changing employment trends and analyse the effects of these changes on individuals, the economy, government, businesses and the standard of living.

OR

The ageing of the Australian population is a major issue confronting the federal government. Discuss three impacts that the ageing of the population is likely to have on the economy. Identify three of the government's current policies that have been implemented in response to the ageing of the population and assess the value of these policies in tackling the issues associated with the ageing population for the individual and for the economy.

OR

Imagine you are a strategist working in the economic policy department for the Treasurer. You have been asked to investigate and prepare a report which makes recommendations about the sorts of population and employment policies that need to be considered as ways of maximising Australia's economic growth into the future.

Detailed example 2**A GROUP WORK/THINKING HATS TASK****Group task using de Bono's thinking hats**

This task asks students to accept or reject this hypothesis: 'That the optimum size of Australia's population by 2050 is 50 million people.'

Allocate students to groups of six students. Each member of the group is allocated a hat. Groups are to respond to the hypothesis 'That Australia's population should be 50 million by the year 2050'.

Students are to organise their thinking using the thinking hats and use the questions below to guide their response to the hypothesis. Groups are to report back to the class stating whether they support or reject the hypothesis.

Blue hat – facilitating, organising and thinking about the thinking. Define the problem and decide ways of approaching the task. What do we need to do to respond to the hypothesis? How will we go about it? Could we conduct a survey?

White hat – information and data. What information do we need on this issue? Where can we source the information? Primary sources? Secondary sources? The Internet?

Yellow hat – values, positives and benefits. What would be the benefits of a population of 50 million in 2050?

Black hat – caution, difficulties, problems, risks. What are the costs associated with a population of 50 million in 2050?

Red hat – feelings, emotions, intuition, hunches. How do we feel about the population growing to 50 million in 2050?

Green hat – alternatives, creativity and growth. Brainstorm a range of possibilities in relation to the hypothesis. How could we overcome the issues identified under the black hat? Do we want to overcome these costs?

AREA OF STUDY 2: Global economic issues

Outcome 2

Describe the nature of **two** contemporary global economic issues, explain how each issue is affected by the actions of economic decision-makers, and evaluate the impact of the issue on living standards.

Examples of learning activities

conduct a forum or conference where economic globalisation is evaluated in terms of its perceived costs and benefits; students represent the views of a range of economic players with views on globalisation, and debate the economic advantages and disadvantages associated with globalisation

use a consequence chart or effects wheel to identify and illustrate the consequences for Australia if it ceased all trade with the rest of the world

investigate and report on trends in trade and international investment in the Australian economy over the past 25 years; predict how these trends may change in the short term, the medium term and the long term

acquire the latest economics information about Australia's current external relationships, trade agreements and alliances using a variety of sources, including the newspaper, Internet, databases and guest speakers, and prepare a one-page facts sheet summarising this information that could be published on a website such as the Austrade site

evaluate issues using cost-benefit analysis such as: What is the opportunity cost for Australia in raising tariffs?

investigate and report on the role of Australian foreign aid both from government and private agencies in the promotion of economic development in the Asian region

a number of global learning quests can be found on the global education website at www.globaleducation.edna.edu.au about issues related to economic development, trade and aid issues; for example,

- globalisation: fair vs cool – can we be globally responsible consumers when buying clothes and shoes?
- climate change: swamped or saved? how can we assist Pacific Islanders to manage the impact of climate change?
- microfinance: small business, big hopes; how can small loans be managed to assist poor people improve their lives?

survey goods found in your home and/or at school and record where these goods were produced; analyse the data and prepare a report which draws conclusions about the number and type of goods produced in Australia compared to overseas, and identifies the economies where Australia sources imports

use case studies of businesses in Australia (information can be accessed on the Austrade website at www.austrade.gov.au) to investigate ways ICT and ecommerce affects Australia's trade

present a report on reasons for the emergence of globalisation using ICT

undertake a case study that examines a multinational/transnational organisation such as Nike, BP, BHP/Billiton, NAB, Ford, McDonalds, and present your case study as a written report or in multimedia format

simulate a meeting of an international organisation such as the UN, WTO or IMF to solve an economic problem such as the economic collapse of a country or region, an environmental issue or trade issue

undertake problem-solving exercises using cost-benefit analysis; examples of issues to explore could include: should Australian manufacturing be protected through the use of subsidies and tariffs?

prepare a news article or report for a radio or TV show that discusses the factors shaping the speed and extent of globalisation in the twenty-first century

Detailed example

GLOBALISATION FORUM

Who are the players in the globalisation debate? Students are to select a group or individual with a view on globalisation for research (possible groups or individuals are listed below; however, if there is another group or individual you would like to represent, negotiate this with your teacher). Students will prepare a short report that summarises the position and views of the group or individual about globalisation. Students will need to decide if their individual or group supports globalisation or has concerns about globalisation and list reasons for their views. Following the research, students will be invited to present their report/case at a globalisation forum. Each student will be asked to talk for 2–3 minutes. As students present, the rest of the class is to record reasons why each role supports globalisation or has concerns about globalisation. Once all the class has presented, discuss the outcomes of the presentations, summarising cases for or against globalisation. Following the forum, you will be asked to write a piece of reflective writing (750–1000 words). Each student considers globalisation, and any issues that may form the basis of further investigation, and how the forum has extended their understanding of the debates surrounding globalisation.

One of the best resources to help you prepare for the forum is the website www.globalisationguide.org.au

The individual or groups who may present at the forum could include:

- World Trade Organisation (WTO)
- International Monetary Fund (IMF)
- United Nations (UN)
- World Bank
- Organisation for Economic Co-operation and Development (OECD)
- World Economic Forum (WEF)
- Austrade
- Australian exporters
- Australian consumers
- Consumers in Developing countries such as Vietnam
- Workers in Developing countries such as Vietnam
- Australian workers
- World Vision
- Greenpeace
- APEC
- ACTU
- Oxfam
- World Business Council for Sustainable Development
- Community Aid Abroad
- Friends of the Earth
- The Australian Treasurer
- The Australian Prime Minister
- The President of the USA
- The Australian Minister for the Environment
- CEO of British Petroleum (BP)
- CEO of RipCurl
- CEO of Penfolds Wines
- CEO of General Motors (GM)

Unit 3: Economic activity

AREA OF STUDY 1: An introduction to microeconomics: The market system and resource allocation

Outcome 1

Explain how markets operate to allocate scarce resources, and discuss the extent to which markets operate freely in Australia.

Examples of learning activities

construct a mind map (include annotations, illustrations, diagrams, etc.) which shows your understanding of how markets operate to allocate scarce resources

draw and use demand and supply curves based on a number of scenarios to demonstrate your understanding of how markets operate

analyse the costs and benefits of the federal government providing a laptop computer for all secondary students in Australia; make a recommendation on whether or not implementing this program is a good economic decision

explain why there is a role for government in dealing with pollution, medical research, defence and welfare; describe what this role would be; identify and explain other examples of roles for government in the economy

undertake a jigsaw group work task in order to learn about sources of market failure, including market power, public goods, externalities and asymmetric information

source the media to find examples of market failure and/or government intervention in the market

divide the class up into groups; each group is to be allocated four or five 'dot points' under key knowledge and key skills in Area of Study 1 in Unit 3; the group is required to design a test of five multi-choice and five short-answer questions related to their allocated areas of key knowledge and key skills; each group is to write suggested solutions to accompany their test questions; collect all samples and put together a sample test for the whole class consisting of the student-generated examples

write a 1000-word essay that discusses the differences between an increase or decrease in demand or in supply as demonstrated by a move to the left or right in the demand or supply curve; also consider the expansion or contraction of demand or supply as indicated by a movement along the existing demand or supply curve; draw graphs to illustrate your discussion and provide examples where appropriate

the Australian economy is an example of a modified market economy; explain the meaning of this statement to someone who has no knowledge of economics

divide the class into small groups; each group is allocated one of the forms of market structure, that is, one of perfect competition, monopolistic competition, oligopoly or monopoly; each group is to research their form of market structure using the following to scaffold their research

- explain the meaning of this form of market structure, commenting on the degree of competition in this market, and the impact this may have on price setting, efficiency in resource allocation and living standards
- if possible, provide examples of this form of market structure in action

following the group's research, the group is to make a podcast as a record of their findings; students to share their podcasts so that they have access to the completed research on the range of market structures

Detailed example 1**MIND MAP**

Using the concepts listed below, students construct a mind map (include annotations, illustrations, diagrams, etc.) which shows their understanding of how markets operate to allocate scarce resources. Students could use a computer program such as Inspiration to assist them in the construction of their map. They may add extra concepts if they wish. Once they have constructed the maps, they will be asked to present each map to the class, explaining why they used certain concepts.

- Demand
- Supply
- Price
- Quantity
- Demand curve
- Supply curve
- Elasticity of demand
- Elasticity of supply
- Market
- Equilibrium price
- Consumer sovereignty
- Factors affecting demand
- Prices of substitutes
- Prices of complementary goods
- Buyers' incomes
- Population changes
- Factors affecting supply
- Costs of production
- Technological change
- The effects of nature
- Producers
- Households
- Governments
- Market structures

Detailed example 2**JIGSAW GROUP WORK TASK**

This group work task investigates sources of market failure. Set the class up into home groups of four students. Each student is allocated a number 1–4. The class then moves to 'expert' groups which are made up of all the students with the number 1 in one group, all students with the number 2 in another group and so on, until there are four expert groups. Each expert group will undertake the following:

Expert group 1 will investigate how market power may be a source of market failure.

Expert group 2 will investigate market failure and the role of public goods.

Expert group 3 will investigate market failure and the role of externalities.

Expert group 4 will investigate market failure and the role of asymmetric information.

Following the investigation, each expert moves back to their home group. Each expert must 'teach' the other members of their group about their particular source of market failure, and provide a copy of written notes about their expert area for each member of their home group.

AREA OF STUDY 2: An introduction to macroeconomics: Output, employment and income

Outcome 2

Explain the nature and importance of key economic goals in Australia, describe the factors that might have influenced the achievement of these goals over the past four years, and analyse the impact each of these goals may have on living standards.

Examples of learning activities

undertake the 'Selecting the odd one out' activity to enhance students' understanding of economic terms and concepts, and ability to apply processing and reasoning skills

use the following scenarios to analyse possible effects on the rate of inflation: petrol prices rise by 30 per cent in one year; Australia is experiencing a drought across rural areas; wages prices rise by an average of 10 per cent in one year; all wage and salary earners are awarded income tax cuts; the government introduces a carbon tax; interest rates are falling; world economic growth is booming; commodity prices are rising

assess whether the theory of the business cycle can be applied to explain trends in the performance of the Australian economy over the last four years or so

discuss reasons why, in the simple two sector circular flow model, income, output and expenditure must always be equal

draw your own version of the circular flow model and show as many of the connections and the relationships between the various sectors as you can

imagine you have been commissioned to write a section in a study guide for VCE Unit 3 Economics on the standard of living; prepare such a section using the following to scaffold your thinking:

- define material and non-material living standards and the nature and purpose of economic activity as it relates to living standards and long-term economic prosperity
- describe factors influencing living standards; include income per capita, environmental quality and the distribution of income
- outline ways of measuring economic growth and living standards; the limitations of GDP as a measure of living standards and alternative measures of living standards including Genuine Progress Indicator (GPI) and Measuring Australia's Progress (MAP)
- the relationship between the achievement of strong and sustainable economic growth, low inflation, full employment, external stability and equity of income distribution and the standard of living

using ICT sources such as the Internet and databases, research changes in key economic variables in Australia over the past four years; write a report on the performance of the Australian economy over this period

using ICT, construct statistical tables and graphs which track changes in key Australian economic variables over the past four years; annotate these tables and graphs with explanations of the key factors that caused changes in the performance of these variables

use predict, observe, explain (POE) exercises to track changes in economic variables during the semester

debate the relative importance of each economic goal in Australia in the current context

design a web page which provides information about the current performance of the Australian economy

prepare a report which evaluates how well the Australian economy has been performing over the past four years

Detailed example**SELECTING THE ODD ONE OUT**

This approach is called '**Selecting the odd one out**'. The procedure uses a very simple format in asking students to select the 'odd one out' from a list of concepts, terms, phrases, factors, etc.

The advantages associated with the use of this approach include:

- Students become more familiar with the meanings of key economic concepts and terms, related to the characteristics which require them to select the 'odd one out'. The confident knowledge and use of economics vocabulary is vital for students to maximise performance in assessment tasks and examinations.
- Students are required to apply processing skills as they sort, classify, analyse part/whole relationships, compare and contrast as they select their 'odd one out'. Thus students are encouraged to see the differences and similarities between concepts and terms, rather than seeing them as a collection of disconnected words. Again assessment and examination performance should be enhanced as students practise the logic required to explain and analyse economic relationships and to consider the 'what if? Then ...' type scenarios. This approach practises the logic students use in tackling multiple-choice questions and so enables students to improve their multiple-choice technique.
- Students practise reasoning skills as this approach requires students to give reasons for opinions, to draw inferences and make deductions and to use precise language to explain what they think.
- Using the extension activities associated with this approach, students are encouraged to think creatively, to generate and extend ideas and to apply imagination.
- The approach is fun (it could almost be considered as a 'game') and can be used flexibly (as a revision task, a paired task as one activity in a lesson, a homework task, an extension task and so on).

Instructions

Distribute a prepared list of key concepts, term, phrases, etc. These lists can be drawn up using concepts and terms associated with key knowledge from various areas of study in the study design. These lists can be constructed by the teacher or by students through a brainstorm. The first exemplar provided draws together concepts and terms that would be used in Area of Study 1/Outcome 1

in Unit 3 VCE Economics. A variation to simply using concepts and terms would be to list actual theoretical examples of changes in variables. This enables students to think about how variables would work together to influence an objective, for example. A second exemplar is provided to illustrate this approach.

Read through Task 1. Explain that the numbers are used as a reference system for the concepts, terms, phrases, etc.

Explain that each list as indicated by the numbers has an 'odd one out'. Students must select the odd one out and record why they have made their selection.

Following discussion of responses, students should tackle some or all of the extension tasks nos. 2–4.

Student instructions

The list consists of concepts and terms you may have come across during your work on Area of Study 2 in Unit 3. You are going to use these concepts and terms to complete the following tasks.

List of concepts

1. consumer confidence
2. business confidence
3. participation rate
4. government spending
5. profitability
6. inflationary expectations
7. household disposable income
8. wages costs
9. export prices
10. levels of overseas inflation
11. levels of overseas economic activity
12. personal income tax rates
13. availability of credit
14. economies of scale
15. social welfare payments
16. import prices
17. real unit labour costs
18. size of the labour force
19. interest rates
20. population growth
21. company tax
22. government taxes and charges
23. prices of raw materials
24. cost of credit
25. energy costs
26. distribution of income
27. exchange rates
28. productive capacity

continued

Detailed example (continued)**Task 1**

Working with a partner, look at the sets of numbers below, which match to a concept or term from the list. Write the set in your notebooks. Then decide which of the set is the 'odd one out'. Compare your answer with your partner, discussing reasons for your selection. Agree on an answer and underline the 'odd one out'. Write a brief explanation of what three have in common and why one concept or term is an odd one out. For example,

Set A 1 7 3 4

1 is consumer confidence

7 is household disposable income

3 is participation rate

4 is government spending

1, 7 and 4 are examples of aggregate demand factors which affect levels of aggregate demand in the economy, thus affecting levels of economic activity. 3 the participation rate is an aggregate supply factor affecting the level of economic activity. The participation rate is the percentage of the population aged 15 and over who are either actively employed as part of the labour force or actively seeking employment. Higher participation rates increase the size of the labour force and improve productive capacity, thus raising aggregate supply and the level of economic activity.

Set A 1 7 3 4

Set B 11 8 23 25

Set C 2 15 12 16

Set D 1 19 5 28

Set E 9 17 10 6

Set F 4 8 15 26

Set G 2 7 25 10

Set H 19 22 13 24

Set I 16 27 10 23

Set J 21 5 14 1

Set K 2 19 10 1

Set L 20 4 19 28

Extension Task 2

Now you have started to see a pattern, add an extra concept or term from the list to each set, but keep the same odd one out.

Extension Task 3

Now try to put together your own sets of concepts and terms with an odd one out. Swap your sets with your partner and see if they can work yours out and vice versa.

Extension Task 4

Now organise all the concepts and terms into groups. You should create between 2 and 8 groups and each group must be given a descriptive heading that unites the concepts and terms.

Unit 4: Economic management

AREA OF STUDY 1: Macroeconomic demand management policies

Outcome 1

Explain the nature and operation of government macroeconomic demand management policies, explain the relationship between budgetary and monetary policy, and analyse how the policies may be used to achieve key economic goals and improve living standards in Australia.

Examples of learning activities

simulate the sort of decision making required when the Reserve Bank of Australia Board meets to consider changes in monetary policy and/or when the Department of Treasury meets to advise the Treasurer on preparations for the annual Commonwealth budget

undertake an investigation of the policy changes announced in the Commonwealth Budget in the current year; outline how these policy changes might impact on key economic goals

write an article for the business section of the local newspaper explaining what monetary policy is and how changes in interest rates might affect the level of aggregate demand, the rate of economic growth and the inflation rate

governments in Australia in recent years have conducted a number of reviews of taxation policies; the class is to hold a summit where Australia's taxation policies are reviewed; at the summit, conduct an inquiry into what makes a tax a 'good' tax; evaluate a range of taxes using the criteria drawn up from the inquiry and make recommended changes to the government based on the deliberations; consider the following aspects in the deliberations:

- the suitability of the current taxation mix such as the use of direct and indirect taxes and the rates at which taxes are levied – progressive, regressive, proportional
- the use of taxes to achieve goals related to equity, sustainability, economic growth

undertake problem-solving exercises where students are presented with data about the performance of the economy, and are asked to apply appropriate macroeconomic demand management policies to suit the conditions

use predict, observe, explain (POE) exercises to track changes in monetary policy settings across the semester

write a letter to the editor outlining your opinion by either justifying or challenging the government's current stance on monetary policy or budgetary policy

Detailed example 1

SIMULATION ACTIVITIES

Simulation 1

Play the roles of members of the Reserve Bank Board of Australia as they meet to decide whether they would recommend an expansionary policy (lowering interest rates) or a contractionary policy (raising interest rates) or a neutral stance (interest rates should remain on hold), using the following scenarios:

Scenario 1

Data shows that world economic growth has seriously declined while aggregate demand in Australia remains at robust levels.

Scenario 2

Data shows that aggregate demand and economic growth in Australia has slowed to low levels and that unemployment is rising.

Scenario 3

Data shows that annual inflation rates are above 5 per cent and that the economy is facing capacity constraints and skills shortages.

Justify your recommendations for each scenario by writing a media release explaining each recommendation.

Simulation 2

Imagine you are working in the Commonwealth Treasury Department advising the Treasurer on planning for the budget.

When considering the following scenarios, what discretionary changes would you recommend for budgetary policy?

Scenario 1

Cyclical and structural unemployment levels in Australia are rising with low rates of economic growth being experienced.

Scenario 2

The economy is experiencing boom conditions. Inflation rates are above the target levels set by the Reserve Bank of Australia. There is strong employment growth, and surging commodity prices and house prices.

Scenario 3

World financial markets are in crisis which has resulted in a credit squeeze and very low levels of economic growth. Some major trading partner economies are experiencing recession. As a result levels of aggregate demand and confidence in Australia are at very low levels.

Justify your recommendations for each scenario by writing a memo to the Treasurer explaining each recommendation.

Detailed example 2**BUDGET INVESTIGATION AND REPORT**

Undertake an investigation of the Commonwealth Budget in this current year. Imagine you are working as an economist for one of Australia's large banks. Prepare a report for bank clients which outlines the key features of this Budget. Make comments and provide examples under the following headings:

- Automatic stabilisers
- Discretionary changes in government expenses
- Discretionary changes in government taxation
- Changes in other sources of revenues
- Changes in the size of government expenses
- The budget outcome/stance – expansionary? Or contractionary?
- Budget objectives
- Budget constraints
- The role of Budgetary policy in the overall policy mix
- Equity in the distribution of income and wealth

Assess the impact on:

- Consumer confidence
- Business confidence
- Interest rates
- The Australian dollar
- The size of the CAD
- National savings
- Economic growth
- The unemployment rate
- The inflation rate

- Aggregate demand
- Aggregate supply
- Equity in the distribution of income and wealth
- The efficient allocation of resources

Make judgments about the budget using the following categories:

- Politics – Is there evidence of unpopular decisions/cuts to government spending in the budget? Have election promises been adopted? Provide evidence of possible ways politics has shaped the budget.
- Political Party – What economic principles/philosophies are in evidence? [Examples could be drawn from the following – which are supported by the current political party in power? Economic rationalism, Keynesian principles, privatisation, 'smaller'/'bigger' government, welfare state and so on].
- Pressure groups – Is there any evidence that pressure groups (such as environmentalists) were able to influence budget outcomes? Provide examples.
- Projections/forecasts about the state of the economy – How have recent levels of economic activity impacted on budget outcomes? What are the projections for the Australian economy over the next year? Explain how these projections have influenced this year's budget settings.

Use the Budget website to assist in your analysis at www.budget.gov.au

AREA OF STUDY 2: Aggregate supply policies

Outcome 2

Explain the nature and operation of government aggregate supply policies, analyse how they may be used to achieve key economic goals and improve living standards in Australia, and analyse the current government policy mix.

Examples of learning activities

Select one example of microeconomic reform policy from

- labour market reform
- deregulation of key markets
- trade liberalisation
- National Competition Policy

Investigate and write up a report on the current operation of this policy

create a podcast; allocate one example of a supply side policy (from the key knowledge in Area of Study 2) to each member of the class; each student is to research their supply side policy and prepare a podcast which reports the findings of their research; share each podcast with the whole class

using scenarios below, students develop recommendations about the possible policy mix that might be appropriate in the economic circumstances; develop a statement for the Treasurer and Finance Minister outlining a possible policy mix appropriate to tackle this situation

- example scenario 1 – the economy is in recession but inflation remains at stubbornly high levels
- example scenario 2 – there is an urgent need to tackle climate change and the economy is in recession
- example scenario 3 – the world economy is in recession while demand in the domestic economy is very strong

collect a range of media sources about supply side policies for a folio; select two articles which provide in your opinion the best examples of current illustrations about the operation of supply side policies in the Australian economy; for each article, justify why you have selected this article, outline the 'big ideas' presented in the articles, detect any bias in the articles and assess the validity of economic arguments presented

The Stern Review on the Economics of Climate Change (2006) suggests that climate change threatens to be the greatest and widest-ranging market failure ever seen; prepare a report which outlines how one environmental policy has been or may be designed to tackle climate change and affect the level of aggregate supply, long-term economic prosperity and living standards

Detailed example 1

INVESTIGATION AND REPORT

Investigate one of these microeconomic reform policies:

- Labour market reform
- Deregulation of key markets
- Trade liberalisation
- National Competition Policy.

Write up your investigation as a report for a print publication or for the Internet. Explain the aims of the reform, recent reform initiatives taken in the reform area and examine the likely effect of the selected reform on Australia's key economic goals and living standards.

Detailed example 2

PODCASTS

Allocate one example of a supply side policy (from the key knowledge in Area of Study 2) to each member of the class. Each student is to research their supply side policy using the following activities to scaffold their research and prepare a podcast which reports the findings of their research. Podcasts may then be shared across the class so that all students have a record of the research and responses to the activities. (There are many examples of podcasts available online – check out those provided by Tim Harcourt, Austrade Economist, available at The Economist's Corner at www.austrade.gov.au/.)

1. Explain the aim of the policy and how it is designed to affect the supply side of the economy.
2. Detail recent developments related to the implementation of the policy.
3. Outline the likely affects of this policy on Australia's competitiveness, productive capacity, resource allocation, inflation, economic growth and living standards.
4. List the possible costs and benefits associated with the implementation of this policy.