

# UNIT 3 & 4 ECONOMICS

## UNIT 3

In this unit students investigate the role of the market in allocating resources and examine the factors that affect the price and quantity traded for a range of goods and services. Students consider contemporary issues to explain the need for government intervention in markets and why markets might fail to maximise society's living standards.

Students develop an understanding of the macroeconomy. They investigate the factors that affect the level of aggregate demand and aggregate supply in the economy and apply theories to explain how changes in these variables might affect achievement of domestic macroeconomic goals and living standards.

Students investigate the importance of international economic relationships and the effect of these on Australian living standards. Students analyse how international transactions are recorded, and examine how economic factors might affect the value of the exchange rate, the terms of trade and Australia's international competitiveness.

### AREA OF STUDY

- 1) An introduction to microeconomics: the market system, resource allocation and government intervention
- 2) Domestic macroeconomic goals
- 3) Australia and the international economy

### OUTCOMES

**Outcome 1:** Analyse how markets operate to allocate resources and evaluate the role of markets and government intervention in achieving efficient outcomes.

**Outcome 2:** Analyse key contemporary factors that may have affected domestic macroeconomic goals over the past two years, evaluate the extent to which the goals have been achieved and discuss the effects on living standards.

**Outcome 3:** Analyse the factors that may affect the exchange rate, terms of trade and Australia's international competitiveness, and discuss their impact on Australia's international transactions and the achievement of the domestic macroeconomic goals and living standards.

## UNIT 4

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

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

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

### AREA OF STUDY

- 1) Aggregate demand policies and domestic economic stability
- 2) Aggregate supply policies

### OUTCOMES

**Outcome 1:** Discuss the operation of aggregate demand policies and analyse their intended effects on the achievement of the domestic macroeconomic goals and living standards.

**Outcome 2:** Discuss the operation of aggregate supply policies and analyse the effect of these policies on the domestic macroeconomic goals and living standards.