

Curriculum Description for Australian Matriculation (Tertiary Entrance Examinations)

E304 ECONOMICS (YEAR 12) - 2006-2007

Introduction

It would be beneficial for students undertaking this subject to have acquired certain concepts and understandings from the Year 11 Economics subject.

In the TEE, questions may be set requiring the use of the following concepts and understandings from the Year 11 subject: opportunity cost, production possibility curves, factors of production, demand and supply, the price mechanism and price elasticity of demand.

Conceptual Objectives

1. Macroeconomics

Students should be able to:

1.1 Nature of Macroeconomics

- distinguish between macroeconomics and microeconomics
- explain the relevance of the study of macroeconomics
- describe the state of economy by reference to economic indicators.

1.2 Relationship between Total Spending, Total Output and Total Income

- define the terms 'total spending', 'total output' and 'total income'
- use the circular flow model to describe the interaction of sectors in the economy
- describe the relationship between total spending, total output and total income
- describe the concept of equilibrium
- identify leakages and injections in the circular flow model
- outline the overall consequences of leakages and injections on the level of output, income and spending
- explain how changes in leakages and injections can alter the level of equilibrium

1.3 The Level of Economic Activity

- using the Keynesian expenditure model explain the role of aggregate expenditure in determining the level of economic activity
 - utilise the aggregate expenditure equation to identify and describe the components of expenditure
 - examine the economic impact of changes in each of the components of expenditure
 - outline the multiplier process as it affects the components of aggregate expenditure
 - outline the characteristics of the business (economic) cycle and give reasons for changes in that cycle.
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1.4 Problems of Macroeconomics

- define 'inflation' and discuss its causes and effects
- define 'unemployment' and discuss its causes and effects
- define 'economic growth', and discuss its measurement, sources, causes and effects
- discuss possible relationships between inflation unemployment and economic growth
- utilise appropriate economic models to illustrate the above concepts e.g. the Keynesian cross/aggregate expenditure model; the aggregate demand/ aggregate supply model; the Phillips Curve; the production possibilities frontier (curve).

2. International Economics

Students should be able to:

2.1 Why Nations Trade

- outline the significance of international trade for the Australian economy
- use the comparative advantage model to demonstrate the global and national benefits of specialisation and free trade.

2.2 Issues in International Trade

- identify various forms of protection
- explain the effects of a tariff and a subsidy
- outline reasons for and consequences of changing the level of protection in Australia
- discuss the economic arguments for and against trade liberalisation.

2.3 Australia's Balance of Payments

- list the principal exports and imports
- identify Australia's principal trading partners
- describe changes in the pattern of Australia's trade
- describe the structure of Australia's balance of payments
- describe and account for changes in Australia's current account deficit (CAD) over recent years.

2.4 Australia's Foreign Debt

- define the term 'foreign debt'
- identify the components of Australia's foreign debt (private and government)
- discuss the significance of the foreign debt.

2.5 Terms of Trade

- define the 'Terms of Trade'
- calculate a Terms of Trade index
- describe recent trends in Australia's Terms of Trade and comment on their economic implications.

2.6 Exchange Rate

- explain how the value of the Australian dollar is determined
 - define 'appreciation' and 'depreciation'
 - use supply and demand analysis to account for changes in the value of the Australian dollar
 - discuss the effects of movements in the exchange rate on various sectors of the Australian economy.
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2.7 Foreign Investment

- define the different forms of foreign investment
- outline the arguments for and against foreign investment in Australia.

3. Economic Policy

Students should be able to:

3.1 Nature and Scope of Government

3.1.1 *Government intervention in the economy*

- discuss reasons for government intervention in the economy
- list the economic roles of government including the provision of public utilities, influencing business activity, production of collective goods, provision of welfare, and economic management.
- briefly indicate the size of the government sector in the Australian economy, relative to other economies (e.g. OECD countries).

3.1.2 *Government economic objectives*

- outline the major economic objectives of the government: efficient resource allocation, full employment, price stability, external balance, economic growth and equitable income distribution
- indicate the extent to which government economic objectives may conflict with and complement each other.

3.1.3 *The Australian taxation system*

- describe the main types of Federal taxes (personal and income tax, goods and services tax, company tax, capital gains tax, fringe benefits tax, excise duty)
- distinguish between direct/indirect taxation; progressive/regressive/proportional taxation; taxes on income/expenditure
- describe the criteria by which a taxation system can be evaluated
- describe and account for changes in Australia's taxation system over recent years
- evaluate the economic arguments for the introduction of the goods and services tax in Australia.

3.2 Economic Policies

Recognise that the policies described in 3.2.1 to 3.2.3 are designed to achieve each of the economic objectives outlined in 3.1.2 above.

3.2.1 *Fiscal Policy*

- define 'fiscal policy'
 - identify different budget outcomes
 - explain how fiscal policy may be used to affect the level of economic activity
 - explain why the actual budget outcome may differ from the intended outcome
 - describe the method of financing a budget deficit and possible use of a budget surplus
 - recognise that fiscal policy has automatic (or cyclical) elements
 - describe the strengths and weaknesses of fiscal policy.
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3.2.2 Monetary Policy

[Money supply and credit creation are not part of the syllabus.]

- define 'monetary policy'
- outline circumstances under which the Reserve Bank may change interest rates
- discuss the impact of changing interest rates on the level of economic activity
- describe the strengths and weaknesses of monetary policy.

3.2.3 Microeconomic reform

- define 'microeconomic reform'
- using examples describe the relationship between microeconomic reform and structural change
- discuss the importance of microeconomic reform for the achievement of government economic objectives.

3.3 Economic Objectives and Policies: Recent Australian Experience

- identify current government and Reserve Bank economic priorities
- suggest a range of policies which could be applied to current economic conditions, and indicate possible conflicts in these policies.

Teaching - Learning Program

The subject is made up of three compulsory sections:

Macroeconomics

International Economics

Government Economic Policy.

Resources

Textbooks

Placement of references under the textbook heading **does not** make the use of these publications mandatory. Schools may select alternative references as textbooks.

Parry, G., and Kemp, S., *Exploring Macroeconomics*, (5th ed.), Tactic Publications, Perth, 1999.

Rogers, G., *TEE Economics Course Notes*, (3rd ed.), Oracle Publications, 1997.

Workbooks

Parry, G., and Kemp, S., *Exploring Macroeconomics Workbook 5*, Tactic Publications, Perth, 1999.

Teague, M., Tibbitt, A. and Miller, B., *Foundations of Economics: Workbook for Year 12 (4th ed)*, Addison Wesley Longman, Melbourne, 1997.

Examination Details

The examination will consist of one written paper of three hours duration. The three sections of the subject (Macroeconomics, International Trade and Economic Policy) will carry approximately equal weight.

Section A: Multiple choice questions (25 %)

Section B: Data interpretation (30%)

Section C: Extended writing (45%). There will be a choice of questions in Section C.

Resources:

- Candidates will need a 2B, B or HB pencil for answering multiple choice questions.
 - Calculators satisfying the conditions set by the Curriculum Council for this subject, which are listed on the Curriculum Council website:
www.curriculum.wa.edu.au/pages/student/calculators.htm
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