**ATAR ECONOMICS**

UNITS 3 AND 4

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| **GLOBAL INTERDEPENDENCE** | |
| * Linkages between economies including trade, investment, tourism, and immigration |  |
| * The patterns and trends in global trade |  |
| * The concept and determinants of international competitiveness |  |
| * The concept and extent of globalisation |  |
| * The factors facilitating globalisation |  |
| * The economic effects of globalisation |  |

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| **FREE TRADE AND PROTECTION** | |
| * The significance of trade for the Australian economy |  |
| * Sources of comparative advantage |  |
| * Demonstrate the gains from specialisation and trade, i.e., the theories of absolute and comparative advantage using the demand and supply model, the PPF or the concept of opportunity cost |  |
| * Identify different forms of protection |  |
| * Demonstrate the operation of tariffs and subsidies as forms of protection and their effects on trade and market efficiency |  |
| * Arguments for and against trade liberalisation |  |
| * The influence of trade agreements, organisations, and blocs on world trade |  |

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| **PATTERNS OF TRADE** | |
| * Australia’s trade intensity |  |
| * Patterns and trends in the composition and direction of Australia’s trade |  |

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| **BALANCE OF PAYMENTS** | |
| * Structure of Australia’s balance of payments and the concept of the current account balance |  |
| * Recent (the last ten years) trends in Australia’s current account |  |
| * Structural and cyclical reasons for Australia’s current account deficit |  |
| * Differing views as to the significance of Australia’s current account deficit |  |

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| **TERMS OF TRADE** | |
| * The concepts of the terms of trade and the terms of trade index |  |
| * Factors that affect the terms of trade |  |
| * Recent (the last ten years) trends in Australia’s terms of trade |  |
| * The significance of changes in Australia’s terms of trade |  |

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| **EXCHANGE RATES** | |
| * The concept of an exchange rate |  |
| * Demonstrate the determination of, and movements in, the exchange rate under a freely floating system using the demand and supply model |  |
| * The trade weighted index |  |
| * Demonstrate the impact of changes in the factors that affect the exchange rate using the demand and supply model |  |
| * The relationship between the balance of payments and the exchange rate |  |
| * Effects of movements in the exchange rate on various sectors of the economy |  |
| * Recent (the last ten years) trends in Australia’s exchange rate |  |

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| **FOREIGN INVESTMENT** | |
| * The concept of foreign investment in terms of foreign assets and foreign liabilities |  |
| * The concept of foreign liabilities i.e., foreign debt and equity |  |
| * The relationship between the current account outcome and foreign liabilities |  |
| * The extent of, and recent (the last ten years) trends in Australia’s foreign direct investment and foreign debt |  |
| * Benefits and costs of foreign direct investment and foreign debt to Australia |  |

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| **THE BUSINESS CYCLE** | |
| * The concept of the business cycle |  |
| * Characteristics of the phases, and causes, of the business cycle |  |
| * The relationship between the business cycle and economic indicators |  |

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| **THE AGGREGATE EXPENDITURE MODEL** | |
| * The components of aggregate expenditure (AE)   + Consumption   + Investment   + Government spending   + Net exports |  |
| * Factors affecting each of the components of aggregate expenditure |  |
| * The relationship between the consumption function, the marginal propensity to consume and the marginal propensity to save |  |
| * The concept of macroeconomic equilibrium |  |
| * The impact of changes in aggregate expenditure on the equilibrium level of income/output using the AE model |  |
| * The impact of changes in each of the components of aggregate expenditure i.e. the multiplier process using the AE model |  |

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| **THE AGGREGATE DEMAND AND AGGREGATE SUPPLY MODEL** | |
| * The aggregate demand (AD) curve and factors that can cause movements along and shifts of the AD curve |  |
| * The aggregate supply (AS) curve and factors that can cause movements along and shifts of the AS curve |  |
| * Macroeconomic equilibrium using the AD/AS model |  |
| * The impact of changes in aggregate demand and aggregate supply on the equilibrium level of income/output using the AD/AS model |  |
| * The use of the AD/AS model to explain the business cycle |  |

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| **ECONOMIC POLICY OBJECTIVES** | |
| * The economic objectives of the Australian Government   + Sustainable economic growth   + Low inflation (price stability)   + Low unemployment (full employment)   + A more equitable distribution of income   + The efficient allocation of resources |  |
| * The economic policy objectives of the Reserve Bank of Australia (RBA) |  |
| * The extent to which the economic objectives of the Australian Government may conflict and complement each other |  |
| * The time lags which occur in the use of economic policies i.e. recognition, decision (implementation) and effect (impact) lags |  |

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| **FISCAL POLICY** | |
| * The concept of fiscal policy |  |
| * The components of government revenue and expenditure in the budget |  |
| * The different budget outcomes i.e. balanced, surplus and deficit budgets |  |
| * Reasons that account for differences between planned and actual budget outcomes |  |
| * Methods of financing a budget deficit and the uses of a budget surplus |  |
| * The distinction between automatic fiscal stabilisers and discretionary fiscal policy |  |
| * The distinction between budget outcomes associated with automatic fiscal stabilisers and budget outcomes associated with discretionary fiscal policy |  |
| * The concepts of expansionary, contractionary and neutral fiscal policy stances |  |
| * The impact of different fiscal policy stances on the level of economic activity |  |
| * Strengths and weaknesses of fiscal policy |  |
| * Contemporary (the last three years) fiscal policy stances in Australia |  |

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| **MONETARY POLICY** | |
| * The concepts of monetary policy and the cash rate |  |
| * Circumstances under which the RBA may change the cash rate |  |
| * How monetary policy affects the level of economic activity i.e. The transmission mechanism |  |
| * The concepts of expansionary, contractionary and neutral monetary policy stances |  |
| * The impact of different monetary policy stances on the level of economic activity |  |
| * Strengths and weaknesses of monetary policy |  |
| * The distinction between budget outcomes associated with automatic fiscal stabilisers and budget outcomes associated with discretionary fiscal policy |  |
| * Contemporary (the last three years) monetary policy stances in Australia |  |

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| **STRUCTURAL CHANGE** | |
| * The concept, and main causes, of structural change |  |
| * The effects of structural change |  |
| * The relationship between economic growth and structural change |  |

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| **PRODUCTIVITY** | |
| * The concept of productivity |  |
| * The distinction between labour productivity and multifactor productivity the relationship between productivity and economic growth |  |
| * Recent (the last ten years) government policies that promote productivity and economic growth, such as labour market reform, taxation reform, trade liberalisation, deregulation and competition policy, investment in infrastructure, education and training, research and innovation |  |
| * The impact of productivity on the achievement of macroeconomic objectives |  |