**Sample Course Outline**

Economics

General Year 12

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# Sample course outline

# Economics – General Year 12

## Semester 1 – Unit 3 – Microeconomics

| **Week** | **Key teaching points** |
| --- | --- |
| 1 | **Introduction to markets*** The functions of an economic system
* The characteristics of a market economy
* The distinction between a product market and a factor market
* The characteristics of a competitive market
* The characteristics of a non-competitive market
 |
| 2–4 | **Demand*** The meaning of demand
* A demand curve and a demand schedule
* The law of demand
* The relationship between individual and market demand schedules and curves
* The importance of the *ceteris paribus* assumption in drawing a demand curve
* The substitution effect and the income effect
* The effect of a change in price on a demand curve (expansion/contraction)
* The factors affecting demand other than price
* The effect of changes in non-price factors on a demand curve (increase/decrease)
* The difference between a normal good and an inferior good

**Supply*** The meaning of supply
* A supply schedule and a supply curve
* The law of supply
* The relationship between individual and market supply schedules and curves
* The importance of the *ceteris paribus* assumption in drawing a supply curve
* The reasons for the law of supply
* The effect of a change in price on a supply curve (expansion/contraction)
* The factors affecting supply other than price
* The effect of non-price factors on a supply curve (increase/decrease)
 |
| 5–6 | **Equilibrium*** The meaning of equilibrium
* The determination of equilibrium from a demand schedule and a supply schedule
* The determination of equilibrium from a demand curve and a supply curve
* The meaning of excess demand and the effect on price
* The meaning of excess supply and the effect on price
* A demand/supply graph showing a surplus
* A demand/supply graph showing a shortage
* Price adjustment to clear shortages and surpluses in a competitive market (the price mechanism)
* The effect of changes in demand on market equilibrium
* The effect of changes in supply on market equilibrium
* The effect of changes in demand and supply on market equilibrium
 |
| 7–8 | **Elasticity*** The meaning of price elasticity of demand
* The difference between elastic demand and inelastic demand
* Different methods to measure price elasticity of demand
* The meaning of total revenue (TR)
* The effect on total revenue when price is changed and demand is elastic
* The effect on total revenue when price is changed and demand is inelastic
* The determinants of price elasticity of demand
* The meaning of income elasticity of demand
* The behaviour of normal goods and inferior goods in response to changes in income
* The meaning of price elasticity of supply
* The difference between elastic supply and inelastic supply
* The factors that determine price elasticity of supply
* The significance of price and income elasticity for consumers, businesses and government
 |
| 9–13 | **Market failure and government policies*** The meaning of economic efficiency
* The meaning of ‘market failure’

**Market failure – market power*** The efficiency of a competitive market
* The characteristics of an imperfect market
* The effect of barriers to entry on competition
* A comparison of price and output in imperfect markets compared to competitive markets
* The meaning of market power
* Examples of monopoly and oligopoly markets
* The effect of market power on price and output
* The meaning of anti-competitive behaviour
* Examples of anti-competitive practices: cartels; misuse of market power; exclusive dealing; resale price maintenance; predatory pricing; collective bargaining and boycotts
* The role of the ACCC in ensuring market efficiency
* Policy options to influence market power

**Market failure – externalities*** The difference between private benefits and external benefits of consumption
* The difference between private costs and external costs of production
* The meaning of ‘externality’
* The difference between a negative and a positive externality
* The concept of under-production (a positive externality) using a demand/supply model
* The concept of over-production (a negative externality) using a demand/supply model
* Government policies to correct for externalities

**Market failure – public goods and common resources*** The difference between rival and non-rival goods
* The difference between excludable and non-excludable goods
* Characteristics of a public good
* Public goods and the ‘free rider’ problem
* Characteristics of a common resource
* Common resources and the ‘tragedy of the commons’
* Types of public goods provided by the government
* Government action to protect common resources

**Market failure – equity*** The meaning of ‘equity’
* The relationship between efficiency and equity
* The difference between horizontal and vertical equity
* Government policies that increase equity
 |
| 14–15 | **Government policies*** The operation of price controls (price ceiling and price floor) using a demand/supply model
* The operation of taxes and subsidies using a demand/supply model
 |
| 16 | RevisionIn-class test on a representative sample of content from Unit 3 |

## Semester 2 – Unit 4 – Macroeconomics

| **Week** | **Key teaching points** |
| --- | --- |
| 1–3 | **Macroeconomic activity*** The subject matter of macroeconomics
* The relevance of macroeconomics
* The distinction between macroeconomics and microeconomics
* The basic circular flow model of the economy
* The key assumptions of the circular flow model
* The equality of total spending, total income and total production
* The extended circular flow model
* The meaning of ‘equilibrium’ in terms of the circular flow model
* The condition for equilibrium in terms of leakages and injections
* The effect of changes in leakages and injections on the level of equilibrium
* The four components of aggregate expenditure
* Factors that can affect the components of aggregate expenditure
 |
| 4 | **The business cycle*** The meaning of the business cycle
* The use of real GDP to measure the business cycle
* A diagram showing the business cycle (phases and turning points)
* The characteristics of each phase of the business cycle
* The difference between types of economic indicators (leading, lagging and coincident)
 |
| 5–8 | **Economic objectives*** The economic objectives of the Australian Government:
* sustainable economic growth
* full employment (low unemployment)
* price stability (low inflation)
* a more equitable distribution of income (reduced income inequality)
* the efficient allocation of resources

**Economic growth*** The meaning of economic growth
* The definition of gross domestic product (GDP)
* The difference between nominal and real GDP
* The measurement of economic growth
* The importance of real GDP per capita
* The limitations of GDP as a measure of economic welfare
* Factors that can determine long-term economic growth
* The costs and benefits of economic growth

**Inflation*** The meaning of inflation
* The consumer price index (CPI)
* The measurement of the rate of inflation using the CPI
* The difference between the ‘headline’ rate of inflation and the underlying or core rate of inflation
* The difference between demand inflation and cost inflation
* Factors that can increase the rate of inflation
* The costs of inflation on income distribution, economic growth and competitiveness
* The groups that gain from inflation and the groups that lose

**Unemployment*** The difference between the working age population and the labour force
* The meaning of unemployment
* The measurement of the unemployment rate and the labour force participation rate
* The effect of the business cycle on the unemployment rate and the labour force participation rate
* The difference between someone who is unemployed and underemployed
* The three main types of unemployment (frictional, structural and cyclical)
* Factors that can cause unemployment to increase/decrease
* The meaning of the ‘natural rate of unemployment’ and ‘full employment’
* The costs of unemployment to society and to the individual
* The short-term trade-off between unemployment and inflation (the Phillips curve)
 |
| 9–10 | **Balance of payments*** The benefits from trade (both exports and imports)
* The composition of Australia’s trade
* The direction of Australia’s trade
* Australia’s major export markets and import markets
* The importance of the Asia-Pacific region to Australia’s trade
* The definition of the balance of payments
* The difference between the current account and the capital and financial account
* The difference between a debit and a credit entry
* The main categories that comprise the current account
* The main categories that comprise the capital and financial account
* The reason why the balance of payments ‘balances’
* The effect of an increase in the current account on the capital and financial account
* The effect of an increase in the capital and financial account on the current account
 |
| 11 | **Income distribution*** The difference between the concepts of income, wealth and income distribution
* The meaning of a Lorenz curve
* A Lorenz curve graph
* The meaning of the ‘Gini coefficient’
* The ‘Gini coefficient’ as a measure of income inequality
 |
| 12 | **The public sector*** The meaning of a ‘modified market economy’
* The difference between the public and private sectors
* The need for government in a market economy
* The meaning and importance of the following roles:
* the regulation of business enterprises
* stabilising the business cycle
* the redistribution of income to reduce income inequality
* stabilising the business cycle
* The size of the government sector in Australia relative to other economies
* The growth in the size of the Australian government sector over time
* The fiscal responsibilities of the three tiers of government in Australia – Commonwealth, State and Local
* The main sources of revenue and outlays for the three tiers of government
 |
| 13 | **Taxation** * The difference between a direct tax and an indirect tax
* The difference between a progressive tax, a regressive tax and a proportional tax
* The main Commonwealth government taxes
* The criteria to assess a tax system (simplicity, equity and efficiency)
 |
| 14–15 | **Macroeconomic performance*** Australia’s macroeconomic performance over time (last 10 years) with respect to the following macro indicators:
* economic growth
* unemployment
* inflation
* current account balance/financial account balance
* the exchange rate
* graphs/data showing trends in each of these indicators
* The impact of recent domestic and international events on the Australian economy – events could include some of the following:
* the growth of the Chinese economy
* the global financial crisis (GFC)
* changes in Australia’s terms of trade
* the mining boom in Australia
* the collapse of Australia’s car industry
* the impact of drought on the Australian economy
* appreciation/depreciation of the Australian dollar
* changes in Australia’s productivity
* the ageing of Australia’s population
 |
| 16 | RevisionIn-class test on a representative sample of content from Unit 4 |