

## The Basics

Material needs and wants, making choices, opportunity cost, the role of consumers, business and government in the economic system, resources, consumer goods and capital items, technology, the idea of the potential of an economic system – Production Possibilities, under utilization and unemployment. What is The Business Cycle?

Skills calculating opportunity cost, reading and interpreting production possibility graphs, what could cause the graph to move?

## Production

Factors of production (land, labour capital and enterprise) and the returns to these (rent, wages, interest and profit), exchange, difference between production and productivity, working harder and working smarter – what does this mean? The Circular Flow model of the economy—know Y, C, S, I, G, T, X, M – What are they and how are they related? Injections and withdrawals and the impact they have on production. What should the government do if it felt that there was not enough economic activity? Too much? The concept of economic equilibrium—what is being produced exactly equal to what is wanted. Equilibrium at the full employment level the ultimate goal. Concept of Gross Domestic Product (GDP)

Skills reading a circular flow diagram, recognizing injections and withdrawals, reading a given situation and predicting whether economic activity is going to go up or down, identifying the equilibrium level of production from the injection and withdrawal figures

## Different economic systems

Features of a market economy like Australia, how do you compare economies? (GDP, GDP per head, growth rates, employment, quality of life, environment quality, role of government, Human Development Index)

Skills Reading graphs and statistics, calculating GDP per head

## Consumers

Consumer sovereignty—how the consumers drive the production decisions. How consumers differ. What influences their decisions to consume? Concepts of substitute and complementary goods. Saving and spending—how decisions on these affect production. Sources of consumer income.

## Businesses

What, How and for Whom. Goals of a business. What is profit? The key ideas of specialization and division of labour. Internal and external economies and diseconomies of scale and the relationship to average cost. Technical optimum. Types of businesses—sole trader, partnership, company.

Skills Reading average cost graphs or statistics and recognizing economies and diseconomies of scale. Simple productivity calculations. Recognise economic growth

## Supply and Demand (Chapters 6, 7 and 8 are foundation chapters)

The factors affecting market demand. Changes in demand as a result of price change (contraction/extension). Changes in demand as a result of factors *other than price* (increase/decrease). Same areas of study but for Supply. The idea of the responsiveness of consumers—*elasticity*. Measuring elasticity. *Concept of equilibrium price. How are disequilibrium market situations (shortages or excess) resolved in the market.*

Why governments intervene in markets. Floor and ceiling prices

Skills Reading supply and demand graphs or statistics, identifying equilibrium price, calculations or recognition of elasticity (total revenue method), how graphs move. Identify floor and ceiling prices. Calculate excess or shortage as result of price fixing.

## **Labour Market**

Employers demand labour, Workers supply labour. *Factors affecting the demand for and the supply of labour and how these have changed over recent year in Australia.* Supply and demand interacting in the labour market establishing wages (equilibrium price). What factors cause wages to rise? fall?.

The Australian workforce: size, occupations, skill, unemployment, productivity, participation rate, part time-full time, casual-permanent, trade unions, employer organizations, industrial tribunals (Fair Work Australia), conflict resolution, awards, minimum wages, employment standards, safety net, enterprise agreements, good faith bargaining. Changes in the workforce over recent years (*decline of jobs in manufacturing and agriculture, rise of service jobs, rise in education levels, decline of trade unions, rise in globalization, increase female participation, trend to part time work, more enterprise bargaining rather than nation-wide awards, technology impact, trend to more family friendly and flexible work places, decline in unemployment over last decade, rise in worker productivity, greater mobility of labour*).

Wages. Reasons for differences in pay rates. Non wage outcomes, Work-Life balance. Unemployment. The types of unemployment.

Skills Reading graphs or statistics, identifying population, working age population, workforce, employed/unemployed. Calculate unemployment rate, participation rate, productivity. Reading Supply of and Demand for labour graphs. Reading equilibrium (wage). Reading what will happen when government fixes a wage other than equilibrium.

## **Finance Market**

Savers and borrowers, S and I, Supply of and Demand for money. *The interaction of supply and demand determining equilibrium prices (interest rates). Factors affecting demand for money/Factors affecting the supply of money and hence interest rates. Why does the Reserve Bank influence interest rates using the cash rate? The Reserve Bank and the Business Cycle.*

Institutions in the Finance market and the products they offer. What is money? The Regulators-RBA, APRA, ASIC, ACCC. The role of the Securities (stock) Exchange. Primary and secondary financial markets. *Detail on the RBA-what it does, especially monetary policy (use of the cash rate to influence the level of production in Australia).*

Skills Calculating %. Reading Supply and Demand graphs for finance and thereby identifying interest rate (equilibrium price). Predicting whether interest rates will go up or down in hypothetical situations. S and I in the Circular Flow diagram.

## **Government and the Market Economy**

Basic levels of Government in Australia. The Public Service. Political Parties, Lobby Groups, Voters. Why does government intervene in many markets? (Provision of goods and services markets fail to provide, markets fail to take account of externalities (eg pollution), markets fail to redistribute income fairly, markets may abuse power eg monopolies).

Key economic roles of government: consumer protection, promote competition, free up international trade, environment protection, *redistribute income, redistribute resources, promote growth and stabilize the economy (be a counter weight to the business cycle)*

Skills Recognising revenue and expenditure, calculating a deficit or surplus. State impact of a deficit or surplus on a hypothetical economy. Understanding taxes. Calculating income taxes.