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# VCE UNITS INFORMATION

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## VCE Economics Units 3 and 4

### CONTENT

#### Unit 3

In this unit, students investigate the role of the market in allocating resources and examine the factors that are likely to affect the price and quantity traded for a range of goods and services. They develop an understanding of the key measures of efficiency and how market systems can result in efficient outcomes. 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 also develop an understanding of the macroeconomy. They investigate the factors that influence the level of aggregate demand and aggregate supply in the economy and use models and theories to explain how changes in these variables might influence the achievement of the Australian Government's domestic macroeconomic goals and affect living standards. Students investigate the importance of international economic relationships in terms of their influence on Australia's living standards. As part of a balanced examination, students also consider unintended consequences of government intervention in the market. They analyse how international transactions are recorded, predict how economic events might affect the value of the exchange rate and evaluate the effect of trade liberalisation.

#### Unit 4

Students develop an understanding of how the Australian Government can alter the composition and level of government outlays and receipts to directly and indirectly influence the level of aggregate demand and the achievement of domestic macroeconomic goals. Students examine the role of the Reserve Bank of Australia (RBA) with a focus on its responsibility to alter the cost and availability of credit in the economy. Students consider each of the transmission mechanisms through which changes to interest rates can affect the level of aggregate demand in the economy and how these changes might affect the achievement of the Australian Government's domestic macroeconomic goals. Students examine and analyse the effects of the last two Australian Government budgets, and how particular initiatives have helped to stabilise the level of aggregate demand and influenced the achievement of domestic macroeconomic goals.

Students consider how the Australian Government utilises aggregate supply policies to manage the Australian economy. Students investigate the role of both market-based and interventionist approaches to managing the supply side of the economy. They evaluate these policy responses in terms of their effect on incentives and consider how they increase competition and efficiency in the economy. Students assess the role of microeconomic reform in terms of its effect on economic prosperity and the achievement of the Australian Government's domestic macroeconomic goals.

### OUTCOMES

#### Unit 3

- Students should be able to explain how markets operate to allocate resources, and discuss the effect of government intervention on market outcomes
- Students should be able to analyse key contemporary factors that may have influenced the Australian Government's domestic macroeconomic goals over the past two years and discuss how achievement of these goals may affect living standard
- Students should be able to explain the factors that may influence Australia's international transactions and evaluate how international transactions and trade liberalisation may influence the current account balance, the Australian Government's domestic macroeconomic goals and living standards in Australia