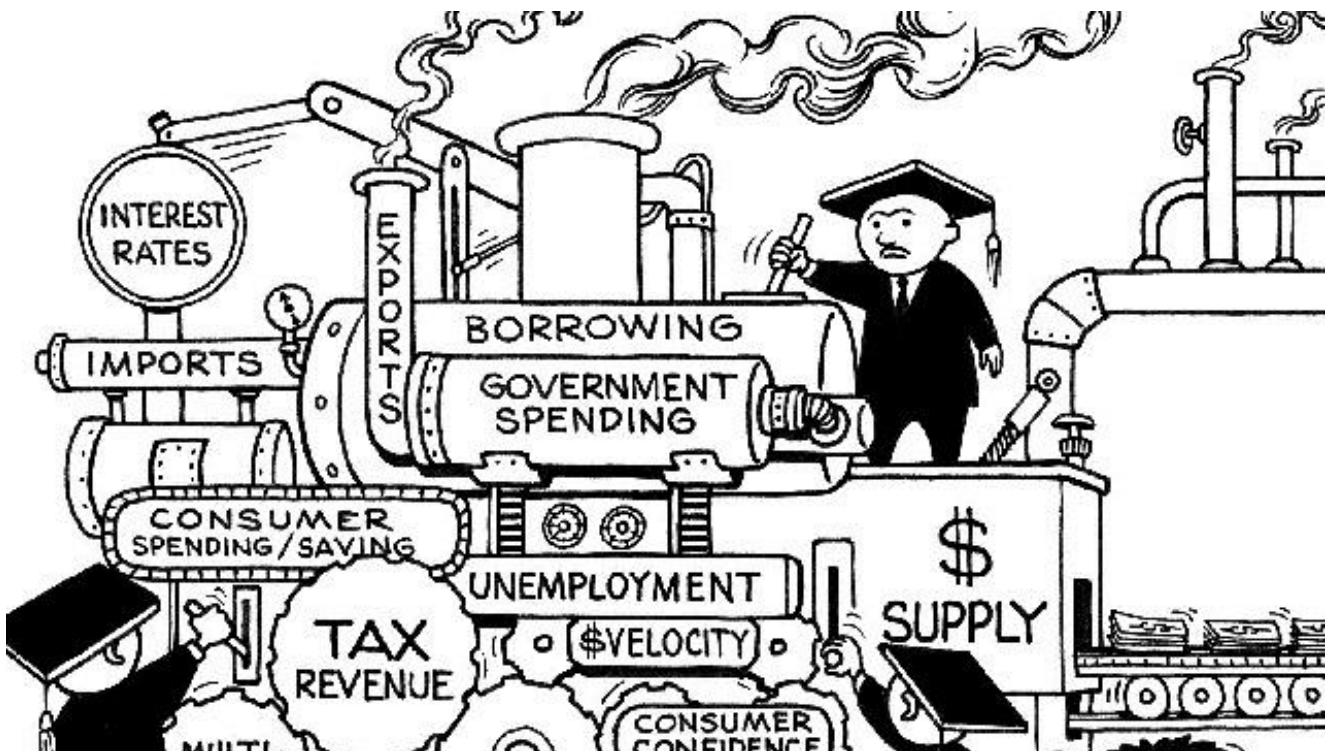




## VCE TRANSITION PACKAGE 2022

# UNITS 1 AND 2 ECONOMICS



Welcome to Unit 1 and 2 Economics!

The issues and concepts you will study in this subject this year will help you to start thinking like an Economist. By the end of the course you will be equipped with the necessary skills and knowledge to understand the economic decisions you make yourself, understand the news you hear about the Economy in the media and be better informed about decisions Australia and other countries make, to allocate their resources in particular ways.

Discussion of concepts, knowing economic definitions and being aware of current issues in the media are all key elements of Economics. Everyone is expected to start to be more aware of current events (either by watching the news, reading the newspaper, reading an Economic blog etc). There will be many opportunities to participate in class discussion and debate the concepts of Economics. Some of the core Economic ideas are so interesting because they can be greatly influenced by a person's value judgements.

## Teaching Staff

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NAME OF TEACHER	EMAIL ADDRESS	LOCATION
Sally Jackman	jackmans@vermontsc.vic.edu.au	Commerce Office
Sally Todaro	todaros@vermontsc.vic.edu.au	Commerce Office

It is important to regularly touch base with your teacher for constant feedback.

## Required Materials

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- **TEXTBOOK:** *Economics From the Ground Up 3<sup>rd</sup> edition, By Salla, Grinham & Christies.*  
This edition of the text was published in 2020. You are unable to use previous editions due to the substantial changes that have occurred.  
  
The first two chapters of this book are available online at <https://www.commpap.com/egu/> if your text does not arrive in time.
- **WORKBOOK / LOOSE LEAF PAPER:** You are required to have a workbook for Economics that must come to every class (please ensure this book has sufficient pages to last a whole year and is only used for Economics)
- **DISPLAY BOOK:** This is required to keep all your handouts tidy and should be brought to every class.
- **WRITING MATERIALS:** Pens, pencils, highlighters, eraser, ruler, scientific calculator (not CAS), **DIARY**

## Unit 1/2 School Assessed Coursework (SACs)

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School Assessed Coursework tasks (SACs) will be used to assess whether your knowledge and skills meet each 'Outcome' specified by the Study Design.

The format of the SACs in Unit 1 and 2 will include:

- Tests - including multiple choice, short answer, graphing, data interpretation
- Written report - requiring research at home & in class
- Media folio - analysis of current statistics and media articles
- Oral presentation - group presentation at end of year

While SACs will be assessed in class time, some may require extra research and preparation at home. A checklist based on the Study Design will be provided at least one week before the SAC, in addition to practice SACs and solutions.

To achieve a **satisfactory** result in Economics in Units 1 & 2 you must:

1. Complete all required homework and class work to a satisfactory standard (Accountability sessions will be used if you need to catch up on work missed)
2. Demonstrate a satisfactory understanding on all Assessment Tasks & SACs (you must obtain an "S" for each SAC or you will need to re-sit)
3. Attend a minimum of 90% of classes

### Unit 1 SAC Dates (confirmation of these dates will be provided at the start of Term 1 2022)

Area of Study 1 - Thinking like an Economist

- Introductory concepts test - week 3 Term 1
- Behavioural economics task - week 4 Term 2

Area of Study 2 - Decision-making in Markets

- Supply & Demand test - week 8 Term 1
- Property Market report - week 1 Term 2

### Re-sit tasks

- If you do not pass a SAC, you will have the opportunity to re-sit a similar task in order to demonstrate competence, however, you retain the original mark.
- This means you can still get an "S" and therefore pass the Outcome and the Unit (eg. Unit 1), however, you cannot improve on your original grade.
- Resit tasks are generally run after school Monday, period 3 Wednesday or another arrangement.
- If you miss a SAC for any reason, you will need to collect a form from Ms Ankenbrand, see your teacher to arrange a new date and then return the form to Ms Ankenbrand.

### Assessment Scale:

Grade	A+	A	B+	B	C+	C	D+	D	E+	E	UG
%	100 – 90%	89 – 85%	84 – 80%	79 – 75%	74 – 70 %	69 – 60 %	59 – 55%	54 – 50 %	49 – 45 %	44 – 40 %	below 40%
Meets criteria	to a very high standard	to a high standard	to a medium standard			to a low standard		to minimal standard	below minimal standard		

## Unit 1 Timeline

WEEK	DATE	SCHOOL EVENTS & PUBLIC HOLIDAYS	PROPOSED SACs
<b>AOS 1a – Thinking like an Economist (introductory concepts)</b>			
1 (1)	31 Jan - 4 Feb		
2 (2)	7-11 Feb		
3 (1)	14-18 Feb	<i>Senior round robin Tues 15 Feb</i>	SAC 1a - introductory concepts test  <b>Friday 18 Feb</b>
<b>AOS 2 – Decision making in markets</b>			
4 (2)	21-25 Feb		
5 (1)	28 Feb - 4 Mar		
6 (2)	7-11 Mar		
7 (1)	14-18 Mar	<i>Labour Day Mon 14 March House Athletics Fri 18 March</i>	
8 (2)	21-25 Mar		SAC 2a - supply and demand test  <b>Friday 25th March</b>
9 (1)	28 Mar - 1 Apr		
10 (2)	4-8 Apr	<i>Parent-teacher interview Wed 6 Apr</i>	
		Holidays	
		Holidays	
<b>AOS 1b – Consumer behaviour</b>			
1 (1)	26-29 Apr	<i>Anzac Day Mon 25 April</i>	SAC 2b - Market case study <b>Due Tuesday 26th April</b>
2 (2)	2 - 6 May	<i>Senior round robin Fri 6 May</i>	
3 (1)	9 - 13 May		
4 (2)	16 - 20 May		SAC 1b - behavioural economics task  <b>Friday 20th May</b>
5 (1)	23 - 27 May	<i>Girls footy/Boys netball Tue 24 May</i>	<b>Exam Revision</b>
6 (2)	30 May - 3 Jun		<b>Unit 1 Exams</b>
7 (1)	6 - 10 Jun	<i>Report writing day likely Fri 10 June</i>	<b>Unit 1 Exams</b>
8 (2)	13 - 17 Jun	<i>Queen's birthday Mon 13 June</i>	
		UNIT 2	
9 (1)	20 - 24 Jun	UNIT 2	

**Please note:** Whilst every effort will be made to adhere to this timeline, sometimes changes need to occur. Assessment Tasks will be confirmed as soon as is practicable.

### Unit 1: The Behaviour of Consumers and Businesses

#### Area of Study 1 - Thinking like an economist

##### Outcome 1

On completion of this unit the student should be able to describe the basic economic problem, discuss the role of consumers and businesses in the economy and analyse the factors that influence decision making.

Key knowledge

##### Introductory concepts

- the basic economic problem of relative scarcity and the need for economic decision making
- the concept and applications of opportunity cost
- resources used to meet needs and wants: natural, labour and capital
- the meaning and significance of positive and normative economics
- the purpose of economic activity and the influence on material and non-material living standards
- the three basic economic questions: 'What and how much to produce?', 'How to produce?', 'For whom to produce?'
- the need for trade-offs such as current versus future, short run versus long run, and cost-benefit analyses
- the production possibility model to illustrate the concepts of scarcity, choice, opportunity cost, underutilisation
- of resources and efficiency
- the two sector circular flow model of the economy.

##### Consumers

- the traditional economic viewpoint of consumer behaviour such as rationality, ordered preferences, informed
- decision making and marginal benefits from consumption
- economic factors that may influence economic decisions made by consumers such as:
  - utility maximisation
  - budget constraints
  - internal influences on economic decision making for example, personality types, ethics, habit
  - external influences on economic decision making for example, culture, marketing, and government
- developments in research about consumer behaviour, including the contribution of behavioural economics
- the ways consumers and workers might respond to positive and negative incentives
- the effects of technological change on consumer behaviour.

##### Business

- the traditional economic viewpoint of business in the economy: profit maximisation
- how businesses might respond to positive and negative incentives
- the evolution of business and changing goals such as sustainability, community involvement, gender equality,
- innovation, research and development
- the effect of technology on business behaviour and the trade in goods and services
- the nature and effectiveness of strategies businesses may use to increase profitability including price

- discrimination, multiple branding and illegal, anti-competitive behaviour as outlined in the *Australian Competition and Consumer Act 2010*.

#### Key skills

- define key economic concepts and terms and use them appropriately
- apply economic theory to make economic predictions
- gather and synthesise information from a wide range of sources to assess the effect of economic decisions on
- relevant stakeholders
- compare the traditional economic viewpoint with research in the behavioural economics area
- construct, interpret and apply economic models to analyse the consequences of economic decisions
- evaluate the costs and benefits associated with a range of economic decisions
- investigate and evaluate alternative viewpoints on economic issues.

## **Area of Study 2 Decision making in markets**

The Australian economy uses the market-based system to allocate resources. Markets are essentially places where goods and services are bought and sold. Businesses and consumers engage in mutually beneficial transactions within the market with minimal government intervention. One of the key tools used to explain how prices change and how resources are allocated is the basic demand and supply model. Using contemporary case-studies students make connections between the theory and the workings of different markets in the Australian and world economy. They develop skills in making predictions and constructing arguments about the possible consequences of key changes in different markets. In studying the operation of markets and using relevant models, students consider one or more of the following markets:

- Agricultural markets such as wool, wheat and beef
- Other commodity markets such as minerals and energy
- Community markets
- The finance market
- The share market
- The labour market
- The property/housing market
- Online markets
- The health market
- Any other relevant market.

### **Outcome 2**

On completion of this unit the student should be able to explain the role of relative prices and other non-price factors in the allocation of resources in a market-based economy.

To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 2.

#### Key knowledge

- the assumptions of a perfectly competitive market system
- the law of demand and the demand curve
- the way non-price factors such as changes in disposable income, the prices of substitutes and complements,
- preferences and tastes, interest rates, changes in population, consumer sentiment and government intervention,
- affect demand and the position of the demand curve

- the distinction between a movement along the demand curve and a shift of the demand curve
- the law of supply and the supply curve
- the way non-price factors such as changes in the cost of production, technological change, productivity
- growth, climatic conditions and government intervention affect supply and the position of the supply curve
- the distinction between a movement along the supply curve and a shift of the supply curve
- effects of changes in demand and supply on equilibrium prices and quantities
- the role of relative prices in the allocation of resources in a market-based economy
- the degree of market power in different markets such as perfect competition, monopolistic competition,
- oligopoly and monopoly, and the effect on prices, resource allocation and living standards.

#### Key skills

- define key economic concepts and terms and use them appropriately
- acquire economic information from a range of sources
- construct graphs to represent and interpret economic information
- use economic tools and theories to analyse and predict economic outcomes
- research and synthesise information about a particular market
- apply economic knowledge, concepts and theories to predict the effect of changes in conditions on market
- outcomes.

## Unit 2: Contemporary Economic Issues

### **Area of Study 1 Economic growth, long-term economic prosperity and environmental sustainability**

#### **Outcome 1**

On completion of this unit the student should be able to explain the factors and policies that may influence economic growth and environmental sustainability, and analyse the potential trade-off. To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 1.

#### Key knowledge

- the nature and meaning of trade-offs in economics
- aggregate demand and its components
- aggregate supply
- the meaning and measurement of economic growth using real Gross Domestic Product (GDP) and real GDP
- per capita
- the economic benefits of economic growth such as growth in material living standards, employment opportunities,
- economic development and non-material living standards
- the limitations associated with using GDP per capita to measure changes in living standards
- aggregate demand and aggregate supply factors that may influence economic growth



- factors that might affect future rates of economic growth such as an ageing population and labour force participation
- government economic policy responses designed to influence the rate of economic growth such as budgetary
- policy, monetary policy and aggregate supply policies
- the meaning of both long-term economic prosperity and environmental sustainability
- economic and environmental costs of economic growth such as climate change, depletion of natural resources and deterioration of common access resources
- trade-offs and compatibility between economic growth and environmental sustainability
- alternative economic indicators of living standards
- the effect of policy response used to address environmental effects of economic growth such as market-based
- approaches, direct actions and regulation.

#### Key skills

- define key economic concepts and terms and use them appropriately
- access and synthesise information gathered from a range of sources and draw conclusions
- identify trends, patterns, similarities and differences in economic data and other information
- gather, interpret and analyse statistical and graphical data
- evaluate the potential costs and benefits associated with economic activity.

## **Area of Study 2 Economic efficiency and equity**

### **Outcome 2**

On completion of this unit the student should be able to explain the factors and policies that may influence equity in the distribution of income and efficiency of resource allocation, and analyse the potential trade-off. To achieve this outcome the student will draw on key knowledge and key skills outlined in Area of Study 2.

#### Key knowledge

- the difference between equity in the distribution of income and equality in the distribution of income
- income: earned and unearned income, transfer income, gross income, disposable income, nominal and real income and social wage income
- measures of income inequality and poverty such as the Lorenz Curve, Gini Coefficient and Henderson Poverty Lines
- the difference between absolute and relative poverty
- causes of income inequality and poverty in Australia and one other nation, such as unequal ownership of factors of production, relative levels of labour demand and labour supply, unemployment, lack of human capital and sovereign indebtedness
- the effect of poverty on material and non-material living standards
- the meaning of economic efficiency and the benefits of achieving allocative and technical efficiency
- economic costs and benefits, and social costs and benefits of achieving equity in the distribution of income
- compatibility and conflict between the goals of equity in the distribution of income and efficiency of resource allocation
- the role of markets in the achievement of equity in the distribution of income and the efficiency of resource allocation



- budgetary policy decisions on the achievement of equity in the distribution of income and the efficient allocation of resources, such as progressive, proportional and regressive taxes, unemployment benefits and subsidisation of merit goods.

#### Key skills

- define key economic concepts and terms and use them appropriately
- gather and interpret statistical data on income distribution and poverty
- construct appropriate diagrams to represent the degree of income inequality
- identify trends, patterns, similarities and differences in economic data and other information
- identify and discuss factors that influence equity in the distribution of income and efficiency of resource allocation
- discuss the costs and benefits associated with a more equitable distribution of income
- access and synthesise information gathered from a range of sources and draw conclusions.

### **Area of Study 3 Global economic issues**

In this area of study students investigate one or more contemporary global economic issue/s. Students examine the selected economic issue/s from the perspective of the relevant stakeholders and evaluate decisions that may have been made with regard to these issue/s. Students consider the economic costs and benefits associated with greater levels of international trade, movement of capital and economic integration. They investigate whether Australia's prosperity depends upon economic events in the rest of the world and whether the decisions made by Australian economic agents have any effect on the global economy. They observe trade-offs in the wider economy and undertake cost-benefit analyses to evaluate the effect of decisions made to address current global economic issue/s.

The global economic issue/s students may investigate include:

- the challenges faced by developing nations in improving living standards and alleviating poverty
- free trade versus protectionism
- the effect of globalisation on relevant stakeholders
- the effect of government policy, foreign aid, multilateral development assistance and foreign investment on developing nations
- the global distribution of income: causes and implications of global inequality
- the effect of population movement on labour markets, economic growth and environment
- international responses to an environmental challenge.

#### **Outcome 3**

##### Key knowledge

- definition of the selected global economic issue/s
- economic reasons why the issue/s may be of importance to Australia and the global economy
- economic factors that might influence the extent and nature of the selected global economic issue/s
- the different perspectives held by stakeholders regarding the selected global economic issue/s, such as the role of consumers, businesses, governments and other relevant stakeholders
- the effects associated with any action taken by relevant stakeholders to address the global economic issue/s.

##### Key skills

- define key economic concepts and terms and use them appropriately
- gather and interpret statistical data on the selected global economic issue/s

- identify and discuss factors that influence the selected global economic issue/s
- identify trends, patterns, similarities and differences in economic data and other information
- evaluate the costs and benefits associated with action taken to address the selected global economic issue/s
- access and synthesise information gathered from a range of sources and draw conclusions.

## Holiday Homework

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These tasks are to be completed by the first lesson back in 2022. Accountability sessions will be issued for those who have not completed all transition work.

All questions must be answered (where applicable) in full sentences and you must explain each of your points carefully. The answers you provide in your workbook will form the start of your study notes.

### Task 1

Read p. 1 – 8 of your text. Remember, the first two chapters of this book are available online at <https://www.commpap.com/egu/> if your text does not arrive in time.

### Task 2

Complete the following questions from Chapter 1 of the textbook:

- Review questions 1.1 p.2 – Q1, 5, 6, 7, 10
- Application exercise 1b p.3 – classify statements as positive or normative
- Application exercise 1e p.6 – classify resources as natural, capital, labour, entrepreneurial
- Review questions 1.3 p.8
- Application exercise 1g p.8 – fill in the gaps

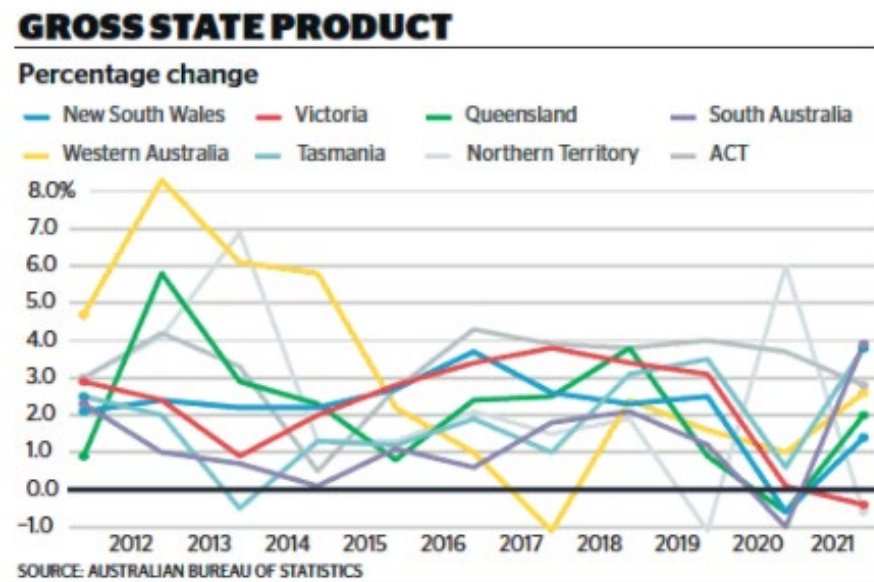
### Task 3

Complete the article analysis (on following page):

- Read the article '**Victorian standard of living falls again**'
- Complete the 'check your understanding' questions

# Victorian standard of living falls again

ADAPTED FROM: Shane Wright, Senior economics correspondent THE AGE Saturday 20<sup>th</sup> November 2021



Victorians' living standards have fallen for two consecutive years, suffering the hardest hit in the country through the coronavirus recession, with signs it could take another year to get back to their pre-COVID levels. In figures that highlight the economic pain worn by Victorians due to lengthy lockdowns, gross state product per capita – a key measure of living standards – fell another 0.4 per cent in 2020-21.

That followed a 1.9 per cent drop in 2019-20, data from the Australian Bureau of Statistics showed. Through the first 18 months of the pandemic, Victoria was the only state or territory to suffer back-to-back falls in GSP per capita. It also occurred as the total population of Victoria fell.

One of the worst affected parts of the economy was hospitality. Household spending across the sector fell by 27 per cent or \$3.5 billion last financial year. Including a \$3 billion drop in the preceding year, COVID-19 has left the sector most exposed to lockdown laws down by 41 per cent.

The only other area hit as hard was transport as people abandoned public transport and worked from home.

Household spending by Victorian consumers is now back to where it was in 2016-17, pointing to a long and extended recovery.

The overall Victorian economy contracted by 0.4 per cent in 2020-21, following a 0.1 per cent expansion in the first year of the pandemic. It was the first time the economy had contracted since the deep recession of 1991.

The situation would be worse if not for a sharp lift in government spending. While Victoria's gross state product fell by \$1.8 billion last year, government expenditure grew by \$8 billion. Since the start of the pandemic, it has climbed by almost \$15 billion or 16.3 per cent.

"The Victorian economy was buffeted by regular lockdowns, hindering what could be considered 'normal' operation of the economy," he said.

## Check your understanding

### **True or False:**

	True or False?
The Victorian economy contracted over 2020-21	
The performance of economies in all states in Australia has been the same over 2020-21	
The Victorian government reduced their spending in response to economic conditions	
Spending by Victoria's consumers appears likely to fall in the future	
The transport industry suffered losses during lock downs.	

### **Economic Terms from the article: (complete the table or highlight the text in different colours)**

Economic Terms I understand / I could explain to someone else	Economic Terms I have not heard before / I did not understand

### **Check your understanding:**

1. Material living standards are measured by our **access to goods and services**. In what ways could Victoria's lock downs impact the material living standards of Victorians?
2. Which 2 industries were mentioned as 'hit hard' by Victoria's lock downs? Discuss why these industries were so affected?
3. Victorian government spending during 2020/21 has 'climbed by almost 15 billion or 16.3%'. What type of things do you think the government spent on in the past year?
4. How does the article describe the outlook for the Victorian economy in the future?