



VCE Economics in 2010

Introduction

The VCAA used a range of research sources to inform the process of the VCE Economics Study review. This research was conducted in 2007 and early 2008 and was made available to the review panel.

- Data was provided by VCAA about enrolment trends, numbers of male and female students, numbers of providers across sectors and in rural and urban areas,
- A consultation paper was developed,
- A number of focus groups of current teachers were consulted and written feedback provided,
- A benchmarking paper was prepared that audited post compulsory Economics courses nationally and internationally.

Some of the issues and questions raised in the research included:

Across Units 1 – 4

- Do current units include reference to the latest 'big ideas' and developments concerning economics?
- How could VCE Economics build on the knowledge, skills and behaviours developed in the VELS curriculum?
- How inclusive is the current VCE Economics Study, given for example that the enrolment is about two thirds boys and one third girls?
- Issues of a 'crowded' curriculum especially at the Units 3 & 4 level.

Units 1 & 2

- All teachers consulted liked starting with market case studies to introduce the big ideas of economics but felt perhaps the options could be broadened
- Many wanted to consider global perspectives across both Unit 1 and 2
- Some questioned whether there is enough flexibility in the current units to incorporate the range of 'teachable moments' (such as the global financial crisis) that occur
- Many wanted contemporary issues such as the economy and the environment and economic security to have more profile and emphasis
- Some wanted more microeconomics perspectives in Units 1 & 2
- Teachers wanted more emphasis on key skills that link with VELS such as economic reasoning and investigation
- Many expressed a view that they wanted more opportunity to develop material based on their needs and contexts – catering for individual interests.

Units 3 & 4

- A number of teachers felt that Unit 3 should emphasise the micro/macro split more clearly and felt that the study needed to start with micro understandings before developing macro,
- Policy analysis and discussion about economic objectives needed to reflect current thinking,
- Do students need to know 10 year trends?

- Need to incorporate more material that reflects current concerns such as issues around economic security, the standard of living, global perspectives.

The 2010 Study

Unit 1 – Economics: choices and consequences

There are 2 areas of study.

Area of Study 1 – A market system

This area of study is similar to the current study but some extra market case study choices have been added such as online markets, transport markets, the health market or any other relevant market. The key knowledge provides more detail about the 'big ideas' to be included such as the degree of market power in different markets and the range of strategies used by economic agents to achieve their goals such as business – multiple branding and anti-competitive behaviour.

Area of Study 2 – Economic issues

This area of study now requires the study of **one** compulsory issue – Economic growth and sustainable development **plus one** other issue of choice from:

- Creation and distribution of wealth and income (similar to current issue in Area of Study 2),
- Inflation (new),
- An economic issue selected by the teacher and/or students – this will be based on an inquiry approach into any topic of choice (new).

This last dot point allows teachers and students freedom to select an issue study that suits their contexts and interests and/or explores a relevant 'teachable moment' as it happens. Teachable moments, for example might relate to the release of a particular report or policy such as the government's white paper response about a Carbon Pollution Reduction Scheme for Australia from 2010 to 2020 or might relate to a major economic event such as the global financial crisis.

It should be noted that the issues topics in the 2010 Study Design all have scope for teachers and students to explore local, national and international perspectives as well as possible policies and actions.

A possible timeline assuming 16 – 18 weeks:

Area of study 1 – A market system: 6 weeks

Area of study 2 – Economic issues:

- Economic growth and sustainable development – 5 to 6 weeks
- Selected issue – 5 to 6 weeks

Unit 2 Economic change: issues and challenges

This unit continues an issues approach that was begun in Area of Study 2 in Unit 1.

The issues all include global perspectives and again there are 2 areas of study:

Area of study 1 – Population, employment and change (similar to issue study in current Unit 1 study).

Area of study 2 – Global economic issues – teachers select two issues from:

- International economic relations (similar to current Area of Study 1 in Unit 2)
- Development economics (new)
- Economic globalisation (similar to current Area of Study 2 in Unit 2)
- A global economic issue selected by the teacher and/or students (new)

A possible **timeline** assuming 16 – 18 weeks:

Area of study 1 – Population, employment and change – 6 weeks

Area of study 2 – Global economic issues – two issues - 5 to 6 weeks for each issue.

Assessment across Units 1 and 2

- Teachers select from a list of possible assessment task types see pps. 16 and 21 of Study Design
- One new assessment task type has been included – a folio of annotated media commentaries using print or electronic materials.

Teaching and learning activities in Units 1 and 2

- Teachers could set up a teaching and learning activity across an area of study or across the semester, using the following ideas to scaffold student thinking and engagement with the media.
(see pps. 42-43 Study Design)

MEDIA LOG

This activity will assist students in building their economic literacy so that they use the language of economics in a knowledgeable and confident manner. It will also assist students to appreciate the relevance of economics in their everyday lives. As such this activity could be conducted across the weeks allocated to area of Study 1 or could be conducted across the whole of semester 1.

A media log is a personal record, kept while reading text, media articles, internet materials, or watching TV, film or YouTube, of the students' observations, impressions and theories that relate to the big ideas of economics. The personal record may include writing that is exploratory and tentative. Possible activities to scaffold this task may include:

Students record their observations by:

- making outlines
- writing summaries
- rewriting in a different format for example, summarising the 'big ideas' in the article by using a concept or mind map
- identifying new developments – students could use these sentence stems to 'trigger' their thinking - I noticed that... or I found it interesting that...
- identifying the main players or groups involved, the significance of the time and place
- making links using these sorts of prompts – how does the title link with what I am reading? How does what I am reading link with my topic?

Students record their impressions by:

making speculations about the authors' attitude/bias/motives/values, about the headlines or title of the source, about possible endings to the report, etc

Students devise questions by:

- thinking about the sorts of questions the source generates, listing examples of lower order and higher order questions which could be posed to the whole class or could form the basis of further research
- posing questions that may be answered later
- listing questions for the author, players or the teacher.

Students record their reactions and responses by:

- making connections to the topic they are studying – this reminds me about...
- noting their personal reactions – this reminds me of..., I like this idea about..., I don't like the solution that is recommended because...,
- offering advice – for example using this prompt - I think the author should (this often allows students to reveal their own values and attitudes) ...

Quotations – students note relevant key headings and quotes.

Predictions – students make predictions; for example, what is the source about, given the heading or title? accompanying graph? accompanying cartoon? Students to predict what happens next.

Theories – students consider

- what point is the author trying to make?
- what relevance this material has to me and my work
- what have I learned from this material?

Reflections – students

- note their level of interest on a scale of one to ten
- assess accessibility and readability
- record what they have learned from the material
- note how the material could be used to illustrate an economic theory or idea they are studying

Concluding activity – At the end of the work on the area of study students are to select three media sources and for each source write a response to each of these questions:

- How is this source linked to the key knowledge and key skills of area of study 1?
- Who are the economic decision-makers and what economic decisions are involved?
- How could this source be used to illustrate an economic concept or theory that has been studied?
- How has this source extended and/or enhanced my knowledge of economics?

An assessment task could follow this activity where students are asked to select three media items from their media log, to annotate their items and submit as a folio.

Unit 3 – Economic activity

There are two areas of study.

Area of Study 1: An introduction to microeconomics: The market system and resource allocation

Area of Study 2: An introduction to macroeconomics: Output, employment and income

Area of Study 1 'Big ideas' include:

- relative scarcity, opportunity cost and efficient allocation of resources,
- factors influencing decision making of households, businesses, government and other relevant groups
- demand and supply and role of relative prices
- market structures
- sources of market failure and reasons for government intervention

Area of Study 2 'Big ideas' include:

- The nature and purpose of macroeconomic activity including material and non-material living standards and the nature and purpose of economic activity as it relates to living standards and long-term economic prosperity
- factors influencing living standards including income per capita, environmental quality and the distribution of income
- key economic goals including low inflation, strong and sustainable economic growth, full employment, external stability and equity of income distribution

A possible **timeline**: Assuming a semester of approx 16 - 18 weeks

Area of Study 1: An introduction to microeconomics: The market system and resource allocation

– approx 7 - 8 weeks

Area of Study 2: An introduction to macroeconomics: Output, employment and income

– approx 8 - 10 weeks

For example:

- The nature and purpose of macroeconomic activity and standard of living – 1 and a half weeks
- Low inflation - 1 and a half weeks
- Strong and sustainable economic growth - 1 and a half weeks
- Full employment - 1 and a half weeks
- External stability – 2 weeks
- Equity in income distribution – 2 weeks

Unit 4 – Economic management

There are two areas of study.

Area of Study 1: Macroeconomic demand management policies

Area of Study 2: Aggregate supply policies

Area of Study 1 'Big ideas' include:

- Demand management policies – budgetary and monetary
- An understanding of how budgetary policy has influenced aggregate demand over the past 4 years (not 10 years as in current course) and to manage the goals of low inflation, strong and sustainable growth, full employment, external stability and equity.

- An understanding of how monetary policy has influenced aggregate demand over the past 4 years (not 10 years as in current course) and to manage the goals of low inflation, strong and sustainable growth and full employment.
- The relationship between budgetary and monetary policy in the management of aggregate demand.

Area of Study 2 has been considerably revised to reflect current economic thinking.

'Big ideas' include:

- the nature, operation and aims of aggregate supply policies
- how one of the following microeconomic reform policies is intended to affect competitiveness, productive capacity, resource allocation, inflation, economic growth and living standards: National Competition Policy or Labour market reform or Deregulation of key markets or Trade Liberalisation
- how budgetary policy, including the role of taxation and infrastructure spending, may influence the level of aggregate supply in order to affect global competitiveness, productivity and efficiency
- the impact of immigration policies on the labour market and the level of aggregate supply
- how one environmental policy is designed to affect the level of aggregate supply, long term economic prosperity and living standards
- the relationship between aggregate supply and aggregate demand policies in the current government policy mix

A possible **timeline** for Unit 4 might be:

- Area of study 1 – Macroeconomic demand management policies: 6 to 7 weeks
- Area of study 2 – Aggregate supply policies: 6 to 7 weeks
- Revision – 2 to 4 weeks.

Assessment across Units 3 and 4

- Unit 3 and Unit 4 account for 50% of a student's marks.
- Outcomes can be assessed using a range of assessment tasks (outlined on page 26 and 30 of the study design).
- A folio of media commentaries using print and/or electronic media has been added to the assessment task types for Unit 4 only.

Specific changes

Unit 1 Economics: choices and consequences

AoS 1 – A market system

- The focus of this unit remains the market system. Students are exposed to the key knowledge via one or more case studies. The following markets have been added:
 - transport market
 - online markets
 - the health market
 - any other relevant market
- Market power – this dot point now specifically outlines the different market structures and how this might affect prices, resource allocation and economic welfare. (May have been covered under level of competition in the current study design).
- A new key knowledge dot point which focuses on the strategies employed by business to increase profitability (legal and illegal strategies) has been added.
- There is a new emphasis on the incentives and choices made by consumers and businesses. (This may have been covered in the current study design when looking at the types of decision makers.)

AoS 2 Economic Issues

- In the current study design teachers could choose 2 or more of the issues offered (income distribution, environment, population, growth and finance/investment). The economic growth and sustainable development issue is now **compulsory**.
- Teachers may then choose to study one other contemporary economic issue from: creation and distribution of wealth and income, inflation or an economic issue selected by the teacher and/or students. This gives teachers the opportunity to develop a unit of work around current economic issues. For example, there is scope to develop a unit of work around the budget during May.
- The Economic growth and sustainable development issue effectively takes ideas from 2 units from the current study design. This means all Unit 1 students will be exposed to ideas about the trade-offs and compatibility between economic growth and environmental sustainability.
- Each of the issues has an international focus. For example the economic growth and sustainable development issue includes a focus on “international action and cooperation on economic growth and environmental issues”.
- “Population, employment and change” and “finance/investment” have been removed as issues from Unit 1

Unit 2 Economic change: issues and challenges

AoS 1 – Population, employment and change

This issue is now **compulsory** and is an expanded form of the issue which appeared in Unit 1.

The following new key knowledge have been added:

- the nature and meaning of living standards;
- an overview of population policies in Australia and internationally (note international focus);
- reasons for work;
- factors that may influence the demand for, and supply of, labour;
- changing labour market trends in Australia and internationally (which may have been covered under changing employment trends in an increasingly globalised and technological society);

There is a focus on distinguishing between aggregate demand and aggregate supply policies when discussing measures to influence the labour market.

AoS 2 – Global economic issues

Teachers now have a choice of three internationally focused issues, from which they must select **two**.

“International economic relations” is currently called “Australia’s external relationships”, and is largely unchanged. The teacher is now expected to look at the relationship between Australia and an Asian trading partner. There is also a new key knowledge component which focuses on current aggregate demand and aggregate supply factors affecting world trade and capital flows.

Development economics is new and some of the material may have previously been covered in the globalisation unit (from the current study design).

The globalisation issue is no longer compulsory. Students are no longer expected to undertake a case study of a multinational organisation (although there is no reason why this task could still not be incorporated into the unit).

Teachers may also choose a relevant global economic issue as in Unit 1. For example if teaching the unit at the moment, one might focus on the global financial crisis.

Unit 3 Economic activity

AoS 1 - An introduction to microeconomics: The market system and resource allocation

- The course now has a greater microeconomics component compared to the current study design. This AoS is now based around microeconomic theories/ideas, where currently it contains an introduction to macroeconomics and the business cycle.
- The key knowledge for this AoS has been stated more explicitly. For example the factors that may affect a shift of the demand and supply curves are specified. Students are also expected to know elasticity of demand and supply with respect to price (this was not explicitly stated in the current study design).
- Market structure is a new key knowledge dot point. Students are expected to know how different structures affect prices, resource allocation and living standards.
- Students are only expected to know four sources of market failure (market power, public goods, externalities and asymmetric information).
- The macroeconomics section (which appeared on page 22 of the current study design) has been removed from this Area of study.

AoS 2 – An introduction to macroeconomics: Output, employment and income

- The macroeconomics section has been added to this Area of study and is now called the nature and purpose of macroeconomic activity.
- This section still gives students an introduction to the business cycle and aggregate demand and aggregate supply.
- There is a new emphasis on the meaning of, and factors that influence, living standards.
- The objectives have been changed to goals, (reflecting the fact that few of the goals are explicitly stated as targets anymore and also recognises that they may change over time).
- Price stability is now called low inflation and the RBA terminology has been included.
- Under the current study design each objective was looked at in a similar way. Under the new study design the key knowledge is explicitly stated with each goal being linked to the impact on living standards (especially the impact of failure to achieve the stated goal).
- Students are no longer expected to have knowledge of the performance of the economy in terms of the objectives over the past decade. The emphasis has changed to look at the aggregate demand and aggregate supply factors that have influenced the goal in the last 4 years.
- In the economic growth section students are expected to have knowledge of alternative measures of living standards. Students are also expected to consider factors which may affect future rates of economic growth. This is specific to this goal only and emphasises the need for economic security and sustainability.
- The external stability section includes an examination of the free trade vs. protectionism arguments. This, therefore, does not need to be covered in Unit 4 as a separate microeconomic reform anymore.

- The preferred method(s) used to measure each of the goals has been explicitly stated.
- Students are no longer expected to have knowledge of the significance of, and relationships between, the economic objectives. The equity section looks at the trade-off between equity and efficiency.
- Students no longer examine efficiency of resource allocation as a separate objective.

Unit 4 – Economic management

AoS 1 Macroeconomic demand management policies

- The focus of this AoS is the impact of budgetary and monetary policies on aggregate demand and how this then affects each of the government's goals. Students are no longer expected to understand the role of budgetary policy in increasing aggregate supply.
- Students are not expected to examine the effectiveness of each policy in achieving the objectives. The emphasis has changed to look at specific budgetary initiatives from the past four years that were designed to influence the level of aggregate demand and how monetary policy may have affected aggregate demand in the past four years.
- Students are no longer expected to look at the impact of monetary policy on external stability and equity (or efficiency).
- The role of macroeconomic policies in the current policy mix has been changed to "the relationship between monetary policy and budgetary policy in the management of aggregate demand."

AoS 2 Aggregate Supply Policies

- The focus of this AoS has expanded. The focus in the current study design was on microeconomic reform policies only.
- A new key knowledge dot point – "the nature, operation and aims of aggregate supply policies" (which would include the rationale for microeconomic reform from the current study design) has been included.
- Students are no longer expected to have knowledge of 6 specific microeconomic reforms. They may choose from a list of 4 and relate the reform to the economic goals and living standards.
- Budgetary policy is included as a policy that may influence aggregate supply (with an emphasis on the tax mix and infrastructure).
- There is a new emphasis on immigration and environmental policies (which is linked to long term prosperity and living standards).
- Students are no longer expected to discuss the effectiveness of microeconomic reform policies in achieving economic objectives.