

The Global Economy

1.1 International Economic Integration

- Global economy
- Gross World Product
- Globalisation
 - Trade in goods and services
 - Financial flows
 - Investment and transnational corporations
 - Technology, transport and communication
 - International division of labour, migration
- International and regional business cycles

1.2 Trade, Financial Flows and Foreign Investment

- Basis of free trade
- Role of international organisations
 - WTO
 - IMF
 - World Bank
 - United Nations
 - OECD
- Influence of government economic forums
 - G20
 - G7/8
- Trading blocs, monetary unions and free trade agreements
 - Advantages and disadvantages of multilateral agreements (EU, APEC, NAFTA, ASEAN)
 - Advantages and disadvantages of bilateral agreements

1.3 Protection

- Reasons for protection
 - Infant industry argument
 - Domestic employment
 - Dumping
 - Defence
- Methods of protection and the effects of protectionist policies on the domestic and global economy
 - Tariffs
 - Subsidies
 - Quotas
 - Local content rules
 - Export incentives

1.4 Globalisation and Economic Development

- Differences between economic growth and economic development
- Distribution of income and wealth
- Income and quality of life indicators
- Developing economies, emerging economies, advanced economies
- Reasons for differences between nations
- Effects of globalisation
- Trade, investment and transnational corporations
- Environmental sustainability
- International business cycle

1.5 Case Study

- Influence of globalisation on an economy other than Australia, evaluation of the strategies used to promote economic growth and development in this economy

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Australia's Place in the Global Economy

2.1 Australia's Trade and Financial Flows

- Value, composition and direction of Australia's trade and financial flows
 - Trends in Australia's trade pattern
 - Trends in financial flows – debt and equity
- Australia's Balance of Payments
 - Structure
 - Current Account, debits and credits
 - Capital and Financial Account
 - Links between key Balance of Payments categories
 - Trends in the size and composition of Australia's Balance of Payments
 - Terms of trade
 - International borrowing
 - International competitiveness
 - Foreign investment
 - Effects of these trends on Australia's Balance of Payments

2.2 Exchange Rates

- Measurement of relative exchange rates
 - To other individual currencies
 - Trade Weighted Index
- Factors affecting the demand for and supply of Australian dollars
- Changes in exchange rates – appreciation/depreciation
- Determination of exchange rates including fixed, flexible and managed rates
- Influence of the Reserve Bank of Australia on exchange rates
- Effects of fluctuations in exchange rates on the Australian economy

2.3 Free Trade and Protection

- Australia's policies regarding free trade and protection
- Australia's multilateral and bilateral free trade agreements
 - Overview of two examples of multilateral agreements
 - Overview of two examples of bilateral agreements
- Implications of Australia's policies for individuals, firms and governments
- Implications for Australia of protectionist policies of other countries and trading blocs

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Economic Issues

3.1 Economic Growth

- Aggregate demand and its components: $Y = C + I + G + X - M$
- Injections and withdrawals ($I + G + X$; $S + T + M$)
- Simple multiplier: $k = 1/(1 - MPC)$
- Measurement of growth through changes in real Gross Domestic Product
- Sources and effects of economic growth in Australia
- Increases in aggregate supply – improvements in efficiency and technology
- Trends in business cycle

3.2 Unemployment

- Measurement
 - Labour force
 - Participation rate
 - Unemployment rate
- Trends
- Types and causes
 - Cyclical
 - Structural
 - Frictional
 - Seasonal
 - Underemployment
 - Hidden
 - Long term
- Non-accelerating inflation rate of unemployment (NAIRU)
- Main groups affected by unemployment

3.3 Inflation

- Measurement – headline and underlying
- Trends
- Causes
 - Demand inflation
 - Cost inflation
 - Imported inflation
 - Inflationary expectations
- Positive and negative effects

3.4 External Stability

- Measurement
 - Current Account Deficit (CAD) as a percentage of Gross Domestic Product
 - Net foreign debt as a percentage of Gross Domestic Product
 - Net foreign liabilities as a percentage of Gross Domestic Product
 - Terms of trade
 - Exchange rate
 - International competitiveness
- Trends
- Positive and negative causes and effects

3.5 Distribution of Income and Wealth

- Measurement – Lorenz curve and Gini coefficient
- Sources of income as a percentage of household income
- Taxation, transfer payments and other assistance
- Sources of wealth
- Dimensions and trends, according to gender, age, occupation, ethnic background and family structure
- Economic and social costs and benefits of inequality

3.6 Environmental Sustainability

- Ecologically sustainable development
- Private and social costs and benefits – externalities, market failure
- Public and private goods – free riders
- Environmental issues
 - Preservation of natural environments
 - Pollution, climate change
 - Depletion of renewable and non-renewable resources

Economic Policies and Management

4.1 Economic Objectives

- Economic growth and quality of life
- Full employment
- Price stability
- External stability
- Environmental sustainability
- Distribution of income
- Potential conflicts among objectives

4.2 Macroeconomic Policies

- Rationale for macroeconomic policies – stabilisation and shifts in aggregate demand
- Fiscal policy
 - Federal Government budgets and budget outcomes
 - Effects of budgetary changes on resource use, income distribution and economic activity
 - Methods of financing deficits
 - Use of a surplus
- Monetary policy
 - Purpose of monetary policy
 - Implementation of monetary policy by the Reserve Bank of Australia
 - Impact of changes in interest rates on economic activity and the exchange rate
- Potential conflict among objectives due to macroeconomic policies

4.3 Microeconomic Policies

- Rationale for microeconomic policies including shifts in aggregate supply, efficiency
- Effects of microeconomic policies on individual product and factor markets, individual industries and the economy
- Regulation and deregulation – competition policy
- Labour market policies
 - Role of national and state systems
 - National system for determining employment conditions
 - Minimum employment standards
 - Minimum wages
 - Awards
 - Enterprise agreements
 - Employment contracts for high income earners
 - Dispute resolution
 - Arguments for and against the use of centralised, decentralised and individualised methods of determining employment contracts
 - Education, training and employment programs
- National and global context for environmental management
 - Regulations
 - Market-based policies
 - Targets
 - International agreements
- Limitations of economic policies
 - Time lags
 - Global influences
 - Political constraints
- Potential conflict among objectives due to microeconomic policies

4.4 Policy Responses and Their Effects

- Economic growth and quality of life
- Full employment
- Price stability
- External stability
- Distribution of income
- Environmental sustainability