

## Definitions and Concepts for AQA Economics AS-level

### Paper 1: Microeconomics

#### Topic 1 - Economic Methodology and the Economic Problem

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**Allocative efficiency:** When economic resources are utilised to produce the combination of goods and services that maximise economic welfare.

**Allocative price function:** Prices allocate resources away from markets with excess supply to markets with excess demand.

**Capital/producer goods:** Goods used in the production of other goods.

**Choice:** Selecting one of multiple alternatives when deciding how to allocate scarce resources.

**Consumer good:** Goods consumed by households & individuals, used to satisfy needs and wants.

**Economic welfare:** The economic satisfaction/wellbeing of individuals/households/groups in an economy.

**Factors of production:** Inputs of the production process, such as land, labour, capital and enterprise.

**Finite resource:** Non-renewable resource that becomes increasingly scarce.

**Fundamental economic problem:** Deciding how to best allocate scarce resources to maximise overall economic welfare.

**Imperfect information:** When individuals lack the information to make the best decision.

**Incentive price function:** Prices create incentives for people to adjust their economic transactions.

**Need:** Something necessary for human survival, e.g. food, shelter.

**Normative statement:** Statements including value judgements, that cannot be easily proved/disproved.

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**Opportunity cost:** Loss of other alternatives due to selecting one of a set of options.

**Positive statement:** Statements including facts, that can easily be proved/disproved.

**Production possibility frontier:** A curve displaying the various possible combinations of two products that can be produced with finite resources.

**Rationing price function:** Prices rise to ration demand for goods.

**Renewable resource:** Restorable resource that can be replenished.

**Scarcity:** Resulting from the concept of infinite wants and needs, yet limited resources.

**Signalling price function:** Prices provide information to sellers and buyers, influencing economic decisions.

**Trade:** Buying and selling of goods and services.

**Want:** Something desirable, yet not necessary for human survival.

