

# AQA Economics AS-level

## Microeconomics

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

#### Flashcards

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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



# 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

