

AQA Economics A-level

Microeconomics

Topic 1 - Economic Methodology and the Economic Problem

Flashcards

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Allocative efficiency



Allocative efficiency

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



Allocative price function



Allocative price function

Prices allocate resources away from markets with excess supply to markets with excess demand.



Capital



Capital

Producer goods



Capital/producer goods



Capital/producer goods

Goods used in the production of other goods.



Ceteris paribus



Ceteris paribus

All other things being held constant



Choice



Choice

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



Consumer good



Consumer good

Goods consumed by households & individuals, used to satisfy needs and wants.



Economic welfare



Economic welfare

The economic satisfaction/wellbeing of individuals/households/groups in an economy.



Enterprise



Enterprise

The ability to utilise factors of production effectively



Factors of production



Factors of production

The ability to utilise factors of production effectively



Finite resource



Finite resource

Non-renewable resource that becomes increasingly scarce.



Fundamental economic problem



Fundamental economic problem

Deciding how to best allocate scarce resources to maximise overall economic welfare.



Imperfect information



Imperfect information

When individuals lack the information to make the best decision.



Incentive price function



Incentive price function

Prices create incentives for people to adjust their economic transactions.



Infrastructure



Infrastructure

Facilities required for an economy to function



Labour



Labour

Workers with human capital



Land



Land

Natural physical materials, as well as space for fixed capital



Need



Need

Something necessary for human survival, e.g. food, shelter.



Normative statement



Normative statement

Statements including value judgements, that cannot be easily proved/disproved.



Opportunity cost



Opportunity cost

Loss of other alternatives due to selecting one of a set of options.



Pareto efficiency



Pareto efficiency

State of resource allocation, where in order to make an economic agent better off, another agent is made worse off



Positive statement



Positive statement

Statements including facts, that can easily be proved/disproved.



Production possibility frontier



Production possibility frontier

A curve displaying the various possible combinations of two products that can be produced with finite resources.



Rationing price function



Rationing price function

Prices rise to ration demand for goods.



Renewable resource



Renewable resource

Restorable resource that can be replenished.



Scarcity



Scarcity

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



Signalling price function



Signalling price function

Prices provide information to sellers and buyers, influencing economic decisions.



Trade



Trade

Buying and selling of goods and services.



Value judgements



Value judgements

Statements that are subjective and based on opinion rather than factual evidence



Want



Want

Something desirable, yet not necessary for human survival.

