

# **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









# Ceteris paribus







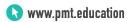




### Ceteris paribus

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.





