

# AQA Economics A-level

## Microeconomics

### Topic 2 - Individual Economic Decision Making

### Flashcards

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# Altruism



# Altruism

The selfless and disinterested concern towards the wellbeing of others



# Anchoring bias



# Anchoring bias

Individuals tend to rely on the first piece of information they are given



# Asymmetric information



# Asymmetric information

When one party (buyers or sellers) has more information than the other in an economic transaction



# Availability bias





# Availability bias

Individuals base the likelihood of future events occurring on past events



# Behavioural economics



# Behavioural economics

Branch of economics that incorporates psychological insights to understand human economic decision making



# Bounded rationality



# Bounded rationality

Individuals' inability to make rational economic decision making due to imperfect information, time constraints and limited mental processing ability



# Bounded self control



# Bounded self control

Individuals' inability to make rational economic decision making due to inability to control themselves



# Choice architecture





# Choice architecture

A framework illustrating the effects of presenting choices in different ways



# Economic man ("Homo economicus")



# Economic man ("Homo economicus")

A framework structuring the mind and decision making of a perfectly economic and rational human being



# Heuristics



# Heuristics

## Rules of thumb



# Hyperbolic discounting



# Hyperbolic discounting

Individuals tend to base the value of rewards on the amount of time taken to acquire the reward (longer waits, less valuable)



# Perfect information





# Perfect information

Both buyers and sellers have full knowledge of goods and services in a market



# Risk aversion



# Risk aversion

Individuals tend to value losses more than commensurate gains



# Symmetric information



# Symmetric information

Where consumers and producers have sufficient information to make rational decisions



# Utility



# Utility

Benefit/ wellbeing/ welfare/ satisfaction  
gained from consumption of a good or  
service



# Utility maximisation





# Utility maximisation

When consumers aim to make their personal welfare as high as possible

