

AQA Economics A-level

Microeconomics

Topic 3 - Price Determination in a Competitive Market

Flashcards

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Competing supply



Competing supply

When resources can be used to produce one good or another good, not both



Competitive markets



Competitive markets

A market with large numbers of buyers and sellers, with low barriers to entry and exit



Complementary goods



Complementary goods

Goods in joint demand; these goods are often bought together, e.g. printers and ink cartridges.



Composite demand



Composite demand

Demand for a multi-purpose good



Condition of demand



Condition of demand

Determinant of demand other than the good's price, that sets the position of the good's demand curve



Condition of supply



Condition of supply

A determinant of supply other than the good's price, that sets the position of the good's supply curve



Customer sovereignty



Customer sovereignty

Consumers can collectively govern production in a market via exercising spending power. Strongest in perfectly competitive markets



Cross elasticity of demand (XED)



Cross elasticity of demand (XED)

Measures the responsiveness of a good's demand to a change in the price of a different good



Demand



Demand

The quantity of a good or service that a consumer is willing and able to buy at a given price, at a given time



Derived demand



Derived demand

Demand for a good that is the input of another good



Disequilibrium



Disequilibrium

Excess supply or demand in a market



Effective demand



Effective demand

Desire for a good or service that is backed by the ability to pay for said good or service



Elasticity



Elasticity

The proportionate responsiveness of a second variable to a change in a first variable



Equilibrium



Equilibrium

No excess supply or demand in a market; a state of balance between opposing forces.



Equilibrium price



Equilibrium price

The price where planned demand matches planned supply



Excess demand



Excess demand

When consumers want to buy more than producers are willing to sell; occurs below equilibrium price



Excess supply



Excess supply

When producers want to sell more than consumers are willing to buy; occurs above equilibrium price



Exchange



Exchange

Trading objects of value, utilising media of exchange e.g. money



Income elasticity of demand (YED)



Income elasticity of demand (YED)

Measures the responsiveness of a good's demand to a change in the incomes of consumers



Inferior good



Inferior good

A good for which demand rises as incomes fall



Joint supply



Joint supply

When one good is produced, another good is also produced from the same raw materials



Normal good



Normal good

A good for which demand rises as incomes rise



Price elasticity of supply



Price elasticity of supply

Measures the responsiveness of a good's supply to a change in price



Producer sovereignty



Producer sovereignty

Producers determine what is produced and the prices charged



Substitute good



Substitute good

A good in competing demand; a good that can be used in place of another similar good



Supply



Supply

The quantity of a good or service that a producer is willing and able to sell at a given price, at a given time

