Definitions and Concepts for AQA Economics AS-level

Paper 1: Microeconomics

Topic 2 - Price Determination in a Competitive Market

Competing supply: When resources can be used to produce one good OR another good, not both.

Competitive markets: A market with large numbers of buyers and sellers, with low barriers to entry and exit.

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

Composite demand: Demand for a multi-purpose good.

Condition of demand: A determinant of demand other than the good's price, that sets the position of the good's demand curve.

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

Cross elasticity of demand (XED): Measures the responsiveness of a good's demand to a change in the price of a different good.

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: Demand for a good that is the input of another good.

Disequilibrium: Excess supply or demand in a market.

Effective demand: Desire for a good or service that is backed by the ability to pay for said good or service.

Elasticity: The proportionate responsiveness of a second variable to a change in a first variable.

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

Equilibrium price: The price where planned demand matches planned supply.

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

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

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

Income elasticity of demand (YED): Measures the responsiveness of a good's demand to a change in the incomes of consumers.

Inferior good: A good for which demand rises as incomes fall.

Joint supply: When one good is produced, another good is also produced from the same raw materials.

Normal good: A good for which demand rises as incomes rise.

Price elasticity of supply: Measures the responsiveness of a good's supply to a change in price.

Producer sovereignty: Producers determine what is produced and the prices charged.

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

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