

Definitions and Concepts for AQA Economics A-level

Paper 1: Microeconomics

Topic 1 - Economic Methodology and the Economic Problem

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

Allocative price function: Prices allocate resources away from markets with excess supply to markets with excess demand.

Capital: Producer goods

Capital/producer goods: Goods used in the production of other goods.

Ceteris paribus: All other things being held constant

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

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

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

Enterprise: The ability to utilise factors of production effectively

Factors of production: Inputs of the production process, such as land, labour, capital and enterprise.

Finite resource: Non-renewable resource that becomes increasingly scarce.

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

Imperfect information: When individuals lack the information to make the best decision.

Incentive price function: Prices create incentives for people to adjust their economic

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transactions.

Infrastructure: Facilities required for an economy to function

Labour: Workers with human capital

Land: Natural physical materials, as well as space for fixed capital

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

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

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

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

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

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

Rationing price function: Prices rise to ration demand for goods.

Renewable resource: Restorable resource that can be replenished.

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

Signalling price function: Prices provide information to sellers and buyers, influencing economic decisions.

Trade: Buying and selling of goods and services.

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

Want: Something desirable, yet not necessary for human survival.

