Definitions and Concepts for AQA Economics A-level

Paper 1: Microeconomics

Topic 2 – Individual Economic Decision Making

Altruism: The selfless and disinterested concern towards the wellbeing of others.

Anchoring bias: Individuals tend to rely on the first piece of information they are given.

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

Availability bias: Individuals base the likeliness of future events occurring on past events.

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

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

Bounded self control: Individuals' inability to make rational economic decision making due to inability to control themselves.

Choice architecture: A framework illustrating the effects of presenting choices in different ways.

Economic man (*Homo economicus*): A hypothetical person who behaves in exact accordance with their rational self-interest.

Heuristics: Rules of thumb.

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: When both buyers and sellers have full knowledge of goods and services in a market.

Risk aversion: Individuals tend to value losses more than commensurate gains.

Symmetric information: Where consumers and producers have sufficient information to make rational decisions.

Utility: Benefit, wellbeing, welfare or satisfaction gained from consumption of a good or service.

Utility maximisation: When consumers aim to make their personal welfare as high as possible.