Needs

1

Something essential to survival – food, water, warmth, clothing & shelter

WANTS

2

Something you would like to have but is not essential to survival

Resources

3

Something use to produce output

Productivity

4

Output per worker per period of time

BASIC ECONOMIC PROBLEM

5

is that resources have to be allocated between competing uses because human wants are infinite whilst resources are scarce.

ECONOMIC GOODS

6

are goods which are scarce because their use has an opportunity cost.

FREE GOODS

7

are goods which are in unlimited supply and which therefore have no opportunity cost

NORMATIVE STATEMENT

8

attempts to describe what ought to be. Normative statements contain a value judgement and they cannot be scientifically proved or disproved.

SUBSIDY

9

is a grant paid by the Govt. to encourage the consumption or production of a good or service.

PRICE ELASTICITY OF SUPPLY (PES)

is a measure of the responsiveness of quantity supplied to a change in price.

10

DERIVED DEMAND

is when the demand for one good is as a result of demand for another good because it is required in its production

11

COMPLENTARY GOODS

12

are goods which are consumed together so the increase in the price of one good leads to a fall in the demand for the other good. Therefore they have a negative XED.

SUBSTITUTE GOOD

13

is a good which can be replaced by another good. When the price of one good increases the demand for the other increases. Therefore they have a positive XED.

CROSS PRICE ELASTICITY OF DEMAND (XED)

14

is a measure of the responsiveness of quantity demanded of one good to a change in price of another good.

GIFFEN GOOD

15

is a type of inferior good where demand increases as price increases.

LUXURY GOOD

16

is a good for which demand increases more than proportionally when income increases. Luxury goods have a YED greater than 1.

INFERIOR GOOD

is a good for which demand falls when income increases. Inferior goods have a negative YED. (Tesco Value)

17

NORMAL GOOD

is a good for which demand increases when income increases. Normal goods have a positive YED

18

19

INCOME ELASTICITY OF DEMAND (YED)

is a measure of the responsiveness of quantity demanded to a change in income.

20

PERFECTLY INELASTIC DEMAND

is when a change in price leads to no change in demand. PED equals 0.

PERFECTLY ELASTIC DEMAND

21

is when a change in price leads to an infinite change in demand. PED equals infinity

INELASTIC DEMAND

22

is when the responsiveness of demand is proportionally less than the change in price. The PED will be between 0 and 1.

ELASTIC DEMAND

is when the responsiveness of demand is proportionally greater than the change in price. The PED will be greater than 1

23

PRICE ELASTICITY OF DEMAND

is a measure of the responsiveness of quantity demanded to a change in price.

24

25

Factors of Production

The resources we have available to produce goods and services – Capital, Enterprise, Land and Labour (CELL)

26

Primary Sector

All firms engaging in the extraction of raw materials from the land

27

EQUILIBRIUM

occurs in the marketplace when quantity demanded exactly equals quantity supplied. This is the price at which there is no tendency to change.

28

DEMAND

is the quantity of a good or service that consumers are willing to buy at a given price over a given time period.

SUPPLY

29

is the quantity of a good or service that firms are willing to supply at a given price over a given time period.

DIVISION OF LABOUR

30

is a particular type of specialisation where the production of a good is broken up into many separate tasks, each performed by one person.

SPECIALISATION

is the process by which individuals, firms or economies concentrate on producing those goods and services in which they have an advantage.

31

PRODUCTION POSSIBILITY FRONTIER (PPF)

32

shows the maximum potential level of output of two goods, given all resources are allocate efficiently.

33

OPPORTUNITY COST

is the highest value benefit lost from the next best alternative forgone

34

FACTOR OF PRODUCTION – ENTERPRISE

is the quality which involves initiative and willingness to take risks in order to create and sell a product

35

FACTOR OF PRODUCTION – LAND

is the natural resources available for production.

36

FACTOR OF PRODUCTION – CAPITAL

means investment in goods that are used to produce other goods in the future.

37

FACTOR OF PRODUCTION – LABOUR

is the human input into the production process.

38

COMMAND OR PLANNED ECONOMY

is an economic system where the government allocates resources through a planning process

39

MIXED ECONOMY

is an economy where both the free market mechanism and the government planning process allocate significant proportions of resources.

40

MARKET ECONOMY

is an economic system which resolves the basic economic problem through the market mechanism.

POSITIVE STATEMENT

41

deal with objective or scientific explanations of the economy. Positive statements are value free and can be proved or disproved.

SCARCE RESOURCES

42

Resources that are limited in supply or finite

MONOPOLY

43

A sole supplier of a good or service.

EFFICIENCY

44

How close a firm is to producing at the lowest possible average cost.

Secondary Sector

Firms are engaged in transforming raw materials into goods

45

Tertiary Sector

Firms engaged in supplying services such as Banking, Tourism, Retail

46

47

Market

Where buyers and sellers meet to exchange goods and services

Not always face to face – can be over the internet or another form of technology.

GDP

48

The total VALUE of goods and services produced in the country over a period of time – usually a year

Salary

49

The amount of money paid in a wage over a yearly period without any deductions

Gross Pay

50

The amount of money paid in a wage over a month without any deductions – Salary divided by 12

Net pay

51

The amount of money paid in a wage over a month including any deductions

Deductions would include income tax, pensions, national insurance etc

Labour Market

52

A place where employers are looking for workers and workers are looking for jobs

Inflation

53

A sustained rise in the level of prices in an economy over time

Unemployment

When workers who are willing and able to work cannot find a job at current wage rates

54

Balance of Payments

55

The value of Exports less imports in/out of a country over a period of time

Money

56

Anything that is generally accepted as a medium of exchange