

Section 1

social science a science (the pursuit of systematic and formulated knowledge) that is applied to human behaviour

economics the study of how people use their limited resources in an attempt to satisfy unlimited wants

microeconomics the economics of individual parts or sectors of a national economy

macroeconomics the study of features of national economies

growth an increase the quantity that an economy is able to produce

development an improvement in the living standards of the average person in an economy

sustainable development economic development for one generation that will not impact negatively on the living standards of the next generation

utility the satisfaction derived from the use of a good or service

opportunity cost the cost of an economic decision in terms of the next best alternative foregone

production possibility curves a curve showing the maximum potential output of an economy that produces only 2 goods, with all available resources and best technology used to make either good

market economy an economy where resource allocation is determined mainly by market forces of demand and supply

Section 2

monopolistic competition a market in which there are many buyers and many sellers, with very low barriers to entry and a degree of product differentiation

oligopoly an industry where there are a few large firms which take up majority of market share, significant barriers to entry and a very low degree of product differentiation

demand the quantity of a product than buyers are willing and able to buy at a given price per unit time

supply the quantity of a product suppliers are willing and able to supply at each price per unit time

maximum price a price ceiling (market restriction not allowing price of product to rise above it) imposed by the government and set below the equilibrium price / [diagram]

price elasticity of demand the responsiveness of the quantity demanded of a product to a change in its price

$$P\varepsilon_D = \frac{\% \Delta Q_D}{\% \Delta P}$$

cross-elasticity of demand the responsiveness of the quantity demanded of one product to a change in price of another good

$$\times \varepsilon_D = \frac{\% \Delta Q_{DX}}{\% \Delta P_Y}$$

income elasticity of demand the responsiveness of the quantity demanded of a product to a change in income (of buyers)

$$Y\varepsilon_D = \frac{\% \Delta Q_D}{\% \Delta Y}$$

price elasticity of supply the responsiveness of the quantity supplied of a product to a change in its price

$$P\varepsilon_S = \frac{\% \Delta Q_S}{\% \Delta P}$$

negative externalities costs to a third party (who takes no part in the decision to produce/consume) caused by the production or consumption of a product [diagram]

Section 3

economic growth an increase in the real output of an economy over time, measured as an increase in real GDP; an increase in the potential output of an economy through an increase in the quantity/quality of resources [diagram]

economic development the reduction/elimination of poverty, inequality and unemployment within the context of a growing economy; improvement in the living standards of the average person; the reduction of absolute poverty and an increase in the distribution of basic necessities (such as food, drinking water, shelter)

~an improvement in welfare measured from a number of viewpoints, such as monetary measures, health measures, education measures etc

Gross Domestic Product the total value of all (final) goods and services produced within an economy over a period of time (usually one year)

real GDP the total value of a nation's output generated from resources within its boundaries, over a given period of time, and adjusted for inflation

recession at least 2 successive quarters of negative (economic) growth in an economy

supply-side policies policies designed to increase aggregate supply (shift the AS curve to the right) [diagram]

unemployment rate the percentage of the labour force who are willing and able to work but who are not employed

inflation a general sustained increase in prices across the whole economy

consumer price inflation a sustained rise in the general level of prices of consumer goods

deflation a general sustained decrease in prices across the whole economy

indirect taxation a tax on a good or service imposed by the government (on expenditure)

Section 4

free trade trade without government imposed restrictions

dumping the sale of a commodity on a foreign market at a price below the price in the exporter's domestic market / below production costs

World Trade Organisation an international body that encourages the reduction of trade barriers between its member nations

current account (balance) the difference between revenues earned from exports of goods and services and expenditure on imports of goods and services (summed with net investment, net incomes and net current transfers)

exchange rate the price of a currency expressed in terms of another & [example]

floating exchange rate the price of a currency in terms of another that is determined according to market forces of supply and demand in the foreign exchange market

(currency) appreciation an increase in the value of a currency expressed in terms of another currency, as a result of market forces in the foreign exchange market (in a floating exchange rate system)

depreciation a fall in the value of a currency measured against another currency (due to market forces in the foreign exchange market) in a floating exchange rate system

terms of trade the indexed ratio of average export prices to average import prices

$$\text{ToT} = \frac{\text{X price index}}{\text{M price index}} \times 100$$

Section 5

poverty cycle a cycle in which people have insufficient income to obtain a basic standard of living – low income leading to low savings to low investment to low productivity, leading back to low incomes

official aid financial or other assistance given from the government of one country to the government of another country, through bilateral or multilateral means

infrastructure the background capital that is necessary for an economy to function, such as roads/transport, telecommunications, sewage treatment and other utilities