

1. What is utility?	Satisfaction	19. Illustrate a contraction in supply	Sliding down the supply curve
2. What do consumers seek to maximise?	Utility	20. What could cause a contraction in supply?	Inward shift in demand
3. What do firms seek to maximise?	Profit	21. Give 3 conditions (shifters) of supply?	Cost of production, ease of production, regulations, expectations
4. What is irrational behaviour?	Where actions do not maximise utility	22. What is equilibrium price?	The price at which $D=S$
5. Explain 3 reasons why agents may behave irrationally	Habit, inertia, influenced by others	23. What is equilibrium quantity?	The quantity at which $D=S$
6. What is bounded rationality?	Rationality within constraints (eg of time, information, computational skill, using rules of thumb)	24. What is a shortage?	Where demand is greater than supply
7. What is demand?	The amount of a good or service customers are willing to buy at a given price (over a given time period)	25. Referring to extension and contraction, explain how shortages are resolved.	Price rises, Supply expands and demand contracts,
8. Why are demand curves downward sloping?	Law of diminishing marginal utility, income effect, substitution effect	26. What is a surplus?	Where supply is greater than demand
9. Illustrate an extension in demand	Sliding down the demand curve	27. Referring to extension and contraction, explain how surpluses are resolved.	Price falls, supply contracts and demand expands
10. What could cause an extension in demand?	An outward shift in supply	28. Explain 3 functions of the price mechanism	Incentive, Rationing, Signalling, Allocative
11. Illustrate a contraction in demand	Sliding up the demand curve	29. What is consumer surplus?	The difference between what a consumer is willing to pay and the price they actually pay
12. What could cause a contraction in demand?	An inwards shift in supply	30. How do we illustrate consumer surplus on a diagram?	Triangle between axis, demand curve and price
13. Give 3 conditions (shifters) of demand	Population, consumer income, tastes, advertising, price of complements/substitutes, seasons...	31. What is producer surplus?	The difference between the price the market is willing to supply at and what they actually supply at
14. What is the law of diminishing marginal utility?	As more of a good is consumed, each additional unit provides less additional satisfaction	32. How do we illustrate producer surplus on a diagram?	The triangle between axis, supply curve and price
15. What is supply?	The quantity firms are willing and able to sell at a given price (over a given period of time)	33. What is total economic welfare?	Consumer surplus + Producer surplus
16. Why are supply curves upward sloping	Law of diminishing marginal returns, profit motive, attracting new entrants		
17. Illustrate an extension in supply	Sliding up the supply curve		
18. What could cause an extension in supply?	Outward shift in demand		