

Quizlet

Edexcel Economics Theme 1.1

Terms in this set (35)

What is a Social Science?	A study of human behaviour and interaction
What is an Economic Model?	An Economic theory or collection of theories which allows us to simulate situations. They are simplified versions of the world

Why do Economists use Models?	To simplify the world around us
What does ceteris paribus mean?	All else equal
Why is it difficult for	Humans are unpredictable and varied and exist in

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What is a positive statement?	An assertion that is objective and testable (although not necessarily true)
What is a normative statement?	An opinion which is subjective and contains value judgements
Which 3 questions does the study of economics seek to answer?	What to produce? How to produce? For whom to produce?
What does 'scarcity' mean?	A limited, finite amount
What is meant by a 'renewable resource'?	A resource for which the stock level can be replenished naturally over time
What is meant by a 'non-renewable resource'?	A resource for which the stock level cannot be replenished naturally over time
What is the Economic Problem?	Infinite wants and limited resources

What are the 4 factors of production?	Land, labour, capital, enterprise
What is the reward for enterprise?	profit
What is the reward for Capital?	interest
What is the reward for Land?	rent
What is the reward for Labour?	wages
Why do opportunity costs exist?	Scarcity. Since we cannot have everything, we must make decisions
Give an example of an opportunity cost for a consumer	When buying a new TV, the consumer foregoes spending that money on a smartwatch
Give an example of an opportunity cost for a firm	By spending £1000 on a marketing campaign, the firm forgoes the benefits of spending that money on capital investment
Give an example of an opportunity cost for a Government	By spending on NHS, the government foregoes the benefits of spending that money on education
What is a Production Possibility Frontier/Curve?	A diagram showing the maximum combination of two goods or services which can be produced if all resources are used efficiently for a given level of technology

Illustrate a point on the PPF at which the productive potential of the economy is maximised	Point on curve
Illustrate a point on the PPF which is unattainable at the current level of technology	Point outside the curve (to the right/above)
Illustrate a point on the PPF where the allocation of resources is efficient	Can't show!
Illustrate a point on the PPF where the allocation of resources is inefficient	Point inside the curve (to the left, below)
Illustrate actual economic growth on a PPF diagram	Moving from a point inside the curve to a point closer on the curve
Illustrate potential economic growth on a PPF diagram	Curve expands outwards
Explain 2 causes of an outward shift in the PPF	finding resources, immigration, investment in capital
Explain 2 causes of an inward shift in the PPF	Resource depletion (eg natural disaster, war) or resource depreciation (skills atrophy after long-term unemployment, lack of investment)
Illustrate opportunity cost on a PPF	When you move up one axis, you move down the other



What is the difference between consumer goods and capital goods?

Consumer goods provide utility directly, capital goods do not

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What is the difference between actual and potential growth?

Actual growth is an increase in output, potential growth is an increase in productive capacity

Explain why we would not want 100% of our production to be on capital goods

We would have no consumption (and therefore utility) right now

Explain why we would not want 100% of our production to be on consumer goods

We would forego consumer goods (and their utility) in the future

