Basic economic ideas and resource allocation

A-Level Economics · Vocabulary in context

Word	Example
scarcity /ˈskeəsɪti/	**Scarcity** means we cannot have everything we want.
resources /rɪˈzɔːsɪz/	Land, labour and capital are scarce **resources**.
finite /ˈfaɪnaɪt/	Oil is **finite**: one day it will run out.
scarce /skeəs/	Clean water is **scarce** in many dry countries.
goods /ɡʊdz/	Shoes and bread are **goods**.
services /ˈsɜːvɪsɪz/	Teaching and transport are **services**.
wants /wɒnts/	People's **wants** are endless, but resources are limited.
economic problem /ˌiːkəˈnɒmɪk ˈprɒbləm/	The **economic problem** is that resources are limited but wants are not.
opportunity cost /ɒpəˈtjuːnɪti kɒst/	The **opportunity cost** of a holiday is what else you could have bought.
alternative /ɔːlˈtɜːnətɪv/	Walking is an **alternative** to taking the bus.
consumers /kənˈsuːməz/	**Consumers** buy goods and services.
producers /prəˈdjuːsəz/	**Producers** make goods to sell.
firms /fɜːmz/	Many **firms** sell phones.

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Word	Example
governments /ˈgʌvənmənts/	**Governments** collect taxes.
social science /ˈsəʊʃl ˈsaɪəns/	Economics is a **social science**: it studies how people behave.
models /ˈmɒdlz/	Psychologists use **models** to explain how the mind works.
ceteris paribus /ˈsetərɪs ˈpærɪbəs/	**Ceteris paribus** means “all other things staying the same”. “all other things staying the same”。
positive statement /ˈpɒzɪtɪv ˈsteɪtmənt/	“Prices rose 3% last year” is a **positive statement**: it can be checked. “Prices rose 3% last year”
normative statement /ˈnɔːmətɪv ˈsteɪtmənt/	“Prices should be lower” is a **normative statement**: it is an opinion. “Prices should be lower”
value judgement /ˈvæljuː ˈdʒʌdʒmənt/	“Taxes should be lower” is a **value judgement**. “Taxes should be lower”
microeconomics /ˌmaɪkrəʊˌiːkəˈnɒmɪks/	**Microeconomics** studies single markets, such as the market for bread.
macroeconomics /ˌmækrəˌriːkəˈnɒmɪks/	**Macroeconomics** studies the whole economy, such as inflation.
output /ˈaʊtpʊt/	The factory’s **output** rose last year.
factors of production /ˈfæktəz ɒv prəˈdʌkʃn/	Land, workers and machines are **factors of production**. `
reward /rɪˈwɔːd/	Wages are the **reward** for labour.

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Word	Example
land /lænd/	Fields, forests and oil are all **land** in economics.
rent /rent/	The farmer pays **rent** for the field.
labour /ˈleɪbə/	**Labour** is the work people do.
wages /ˈweɪdʒɪz/	Workers may receive **wages** based on hours worked.
capital /ˈkæpɪtl/	Machines and buildings are **capital**.
interest /ˈɪntrest/	Banks pay **interest** on savings.
enterprise /ˈentəpraɪz/	**Enterprise** means taking a risk to start a business.
profit /ˈprɒfɪt/	If sales are bigger than costs, the firm makes a **profit**.
non-renewable resources /nɒn rɪˈnjuːəbl rɪˈzɔːsɪz/	Power stations burning coal use **non-renewable resources**.
entrepreneur /ˌɒntrɪprəˈnjʊə/	An **entrepreneur** takes a risk to start a new business.
specialisation /ˌspeʃəlaɪˈzeɪʃn/	**Specialisation** means each worker or country does what it is best at.
division of labour /dɪˈvɪʒn ɒv ˈleɪbə/	**Division of labour** gives each worker one task.
worker /ˈwɜːkə/	Each **worker** on the line does one task.
mobility /məʊˈbɪlɪti/	Labour **mobility** means workers can move to new jobs or places.

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Word	Example
occupational mobility /ˌɒkjʊˈpeɪʃənl məʊˈbɪlɪti/	**Occupational mobility** means workers can change to a different kind of job.
geographical mobility /ˌdʒɪəˈgræfɪkl məʊˈbɪlɪti/	**Geographical mobility** means workers can move to another town for a job.
allocate /ˈæləkeɪt/	Markets **allocate** resources through prices.
market economy /ˈmɑːkɪt ɪˈkɒnəmi/	In a **market economy**, prices decide what is made.
planned economy /plænd ɪˈkɒnəmi/	In a **planned economy**, the government decides what is made.
command economy /kəˈmænd ɪˈkɒnəmi/	In a **command economy**, the state controls factories and farms.
mixed economy /mɪkst ɪˈkɒnəmi/	In a **mixed economy**, both the government and private firms provide goods.
private sector /ˈpraɪvət ˈsektə/	A family bakery belongs to the **private sector**.
public sector /ˈpʌblɪk ˈsektə/	State schools belong to the **public sector**.
price mechanism /praɪs ˈmekənɪzəm/	The **price mechanism** uses price changes to share out goods.
signalling /ˈsɪgnəlɪŋ/	A degree is a form of **signalling**: it shows employers your skills.
incentive /ɪnˈsentɪv/	Profit is an **incentive** for firms to make what people want.

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Word	Example
rationing /ˈræʃənɪŋ/	High prices act as **rationing**: only those who can pay get the good.
production possibility curve /prəˈdʌkʃn ˌpɒsəˈbɪlɪti kɜːv/	The **production possibility curve** shows what a country can make with its resources.
efficient /ɪˈfɪʃənt/	A firm is **efficient** when it makes its goods with very little waste.
unemployment /ʌnemˈplɔɪmənt/	**Unemployment** counts people who want a job but do not have one.
trade-off /treɪd ɒf/	There is a **trade-off**: more guns means less butter.
economic growth /ˌiːkəˈnɒmɪk grəʊθ/	**Economic growth** means the economy makes more each year.
technology /tekˈnɒlədʒi/	New **technology** lets factories make more with fewer workers.
economic decline /ˌiːkəˈnɒmɪk dɪˈklaɪn/	A loss of productive resources can cause **economic decline**.
capital goods /ˈkæpɪtl gʊdz/	Machines and tools are **capital goods**.
consumer goods /kənˈsuːmə gʊdz/	Food and clothes are **consumer goods**.
free good /friː gʊd/	Air is a **free good**: using it costs nothing.
economic good /ˌiːkəˈnɒmɪk gʊd/	Bread is an **economic good**: making it uses scarce resources.

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Word	Example
private good /ˈpraɪvət ɡʊd/	A sandwich is a **private good**: if you eat it, no one else can.
rivalry /ˈraɪvəlri/	A sandwich shows **rivalry**: if I eat it, you cannot.
excludability /eksˌkluːdəˈbɪlɪti/	A concert shows **excludability**: people without tickets can be kept out.
public good /ˈpʌblɪk ɡʊd/	A flood wall is a **public good**: it protects everyone.
non-rivalry /nɒn ˈraɪvəlri/	A street light shows **non-rivalry**: one more person using it costs nothing.
non-excludability /nɒn eksˌkluːdəˈbɪlɪti/	A street light shows **non-excludability**: no one can be stopped from using it.
free-rider problem /friː ˈraɪdə ˈprɒbləm/	People who use the street lights without paying cause the **free-rider problem**.
national defence /ˈnæʃənl dɪˈfens/	**National defence** protects everyone in the country.
merit good /ˈmerɪt ɡʊd/	Education is a **merit good**: people may use less than is good for them.
demerit good /ˈdemərɪt ɡʊd/	Cigarettes are a **demerit good**: people may use more than is good for them.
information failure /ˌɪnfəˈmeɪʃn ˈfeɪlɪə/	**Information failure** happens when people do not know enough to choose well.

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