Standard Level

Scarcity The basic economic problem that arises because people have unlimited wants but resources are limited.	**Basic Economic Problem** We have infinite wants but only finite (non-renewable) resources to meet our desires. Because of this we have to make choices.
Opportunity cost The next best alternative given up when making a decision.	**Free Good** Goods which are unlimited in supply and have no opportunity cost.
Sustainable development Economic growth which allows an economy to meet the needs of the present generation, whilst ensuring that there are enough resources to meet the needs of future generations. Economic growth that relies on non renewable resources or depletes renewable resources too quickly is therefore not sustainable development.	**The need for sustainable development has let to:** 1. Conservation of resources 2. Greater efficiency in the use of resources. 3. Greater emphasis on using renewable resources instead of non renewable i.e. development of substitutes
Production possibility frontier The PPF shows the maximum potential output of two or more goods or services that can be produced by an economy if all resources are used efficiently.	PPFs demonstrate the concept of opportunity and efficiency. An outwards shift in the PPF illustrate an increase in **potential** economic growth. Sacrificing consumer goods to produce more capital goods today will increase the PPF in the future.
Why is the PPF Curved? To illustrate that resources are not equally efficient in all uses. If a country produces bread and guns, as it produces more and more guns the resources used for producing bread will have to be turned over to producing guns (at which they will be less efficient) and there will be a decreasing amount of guns produced for every loaf of bread given up. The closer a country comes to producing only guns the greater opportunity cost becomes.	**Law of demand** As price rises less is demanded and vice versa. **An extension in demand** for a product is a rise in demand caused by a fall in its price. A movement down the demand curve. **A contraction in demand** results from a rise in the price of the product. This is referred to as a decrease in the quantity demanded. A movement up the demand curve. **Price is the only thing that causes a movement up or down the demand curve.**
Shifts in demand These are the non-price determinants of demand: 1. Income 2. Prices of related goods (complements and substitutes) 3. Tastes 4. Demographic changes	**1. Income** As income rises the demand for **normal goods** rises and vice versa. As income rises the demand for **inferior goods** falls and vice versa.
2. Prices of related goods (complements) Goods that are demanded together. Example: Tennis racket and tennis balls. As the price of one rises the demand for the other falls.	**2. Prices of related goods (substitutes)** Goods that are substitutes for each other. Example: butter and margarine. As the price of one rises the demand for the other falls.

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