Term:	Definition	Topic area	Mich HW
Effective demand	the desire for a good or service backed by an ability to pay.	4.1.3.1	X
Elasticity	the proportionate responsiveness of a second variable to an intial proportionate change in the first variable.	4.1.3.2	X
Entry barrier	makes it difficult or impossible for new firms to enter a market.		
Equilibrium	a state of rest or balance between opposing forces.		
Equilibrium price	the price at which planned demand for a good or service exactly equals planned supply.		X
Equity	fairness or justness.		
Excess demand	when consumers wish to buy more than firms wish to sell, with the price below the equilibrium price.		X
Excess supply	when firms wish to sell more than consumers wish to buy, with the price above the equilibrium price.		X
Exchange	to give something in return for something else received. Money is a medium of exchange.		
Exit barrier	makes it difficult or impossible for firms to leave a market.		
External economy of scale	cost saving resulting from the growth of the industry or market of which the firm is a part.		
Externality	a public good, in the cast of an external benefit, or a public bad, in the case of an external cost, that is 'dumped' on third parties outside the market.		X
Factors of production	inputs into the production process, such as land, labour, capital and enterprise.	4.1.1.3	
Finite resource	a resource, such as oil, which scarce and runs out as it is used. Also known as a non-renewable resource.	4.1.1.3	
Fixed cost	cost of production which, in the short run, does not change with output.		
Full employment	when all who are able and willing to work are employed.	4.1.1.5	
Fundamental economic problem	how best to make decisions about the allocation of scarce resources among competing uses so as to improve and maximise human happiness and welfare.	4.1.1.4	X
Geographical immobility of labour	occurs when workers find it difficult or impossible to move to jobs in other parts of the country or in other countries for reasons such as higher housing costs in locations where the jobs exist.		
Government failure	occurs when government intervention reduces economic welfare, leading to an allocation of scarce resources that is worse than the free-market outcome.		
Immobility of labour	the inability of labour to move from one job to another, either for occupational reasons (e.g. the need for training) or for geographical reasons (e.g. the cost of moving to another part of the country).		
Imperfect competition	any market structure lying between the extremes of perfect competition and pure monopoly.		
Incentive function of prices	prices create incentives for people to alter their economic behaviour; for example, a higher price creates an incentive for firms to supply more of a good or service.		X
Income elasticity of demand	measures the extent to which the demand for a good changes in response to a change in income; it is calculated by dividing the percentage change in quantity demanded by the percentage change in income.	4.1.3.2	X
Increase in demand	rightward shift of the demand curve.	4.1.3.1	
Increase in supply	rightward shift of the supply curve.	4.1.3.3	
Inequity	unfairness or unjustness.		
Inferior good	a good for which demand decreases as income rises and demand increases as income falls.	4.1.3.2	X
Information problem	occurs when people make wrong decisions because they don't possess or they ignore relevant information. Very often they are myopic (shortsighted) about the future.		
Informative advertising	provides consumers and producers with useful information about goods or services.		
Innovation	converts the results of invention into marketable products or services.		
Internal economy of scale	cost saving resulting from the growth of the firm itself.		
Invention	creates new ideas for products or processes.		
Joint supply	when one good is produced, another good is also produced from the same raw materials.		X
Labour productivity	output per worker.		
Limit pricing	reducing the price of a good to just above average cost to deter the entry of new firms into the market. Prices are set at levels which are likely to make it unprofitable for potential entrants who might consider coming into the market.		
Long run	the time period in which no factors of production are fixed and in which all factors of production can be varied.		
Long-run average cost	long-run total cost divided by output.		