**First Year Micro Key Terms**

Being able to provide good strong definitions is an easy way to pick up marks on papers. If you learn your key terms as you go along it will make revision much easier and you can then concentrate on exam technique and higher order skills that will enable you to access the top grades. The purpose of this document is to help you record key terms as you cover them. Bring it with you to every session and make sure that you complete it with accurate and concise definitions of key terms. This is not a comprehensive list of key terms and you will need to add others that you have encountered as the course has progressed.

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| **Basic Economic Problem (including scarcity and choice)** |  |
| **Factors of Production** |  |
| **Opportunity Cost** |  |
| **Normative Statements** |  |
| **Positive Statements** |  |
| **PPF** |  |
| **Specialisation** |  |
| **Division of labour** |  |
| **Economic Objectives (individuals, firms, governments)** |  |
| **Demand** |  |
| **Effective demand** |  |
| **Composite demand** |  |
| **Derived demand** |  |
| **Determinants of demand** |  |
| **Complements** |  |
| **Substitutes** |  |
| **Supply** |  |
| **Joint supply** |  |
| **Price elasticity of demand** |  |
| **price elasticity of supply** |  |
| **Cross price elasticity of demand** |  |
| **Equilibrium (also known as market clearing price)** |  |
| **Disequilibrium** |  |
| **Functions of prices**  **Rationing**  **Signalling**  **incentive** |  |
| **Monopoly** |  |
| **Inequalities in distribution of income and wealth** |  |
| **Government intervention** |  |
| **Subsidies** |  |
| **Maximum price** |  |
| **Minimum price** |  |
| **Buffer stock** |  |
| **Taxation** |  |
| **Pollution permits** |  |
| **Market failure** |  |
| **Common agricultural policy** |  |
| **Government failure** |  |
| **Law of unintended consequences** |  |
| **Marginal cost** |  |
| **Average cost** |  |
| **Total cost** |  |
| **Fixed Cost** |  |
| **Variable Cost** |  |
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