

1. What is a Social Science?	A study of human behaviour and interaction	20. 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
2. 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	21. 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
3. Why do Economists use Models?	To simplify the world around us	22. 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
4. What does ceteris paribus mean?	All else equal	23. Illustrate a point on the PPF at which the productive potential of the economy is maximised	Point on curve
5. Why is it difficult for Economists to conduct scientific experiments?	Humans are unpredictable and varied and exist in complex environments which might affect their behaviour	24. Illustrate a point on the PPF which is unattainable at the current level of technology	Point outside the curve (to the right/above)
6. What is a positive statement?	An assertion that is objective and testable (although not necessarily true)	25. Illustrate a point on the PPF where the allocation of resources is efficient	Point on curve
7. What is a normative statement?	An opinion which is subjective and contains value judgements	26. Illustrate a point on the PPF where the allocation of resources is inefficient	Point inside the curve (to the left, below)
8. Which 3 questions does the study of economics seek to answer?	What to produce? How to produce? For whom to produce?	27. Illustrate actual economic growth on a PPF diagram	Moving from a point inside the curve to a point closer on the curve
9. What does 'scarcity' mean?	A limited, finite amount	28. Illustrate potential economic growth on a PPF diagram	Curve expands outwards
10. What is meant by a 'renewable resource'?	A resource for which the stock level can be replenished naturally over time	29. Explain 2 causes of an outward shift in the PPF	finding resources, immigration, investment in capital
11. What is meant by a 'non-renewable resource'?	A resource for which the stock level cannot be replenished naturally over time	30. 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)
12. What is the Economic Problem?	Infinite wants and limited resources	31. Illustrate opportunity cost on a PPF	When you move up one axis, you move down the other
13. What are the 4 factors of production?	Land, labour, capital, enterprise		
14. What is the reward for enterprise?	profit		
15. What is the reward for Capital?	interest		
16. What is the reward for Land?	rent		
17. What is the reward for Labour?	wages		
18. Why do opportunity costs exist?	Scarcity. Since we cannot have everything, we must make decisions		
19. Give an example of an opportunity cost for a consumer	When buying a new TV, the consumer foregoes spending that money on a smartwatch		

32. What is the difference between consumer goods and capital goods?	Consumer goods provide utility directly, capital goods do not
33. What is the difference between actual and potential growth?	Actual growth is an increase in output, potential growth is an increase in productive capacity
34. 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
35. 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