**Unit 1 growth rate**=change in income/original level of income | **Income** **inequality**. Measure of inequality 90/10 ratio (defined as the ratio between the income of the two individuals at the ninetieth and tenth percentiles) | **GDP** A measure of the market value of the output of final goods and services in the economy in a given period | **Hockey Stick graph** | Environment places a vital role | **capitalism** An economic system in which the main form of economic organization is the firm, people want to make profit | **Markets**- connects people may mutually benefit, by exchanging goods and services, through buy and sell | reciprocated, voluntary and there is competition | A **firm** : One or more individuals own a set of capital goods (property of the owners) that are used in production. They pay employees. They direct the employees. The owners making a profit | **Capitalism**- private property, markets, and firms | example of wheat and apple(specialization) | **dynamic economic system combines:** Private incentives for cost-reducing innovation, Firms led by those with proven ability to produce goods at low cost. Public policy supporting these conditions. A stable society, biophysical environment and resource base

**Unit 2** A good model has **four attributes**: It is clear, easy to understand, It predicts accurately, It improves communication, It is useful | We use four key ideas of economic modelling: Ceteris paribus, Incentives, Relative prices and Economic rent | **cost**=(wage×workers)+(price of a tonne of coal×number of tonnes) |**relative price of labour= isocost**; is two points on the same line. Slope is (w/p) | creative destruction means old tech people lose and are free to recombine in the market | **Production func** This describes the relationship between the amount of output produced and the amounts of inputs used to produce it

**Unit 3** **marginal product** The additional amount of output that is produced if a particular input was increased by one unit | true marginal product is the slope of the **tangent** | **utility** A numerical indicator of the value that one places on an outcome, such that higher valued outcomes will be chosen over lower valued ones when both are feasible | MRS is just the slope of the indifference curve | **eco rent** A payment or other benefit received above and beyond what the individual would have received in his or her next best alternative | **oppo cost** When taking an action implies forgoing the next best alternative action, this is the net benefit of the foregone alternative | **economic rent** A benefit received above and beyond what the individual would have received in his or her next best alternative | **feasible frontier** The curve made of points that defines the maximum feasible quantity of one good for a given quantity of the other | **eco cost** The out-of-pocket cost of an action, plus the opportunity cost | The slope of the indifference curve = **MRS** (which a consumer can give up some amount of one good in exchange for another good while maintaining the same level of utility) | The slope of the frontier=**MRT(**The quantity of some good that must be sacrificed to acquire one additional unit of another good) | **consumption** 𝑐=𝑤(24−𝑡) | **budget constraint** represents all combi of goods and services that one could acquire that exactly exhaust one’s budgetary resources | **subs effect** The effect that is only due to changes in the price or opportunity cost, given the new level of utility | **constrained choice problem** This problem is about how we can do the best for ourselves, given our preferences and constraints | Technological change makes the production function steeper: it increases Angela’s marginal product of labour-> opportunity cost of free time is higher, giving her a greater incentive to work. But also, now that she can have more grain for each amount of free time, she may be more willing to give up some grain for more free time: that is, reduce her hours of work | **conspicuous consumption** The purchase of goods or services to publicly display one’s social and economic status

**Unit 4 strategic interaction**A social interaction in which the participants are aware of the ways that their actions affect others | game has: *The players, The feasible strategies, The information and The payoffs |* **prisoners’ dilemma** A game in which the payoffs in the dominant strategy equilibrium are lower for each player, and also lower in total, than if neither player played the dominant strategy | **acceptable offer** 𝑦<50𝑅/(1+𝑅) | **Nash equilibrium** A set of strategies, one for each player in the game, such that each player’s strategy is a best response to the strategies chosen by everyone else

**Unit 6** **contract** A legal document or understanding that specifies a set of actions that parties to the contract must undertake | **firm-specific asset** Something that a person owns or can do that has more value in the individual’s current firm than in their next best alternative | **incomplete contract** A contract that does not specify, in an enforceable way, every aspect of the exchange that affects the interests of parties to the exchange (or of others) | **piece-rate work** A type of employment in which the worker is paid a fixed amount for each unit of the product made | A firm’s profits: costs of acquiring, output, sales revenues | net utility per hour=wage − disutility of effort/hr | **reservation wage** What an employee would get in alternative employment, or from an unemployment benefit or other support, were he or she not employed in his or her current job | cost of a unit of **effort** is w/e | **labour discipline model**⁠- *Equilibrium*, *Rent* and *Power* | **principal–agent relationship** This exists when one party (the principal) would like another party (the agent) to act in some way, or have some attribute that is in the interest of the principal, and that cannot be enforced or guaranteed in a binding contract | **Verifiable information and asymmetric information**

**Unit 7** total costs =unit cost×quantity total revenue =price×quantity profit=total revenue−total costs | **economies of scale** These occur when doubling all of the inputs to a production process more than doubles the output. The shape of a firm’s long-run average cost curve depends both on returns to scale in production and the effect of scale on the prices it pays for its inputs | If every 10 employees at a lower level must have a supervisor at a higher level, then a firm that has 10*x* production workers (the bottom of the ladder) will have *x* levels of management, 10*x*−1 supervisors at the lowest level, 10*x*−2 at the second lowest level, and so on | **Marginal Cost**= Δ𝐶/Δ𝑄 | When AC = MC, the AC curve has a zero slope, When AC > MC, the AC curve is downward-sloping, vice versa | **profit** =𝑄(𝑃−𝐶(𝑄)/𝑄) = 𝑄(𝑃−AC) | **Isoprofit** curves slope downward at points where *P* > MC | **Isoprofit** curves slope upward at points where *P* < MC | slope = -profit margin/quantity | **marginal revenue** The change in revenue obtained by increasing the quantity by 1 | **Pareto efficient** An allocation with the property that there is no alternative technically feasible allocation in which at least one person would be better off, and nobody worse off | **consumer surplus** The consumer’s willingness to pay for a good minus the price at which the consumer bought the good, summed across all units sold | **producer surplus** The price at which a firm sells a good minus the minimum price at which it would have been willing to sell the good, summed across all units sold | **deadweight loss** A loss of total surplus relative to a Pareto-efficient allocation | When the elasticity is higher than 1, MR > 0. When the elasticity is below 1, MR < 0 | profit =tot rev−tot costs, marginal profit =MR−MC🡪If MR > MC, the firm could increase profit by raising *Q*, If MR < MC, the marginal profit is negative. It would be better to decrease *Q*.

A screenshot of a graph

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**Unit 11 short-run equilibrium** An equilibrium that will prevail while certain vars remain constant, but where we expect these variables to change when people have time to respond to the situation | **long-run equilibrium** An equilibrium when vars that were held const in the short run are allowed to adjust, as people have time to respond the situation | **fundamental value of a share** The share price based on anticipated future earnings and the level of risk | **order book** A record of limit orders placed by buyers and sellers, but not yet fulfilled | **price bubble** Sustained and significant rise in the price of an asset fuelled by expectations of future price increases | **secondary and primary markets** The primary market is where goods or financial assets are sold for the first time. For example, the initial sale of shares by a company to an investor (known as an initial public offering or IPO) is on the primary market. The subsequent trading of those shares on the stock exchange is on the secondary market. The terms are also used to describe the initial sale of tickets (primary market) and the secondary market in which they are traded.