

10 Macroeconomics principles

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| #1 Trade-offs are a given | The world has scarce resources: time, oil, food. When we choose to do one thing, we sacrifice another. |
| #2 Opportunity Costs | The cost of something is what you gave up to acquire it. I.E. "The next best thing" It is almost never just a monetary cost |
| #3 Rational People Think at the Margin | Rational People (Rational Choice theory): Assumes that people act in a manner that gives them the greatest benefit in the most logical way that are in their best self interest.

Marginal thinking/ change: Small and often incremental adjustments |
| #4 People respond to incentives | Incentive: A thing that motivates or encourages someone to do something. It can be both positive or negative (bribe/punishment) |
| #5 Trade can better everyone | |
| #6 Markets usually are a good way to organise economic activity | They may not always be physical locations (e.g. online) |
| #7 Governments can sometimes improve market outcomes | E.g. Property Rights (Allowing people to exercise control over scarce resources), laws etc. |
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| #8 A country's SOL depends on its ability to produce goods and services | |
| #9 Inflation | Prices rise when the government prints too much money |

10 Macroeconomics principles (cont)

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| #10 Society faces a short-run trade-off between inflation and unemployment | See the Phillips curve |
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Keywords

Chapter 1:
 SOL = Standard of Living
 Phillips Curve = A curve that shows the short-run trade-off between inflation and unemployment
 Business Cycle =

