

HANDY DANDY GUIDE TO ECONOMICS

1. People choose to do the things they think are best for them.
 - a. We live in a world where we can't have everything we want.
 - b. Resources, goods, services, time, and money are scarce so we have to make choices.
2. Choices have costs.
 - a. When we choose something, we give up the opportunity to have something else. It is the inevitable nature of choice.
 - b. It is as important to examine "*what we forgo as it is to think about what we will get if we choose one alternative over another.*"
3. People respond in predictable ways.
 - a. Rational people seek positive rewards - they also seek to avoid negative consequences.
4. People create economic systems that influence choices and incentives.
 - a. A society's economic system organizes the production, distribution, and consumption of goods and services.
 - b. How people work together in the system is governed by both written and unwritten rules.
 - c. When the rules change incentives change; when incentives change choices change.
5. Voluntary trade creates wealth.
 - a. People tend not to enter into transactions that they believe will make them worse off rather than better off.
 - b. People can produce more in less time by concentrating on "what they do best."
 - c. Specialization based on comparative advantage combined with voluntary trade means there will be more total output.
6. The consequences of choices lie in the future.
 - a. We cannot change the past but we can influence the future.
 - b. Every choice or decision we make is based on prediction of what the benefit and cost of our alternatives will be.
 - c. The more information we have about alternatives the better our predictions should be.