Macro Economics Cheat Sheet

by TritonJak (TritonJak) via cheatography.com/20703/cs/3453/

10 Macroeconomics principles

#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 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 =



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