

### 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      They may not always be physical locations (e.g. usually are a good way to organise economic activity 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)

#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 =

