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Topic: summery on

CH1: Ten principles of economic s

1. **People face trades off:**
2. To get one thing we usally have to give up another
3. Trade one goal for another

* Guns vs. butter (defense vs. standard of living)
* Food vs. clothing
* Leisure time vs. work
* Efficiency vs equity
* Clean enviroment vs. high level of income

1. Efficiency vs equity (size of the cake vs. how it will be cut)

Efficiency: society gets the most that it can from its scarce resources

* Benefits of thise resoures are distributed fairly among the members of society

1. Social security: government benefits that supplement the incomes of the needy (reduces efficincy)
2. **The cost of something is what you give up to get it**
3. Comparing the costs and benefits of alternative courses of action
4. Opportuntnity: what you give up to obtain that item

* University vs. work
* Study vs. going on a date
* Class vs. sleep in

**3. Rational people think at the margin:**

1. Marginal changes: small incremental adjuestments to an existing plan of action

* Fasting/eatin a lot > whether to tak that extra serving of fries
* Completely fail/study 24 hours > extra hour revising or watching

2. compare the marginal benefits and the marginal costs

* Retional decision > if the marginal benefits exceed the marginal costs

**4. people responnd to incentives:**

1. Behavior changes when costs the benefits change

* Prices of an apples rises people decides to eat more pears apple orchids to hire more workers and harvest more apples because the benefits of selling an aplle is also higher
* Pollicies change the costs and benefits that people face altering bahavior.

**5. Trade can make everyone better off:**

1. people gain from their ability to tarde with one another

* Allows people to buy a greater variety of goods and servies at lower cost
* Competition results in gain from trading
* Trade allows people to specialize in what they do best

**6. Markets is are usually a good way to organize economic activity:**

1. Central palanning: government could organize economic activity

2. Market economy: An economy that allociate resources through the decentralized decision of many firms and household as they interact in markets for goods and services

* Households decide what to buy + who to wwork for + what to produce

3. Adam smith (1776) \_ households and firms interacting in markets act is if they are guided by an invisible hand that leads them to descrable markets outcomes

* Invisible hand: prices instrument which it directs the economy with (reflects values goods value)
* The government can restrict the invisible hand from doing its work (pollicies)

**7. Government can sometimes impove market outcomes:**

1. Government protects the invisible hand

* Markets only work if property rights are enforced
* Government can promote efficiency and equity

2. market failure: when the market fails to allocate resources efficently

* Externality: the impact of one person or firms action on the well being of a bystandeder

. pollution

* Market power: ability to influence market prices

. Owner of something

**8. An economy’s standard of living depends on its ability to produce goods and services:**

1. gross domestic product per head the market value of all final goods and services produced within a country in a given period of time divided by the population of a country

2. standard of living a measure of welfare based on the amount of a goods and services a person’s income can buy (quality of life)

**. CH:2 Thinking like an economist**

1. Always think about the incentive you have and the incentives you create

2. take into acoount all costs of your choices not just the explicit ones

3. maintain a dynamic oerspective to keep up with the market

4. general microecomic concept

. supply demand and cost funtions

5. microeconomic and the information product

. first copy costs ,MC, sunk costs, price differention

6. organization of the course

. group presentation and preparation of the acedemic summaries

**(END)**