0/31/2013

- (Tutting Center Test) MicroEconomics
- Exam February 14th (cancellation of class on February 19).

Chapter One - First Principle

Economics - The Basic Principles of Individual Choice and the Interaction of Individual Choices. (The study of how resources are allocated among alternative uses to satisfy human wants). In the face of scarcity:

Two Models: Production Possibility Frontier (PPF) - shows the maximum quantity of two goods or services that can be produced using an effective amount of resources.

- GOOD POSSIBLE - Refers to a point that cannot be produced for a lower opportunity cost. Resources - anything that can be used to produce something else. (Land, labor & capital).
- INEFFICIENT - Shows a point that is less than optimal. Resources are not used efficiently. Resources are not used efficiently.

Induced Choice: Principle of Scarcity - Resources are Scarce - How much is the demand for the product?

- Economic Decision - Consumer's choice. The Cost of a Choice - The real cost of anything is its trade-off (what you must give up in order to obtain).
- Tradeoff - You make a trade-off: what you receive in cost and benefits of doing a little more versus doing a little less.
- TradeOff - In anything that offers rewards to people who change their behavior.

Principles of Induced Choices:

- Gains from Trade - People can get more from what they want (desire)
- Market's move Forward: Equilibrium
- Resources Should be used as effectively as possible to achieve overall gain
- Market usually lead to Efficiency

- Model - A simplified representation of a real situation.