ECON Notes

- Trade creates wealth because people value a particular good differently than someone else values it
- People are typically willing to pay more for roses just before Valentine's Day because their demand is inelastic since giving your valentine roses the day after Valentine's Day is not a good substitute.
  - Elasticity: the sensitivity of choosers to changes in price.
  - Price Elasticity of Demand: the percentage change in quantity demanded divided by the percentage change in price. A measure of consumer sensitivity to changes in price.
  - Price Elasticity of Supply: the percentage change in quantity supplied divided by the percentage change in price. A measure of seller sensitivity to changes in price.
- With a good on each axis, the production possibilities frontier is downward sloping, which suggests the production of one good ultimately means sacrificing production of the other.
- Even Al Gore had to economize after donating $1.4 million to his Alliance for Climate Change charity. From the economic point of view, his charitable project was chosen over other uses of his money.
- Disagreements about the relative economic efficiency of particular projects are usually disagreements about the relative values of particular goods to different people.
- Opportunity cost: the next best alternative that is sacrificed when a choice or action is undertaken.
- Economics is about: how people make decisions, how the choices of others influences our choices, the consequences (good or bad) of our decisions.
- The Law of Comparative Advantage states that production should be based on who can produce a product with the lowest opportunity cost.
- In economics as well as in social relations in general, clear and concise information makes cooperation easier to achieve.
- In the economic way of thinking, private property rights provide people with rules of the game, dependable information, and incentives.
- Under the right circumstances, power and wealth could both be substitutes for love.
- Marginal cost: the additional cost that will be expected to be incurred if an action is undertaken. The costs affecting decisions to supply are always marginal costs.
- Other things constant, a decrease in price will increase the quantity demanded for a good.
- An example of labor-leisure tradeoff: if Walmart decides to double its managers' pay, some managers may choose to work fewer hours.
  - Labor leisure tradeoff: the optimal choice of leisure and income will change as wage changes
- Compensating differentials: attempt to offset the non-monetary costs or benefits of particular jobs.