Mankiw's Top 10 Economic Principles

This list gives us a look into the principles that economist Gregory Mankiw believes regulates how our economy works or should work. Hold onto this list because we will refer to it throughout the course.

1. **People face trade offs.**
   You can't get everything you want.

2. **The cost of something is what you give up to get it.**
   Also known as opportunity cost.

3. **Rational people think at the margin.**
   Rational people act when the marginal benefit of an action outweighs the marginal cost of that same action.

4. **People respond to incentives.**
   People are more likely to buy or sell if there are extras that make an offer look more attractive.

5. **Trade can make everyone better off.**
   Transactions involve 2 parties who bring their best to the table and are happier with what they get than what they give up.

6. **Markets are usually a good way to organize economic activity.**
   Follows the idea that markets are guided by the "invisible hand", an economic theory by Adam Smith.

7. **Governments can sometimes improve market outcomes.**
   Government policies help to improve markets. Examples are regulations against monopolies, creation of tax incentives to control growth and correct market failures.

8. **A country's standard of living depends on its ability to produce goods and** services.
   Our quality of life depends on our business, political, and ethical decisions. Productivity grows, so does our standard of living.

9. **Prices rise when the government prints too much money.**
   Inflation.

10. **Society faces a short run tradeoff between inflation and unemployment**.
    Reduction in inflation is often linked to a rise in unemployment.