

CH.1

1. TRADEOFFS EXIST
2. OPPORTUNITY COST
WHATEVER IS GIVEN UP
FOR AN ~~ANY~~ ITEM/SERVICE
3. RATIONAL DECISIONS
OCCUR AT THE MARGIN
4. INCENTIVES COUNT - \$
COSTS COUNT)
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WHATEVER INDUCES A
PERSON TO ACT

5. TRADE BENEFITS
EVERYONE OVERALL

6. FREE MARKETS ARE BEST
AT EFFICIENT ALLOCATION

SCARCITY - LIMITS TO EVERYTHING

ADAM SMITH "WEALTH OF NATIONS"
- INVISIBLE HAND

7. GOV'T CAN IMPROVE
SOME MARKET OUTCOMES

- INTERNALIZE EXTERNALITIES

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IMPACT OF INDIVIDUAL
ACTIONS ON BYSTANDER