

## Learning Objectives

### Chapter 1

#### **In this chapter you will**

- Learn the Ten Principles of Economics
- Learn that economics is about the allocation of scarce resources
- Understand that decision-making involves trade-offs
- Examine some of the trade-offs that people face
- Learn the meaning of opportunity cost
- See how to use marginal reasoning when making decisions
- Discuss how incentives affect people's behaviour
- Consider why trade among people or nations can be good for everyone
- Discuss why markets are a good, but not perfect, way to allocate resources
- Be able to explain how standards of living are affected by production of goods and services
- Learn what determines some trends in the overall economy

#### **You should be able to**

- Define scarcity
- Explain the classic trade-off between "guns and butter"
- Add up your particular opportunity cost of attending university
- Compare the marginal costs and marginal benefits of continuing in education indefinitely
- Consider how a quadrupling of your tuition payments would affect your decision to educate yourself
- Explain how and why specialization and trade improve people's choices
- Give an example of a positive and a negative externality
- Explain the source of large and persistent inflation

*Economics, 2<sup>nd</sup> edition*

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ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA