

Chapter 1

Core Principles

Scarcity Principle - The chapter defines economics and lays the foundation for future discussions of decision making under conditions of scarcity (the No-Free-Lunch Principle).

Cost-Benefit Principle - The chapter introduces marginal analysis and presents examples that apply the $MC = MB$ principle.

Not-All-Costs-Matter-Equally Principle - The chapter introduces the idea that some costs matter (e.g., opportunity costs) while other costs don't (e.g., sunk costs) when making decisions.

Important Concepts Covered

- Definition of Economics(Microeconomics/Macroeconomics)
- Economic Surplus
- Scarcity Principle
- Cost-Benefit Principle
- Opportunity Cost
- Marginal Benefit/Marginal Cost
- Rational Person
- Sunk costs
- Average costs and benefits