

# *Chapter 5*

## *Core Principles*

**Scarcity Principle** - the chapter uses the scarcity principle to discuss the reasons for individuals' choices with respect to work and how the choices affect the macroeconomy.

**Cost-Benefit Principle** - the chapter discusses using the cost-benefit principle as a way to determine the appropriateness of economic policies.

## *Important Concepts Covered*

- Gross domestic product
- Consumption, Investment, Government purchases, Net exports
- Real versus nominal GDP
- Unemployment
- Labor force
- Discouraged workers