



Write This Down

## 5 Powers of Economic Thinking

### 1. Resources cost more than you think.

Accounting costs--\$ cost

Opportunity cost-- The next highest  
valued alternative.

### 2. All decisions are rational

### 3. All Decisions are made at the margin.

Margin = each additional

Marginal Cost = additional cost

Marginal Benefit = additional benefit

### 4. The answer to most questions is found in this simple statement: IT DEPENDS!

### 5. People are maximizers

We want the most benefits at the  
lowest cost possible

Founder of Economics

Adam Smith - wrote "Wealth of Nations"

*Key Ideas*

Specialization: you can increase productivity  
through division of labor

Productivity = the amount of output  
produced by a given input (ie worker)

Division of Labor = work is divided so each  
person does fewer tasks than before