Key Principles of Economics

Nullum Grat uitum Prandium – There is no free lunch.

Someone has to pay:
- lottery is paid by other players
- answering your questions after the class hours are paid by me found in the form of time and efforts.

Scarcity:
- limited resources
- unlimited wants

We do not assume that people are greedy but more prefer to less.

Red Cross wants more donations to help more people and they never said to donors please do not give us any more for we have enough.

Olympics – many people want to be called strongest, fastest and there is a conflict which we resolve through competition.

1) Competition is process of conflict resolution, which yields choices (discrimination)

2) Form of choices i.e. the form of discrimination depends on rules

3) Choices are unavoidable.

Choice implies cost which is what we call opportunity cost, because you gave up an opportunity (item, action, money) is the highest value of forgone alternative (land use) the best alternative sacrificed.

Farmer raising cattle forgoes opportunity to grow peaches.

Theory simplifies representation of the world is the road map, if you use map you are theorist.

Facts never speak for themselves but only in terms of theory.
Theory should be:

- simple
- general, applied to everything
- useful in predicting observable behavior, when dog does waste disposal he gets food or gets slaps.

**Why take Economics?**
Because we are ignorant about the subject.

**Ode to Stephen Cheung**
Where will a $5 bill placed upon a classroom desk be at the same time tomorrow? If we go to the Physics department they will use the Physics paradigm which says that it will still be on the desk. In reality, will it still be there tomorrow? No way. In Economics we have our own paradigm which we will use to answer questions.

The simplest way to think of Economics is as the Study of Human Choices. More succintly, it is the Study of Choices because we not only study the choices made by humans but also those made by committees, firms, and other groups.

**Why do we study Choices?**
Scarcity makes choice making necessary.