

Handy Dandy Guide to Economic Thinking

1. **People choose.** People choose the alternative which seems best to them because it involves the least cost and greatest benefit.
2. **People's choices involve costs.** Cost is the second best choice people give up when they make their best choice.
3. **People respond to incentives in predictable ways.** Incentives are actions or rewards that encourage people to act. When incentives change, people's behavior changes in predictable ways.
4. **People create economic systems that influence individual choices and incentives.** How people cooperate is governed by written and unwritten rules. As rules change, incentives change and behavior changes.
5. **People gain when they trade voluntarily.** People can produce more in less time by concentrating on what they do best. The surplus goods or services they produce can be traded to obtain other valuable goods or services.
6. **People's choices have consequences that lie in the future.** The important costs and benefits in economic decision making are those which will appear in the future. Economics stresses making decisions about the future because it is only the future that we can influence. We cannot influence things that have happened in the past.