

## What Seven Principles Guide Economic Thinking?

**Scarcity-forces-tradeoff principle:** Limited resources force people to make choices and face tradeoffs when they choose.

**Cost-versus-benefits principle:** People choose something when the benefits of doing so are greater than the costs.

**Thinking-at-the-margin principle:** Most decisions involve choices about a little more or a little less of something.

**Incentives-matter principle:** People respond to incentives in generally predictable ways.

**Trade-makes-people-better-off principle:** By focusing on what we do well and then trading with others, we will end up with more and better choices than by doing everything ourselves.

**Markets-coordinate-trade principle:** Markets usually do better than anyone or anything else at coordinating exchanges between buyers and sellers.

**Future-consequences-count principle:** Decisions made today have future (and often unintended) consequences.