

# The 6 Core Economic Principles

1. **People Choose:** We always **want** more than we can get and **productive resources (human, natural, capital)** are always limited. Therefore, because of this major economic problem of **scarcity**, we usually choose the alternative that provides the most **benefits** with the least **cost**.
2. **All Choices Involve Costs:** The **opportunity cost** is the next best alternative you give up when you make a **choice**. When we choose one thing, we refuse something else at the same time.
3. **People Respond to Incentives in Predictable Ways:** **Incentives** are actions, awards, or rewards that determine the **choices** people make. Incentives can be positive or negative. When incentives change, people change their behaviors in predictable ways.
4. **Economic Systems Influence Individual Choices and Incentives:** People cooperate and govern their actions through both written and unwritten **rules** that determine methods of **allocating** scarce **resources**. These **rules** determine what is produced, how it is produced, and for whom it is produced. As the rules change, so do individual **choices, incentives, and behavior**.
5. **Voluntary Trade Creates Wealth:** People **specialize** in the **production** of certain **goods** and **services** because they expect to gain from it. People **trade** what they produce with other people when they think they can gain something from the exchange. Some **benefits** of voluntary trade include higher **standards of living** and broader choices of **goods** and **services**.
6. **The Consequences of Choices Lie in the Future:** Economists believe that the **cost** and **benefits** of **decision making** appear in the future, since it is only the future that we can influence. Sometimes our choices can lead to **unintended consequences**.

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