

The Standard Neo-Classical Economic Model

Definitions

Economics

Microeconomics

Macroeconomics

Law of Large Numbers

Mixed Economy – government's role: enforce property rights
provide public goods
intervene to control externalities
ensure competitive behaviour
redistribution (depends on SWF)

Pareto Efficiency

Property Rights – exclusive
divisible
flexible
transferable
long duration
high quality

Public Goods – non-rival
non-excludable

Externalities

Perfect Competition – many firms of equal size
common information
free entry and exit

Utility

Opportunity Cost – social value in best alternative use

Shadow Price

Market Price

Law of Diminishing Returns

Law of Satiation

Normal Goods

Inferior Goods

Substitutes

Complements

Marginal

Economic Profit/Rent

Accounting Profit

Laissez-Faire