



## Core Economic Principles

### Basic Economic Concepts

<b>Scarcity</b>	Limited resources relative to unlimited wants, fundamental economic problem.
<b>Opportunity Cost</b>	The value of the next best alternative forgone when making a decision.
<b>Supply and Demand</b>	Model determining price and quantity in a market. Equilibrium is where supply equals demand.
<b>Elasticity</b>	Responsiveness of quantity demanded or supplied to a change in price or other factors.
<b>Market Equilibrium</b>	The point where the quantity demanded by consumers equals the quantity supplied by producers. This determines the market clearing price and quantity.
<b>Gross Domestic Product (GDP)</b>	The total value of goods and services produced within a country's borders in a specific time period.
<b>Inflation</b>	A general increase in prices and fall in the purchasing value of money.
<b>Unemployment</b>	The state of being without a job but actively seeking employment.

### Market Structures

<b>Perfect Competition</b>	Many firms, identical products, free entry/exit, price takers.
<b>Monopolistic Competition</b>	Many firms, differentiated products, relatively easy entry/exit.
<b>Oligopoly</b>	Few firms, interdependent decisions, potential barriers to entry.
<b>Monopoly</b>	Single firm, unique product, significant barriers to entry, price maker.

### Macroeconomic Goals

<b>Economic Growth</b>	Increase in the production of goods and services over time (GDP growth).
<b>Price Stability</b>	Maintaining a low and stable rate of inflation.
<b>Full Employment</b>	Minimizing unemployment while avoiding inflationary pressures.

## Taxation Principles

### Types of Taxes

<b>Income Tax</b>	Tax levied on individual or corporate income.
<b>Sales Tax</b>	Tax on the sale of goods and services.
<b>Property Tax</b>	Tax on the value of real estate and other property.
<b>Excise Tax</b>	Tax on specific goods, like alcohol, tobacco, or fuel.
<b>Payroll Tax</b>	Tax on wages and salaries to fund social security and Medicare.
<b>Value Added Tax (VAT)</b>	Tax on the value added at each stage of production.

### Tax Systems

<b>Progressive Tax</b>	Higher-income earners pay a larger percentage of their income in taxes.
<b>Regressive Tax</b>	Lower-income earners pay a larger percentage of their income in taxes.
<b>Proportional Tax (Flat Tax)</b>	All income earners pay the same percentage of their income in taxes.

### Tax Efficiency and Equity

<b>Tax Efficiency:</b> A tax system is efficient if it minimizes distortions in economic behavior and administrative costs.
<b>Tax Equity:</b> <ul style="list-style-type: none"> <li><b>Horizontal Equity:</b> Individuals with similar income should pay similar taxes.</li> <li><b>Vertical Equity:</b> Individuals with different income levels should pay different amounts of taxes, reflecting their ability to pay.</li> </ul>

## Fiscal Policy

### Fiscal Policy Tools

<b>Government Spending</b>	Expenditures on goods, services, and transfer payments. (Infrastructure, education, defense)
<b>Taxation</b>	Levying taxes to generate revenue and influence economic activity.

### Fiscal Policy Stances

<b>Expansionary Fiscal Policy</b>	Increases government spending or reduces taxes to stimulate economic growth. Used during recessions.
<b>Contractionary Fiscal Policy</b>	Decreases government spending or increases taxes to curb inflation. Used to cool down an overheating economy.

### Automatic Stabilizers

These are features of the economy that automatically moderate economic fluctuations. Examples include unemployment benefits (increase during recessions) and progressive income taxes (decrease tax burden during recessions).
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## Monetary Policy

## Monetary Policy Tools

<b>Open Market Operations</b>	Buying and selling government securities to influence the money supply and interest rates.
<b>Reserve Requirements</b>	The fraction of deposits banks are required to keep in reserve at the central bank.
<b>Discount Rate</b>	The interest rate at which commercial banks can borrow money directly from the central bank.
<b>Interest on Reserves</b>	The interest rate paid by the central bank on commercial banks' reserve balances held at the central bank.

## Monetary Policy Stances

<b>Expansionary Monetary Policy</b>	Lowering interest rates or increasing the money supply to stimulate economic growth.
<b>Contractionary Monetary Policy</b>	Raising interest rates or reducing the money supply to curb inflation.

## Inflation Targeting

A monetary policy strategy where the central bank announces an explicit inflation target and commits to adjusting monetary policy to achieve that target. This enhances transparency and accountability.