



HEALTH ECONOMICS

Title : Ten principles of Economics

Lecture no : 5

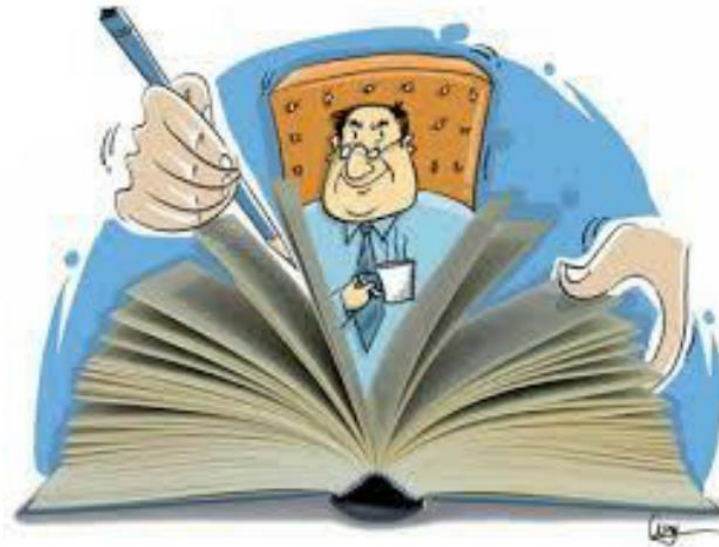
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وَقُلْ رَبِّ زِدْنِي عِلْمًا





Ten Principles of Economics



Dr. Omnia Elmahdy

①

How people make decisions

②

How people interact with each other

③

The forces and trends that affect how the economy as a whole works.

How people make decisions

- People face **tradeoffs**. يواجه الناس المفاضلات.
- The **cost** of something is what you **give up** to get it.
تكلفة الشيء هي ما تتخلى عنه لتحصل عليه.
- **Rational** people think at the **margin**. العقلاء يفكرون في الهامش.
- People **respond** to **incentives**. الناس يستجيبون للحوافز.

How people interact with each other

التجارة

- Trade can make everyone better off. التجارة يمكن أن تجعل الجميع أفضل حالاً. Specialty يكون في التخصصية
- Markets are usually a good way to organize economic activity. عادة ما تكون الأسواق وسيلة جيدة لتنظيم النشاط الاقتصادي. السوق ينظم نفسه بنفسه
- Governments can sometimes improve economic outcomes. يمكن للحكومات في بعض الأحيان تحسين النتائج الاقتصادية

The forces and trends that affect how the economy as a whole works.

- The **standard of living** depends on a **country's production.**

ارتفاع الأسعار

يُطبع

- **Prices rise** when the government **prints too much money.** (Inflation)

التمنح

هاي الجملة معنى لل

التجارة قصيرة المدى

- Society faces a **short-run tradeoff** between **inflation and unemployment**

تضخم

البطالة

لازم نكون عارفين كل principle تحت اي عنوان يقع

Principle #1:

يواجه الناس المفاضلات

People Face Tradeoffs

I have choices يعني

To get one thing, we usually have to give up another thing

- Food v. clothing
وقت فراغي
- Leisure time v. work

**Making decisions requires trading
off one goal against another**

اتخاذ القرارات تتطلب تداول هدف واحد ضد آخر

How do you spend your time ?

How does a family spend its income ?



Recognizing that tradeoffs exist does not indicate what decisions should be made

ادراك أن المفاضلات الموجودة لا تشير إلى
القرار الذي ينبغي اتخاذه

Principle #2:

The Cost of Something Is What You Give Up to Get It

تكلفة شيء ما هو ما تعطي للحصول عليه

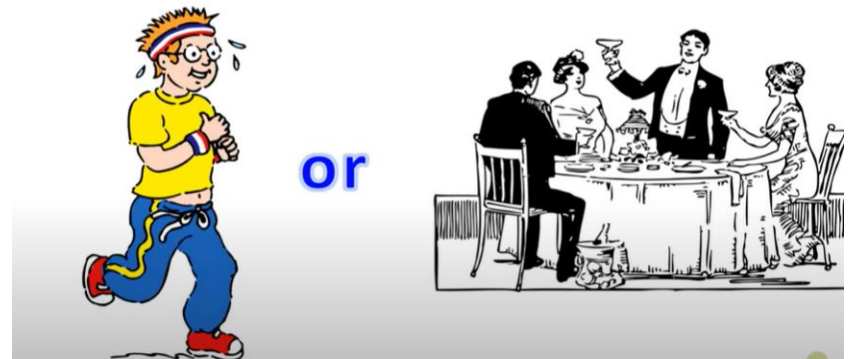
- Decisions require **comparing costs and benefits** of alternatives.

- Whether to study or go out to the movie?
- Whether to go to class or sleep in?

- The **opportunity cost** of

Opportunity Cost

an item is what you give up to obtain that item.



Principle #3:

Rational People Think at the Margin

العقلاء يفكرون في الهامش

التغييرات الهامشية

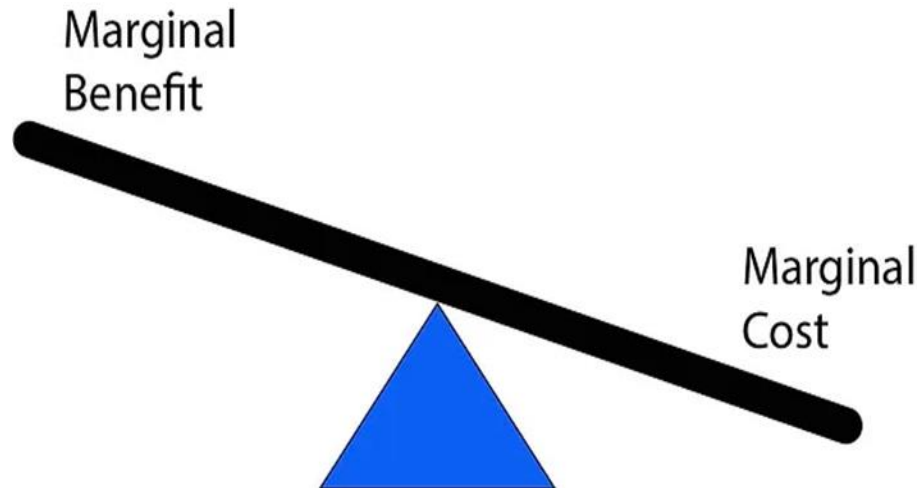
امناضية

- **Marginal changes** are small, **incremental** adjustments to an existing plan of action

تعديلات

قيمة

People make decisions by **comparing costs and benefits at the margin.**



Thinking at the Margin

منه

◦ In addition to looking at opportunity costs, economists also look at the cost and benefits of adding or subtracting one more unit.

◦ In economics, marginal means additional

◦ Marginal costs – extra cost of adding one more unit

◦ Marginal benefits – the extra benefit of adding the same unit

◦ ***As long as the marginal benefit is greater than the marginal cost, it pays to add one more unit

Example: Try to decide how many years you should stay in school.

هاد مثال فوه

Decide whether or not to remain in school for an additional year or two.

Thus, you need to compare the **additional benefits** of another year in school (**the marginal benefit**) with the **additional cost** of staying in school for another year (**the marginal cost**)

يستجيب الناس للحوافز Principle #4:

People Respond to Incentives

تحفيز

Marginal changes in costs or benefits motivate people to respond

The decision to choose one alternative over another occurs when that alternative's marginal benefits exceed its marginal costs!

Marginal Cost v. Marginal Benefit

- People make decisions based on costs and benefits.
- The benefits must **always** outweigh the costs.
- When rational decisions occur, marginal benefit outweighs marginal cost. *****



لازم تكون ال marginal benefit اكثر من ال marginal cost

Example

- When the price of a good rises, consumers will buy less of it because its cost has risen

لو في سلعة سعرها زاد الناس رح تبطل تشتريها كثير ولكن اذا سعرها
نزل الناس رح تصير تشتريها اكثر والشركات رح تصير تنتجها بشكل اكبر

- When the price of a good rises, producers will allocate more resources to the production of the good because the benefit from producing the good has risen

تخصيص

بلمسة الصوان الثاني

Principle #5:

Trade Can Make Everyone Better Off

الجهتين يستفيدوا

يعني مثلا في دولتين كل وحدة متميزه بإشي معين فبصير تبادل بينهم عشان الدولتين يحصلوا على افضل منتجات

- Trade is not like a sports competition where one side gains and the other side loses
- People gain from their ability to trade with one another. يكتسب الناس من قدرتهم على التجارة مع بعضهم البعض.
- Trade allows people to specialize in what they do best
- Just like families benefit from trading with one another so do **countries**

Key word

Both sides win

Types of Economic Systems

- Market

Economy

إقتصاد السوق

هاي الانظمة غالبا نجحت

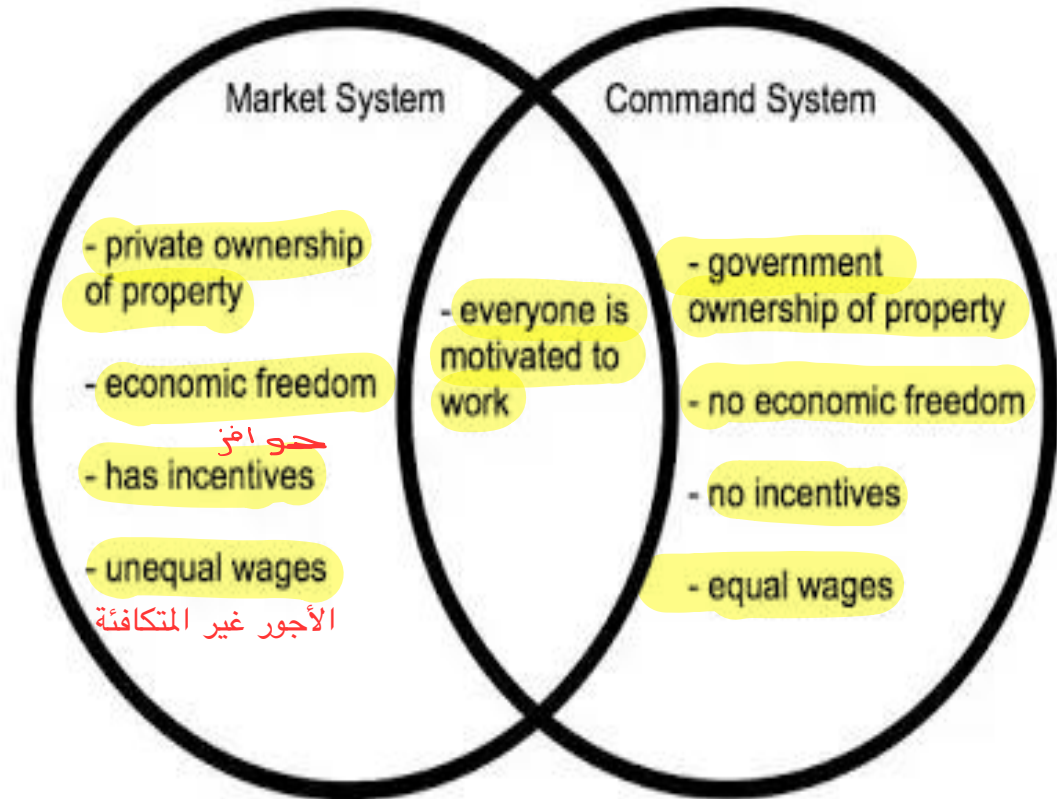
- Command

Economy

الاقتصاد الموجه

هاي الانظمة غالبا فشلت

Market System vs. Command System



Principle #6:

Markets Are Usually a Good Way to Organize Economic Activity

المعمول به في معظم دول العالم حاليا

A **market economy** is an economy that allocates resources through the **decentralized decisions** of many firms and households **القرارات اللامركزية للعديد من الشركات والأسر** as they interact in markets for goods and services.

- Households decide what to buy and who to work for.
- Firms decide who to hire and what to produce.

بنظم حالو بحالو في معظم الاحيان

Market Economy

- A market is defined as the sum of **interaction** between **buyers** and **sellers**

A **perfectly competitive market** has the following characteristics:

1- There are **many buyers and sellers** and **no one is large enough to influence the price**

بكو نوا كثار

2- **Buyers and sellers** act **independently**

3- Buyers and sellers are **free to enter or leave** the market at any time

4- There is **perfect information** of the buyers (**consumer sovereignty**) سيادة المستهلك

يعني المستهلك هو الاساس

Adam Smith made the observation that households and firms interacting in markets act as if guided by an “invisible hand” → هي اللي بتقود بالتصنيف

– Because households and firms look at prices when deciding what to buy and sell, they unknowingly take into account the social costs of their actions.

– As a result, prices guide decision makers to reach outcomes that tend to maximize the welfare of society as a whole.

ال decision makers مقصود فيهم هون اصحاب الشركات

ال decision makers بيعملو حاجات تساعد المجتمع وبنفس الوقت تكون الاسعار حتخليهم هما كمان يكسبو

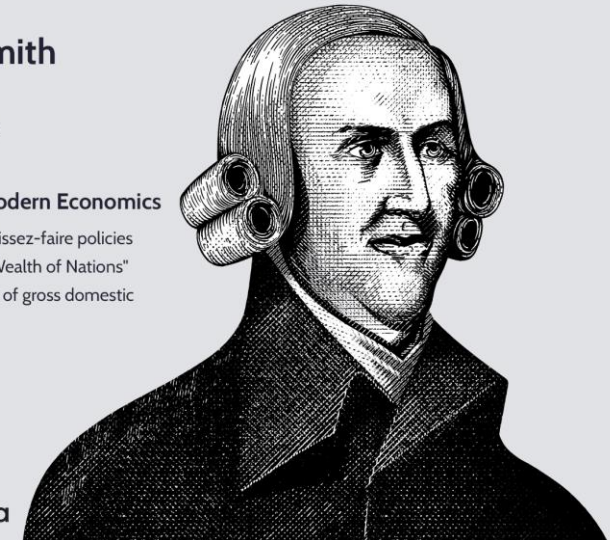
Adam Smith

Born: 1723

Died: July 17, 1790

Founder of Modern Economics

- Advocated for laissez-faire policies
- Author of “The Wealth of Nations”
- Created concept of gross domestic product (GDP)



Invisible Hand

مفهوم جديد

اي حاجه الناس بتحتاجها
الشركات رح تنتجها

Government
does not get
involved

الحكومة ما بتدخل

Needs of
society
automatically
met

Competition keeps
quality high

المنافسة تبقي الجودة
عالية

Profit-
seeking
producers
will make
more

سوف يبحث المنتجون
عن الربح أكثر

Competition
keeps prices
low

المنافسة تبقي الأسعار
منخفضة

Competition &
self-interest act
as an invisible hand
that regulates the
free market



المنافسة والفائدة الذاتية بمثابة
يد غير مرئي تنظم السوق الحرة

- **The role of government in a market economy is minimal**

صا بتدخل او بتدخل
ولكن بشكل صغير

- **Government maintains order and competition by insuring that basic conditions of a market are observed**

تحافظ الحكومة على النظام والمنافسة من خلال
تأمين هذه الظروف الأساسية للسوق

Market Economy

تعريف

['mär-kat i-'kä-nə-mē]

An economic system in which economic decisions and the pricing of goods and services are guided by the interactions of a country's individual citizens and businesses.

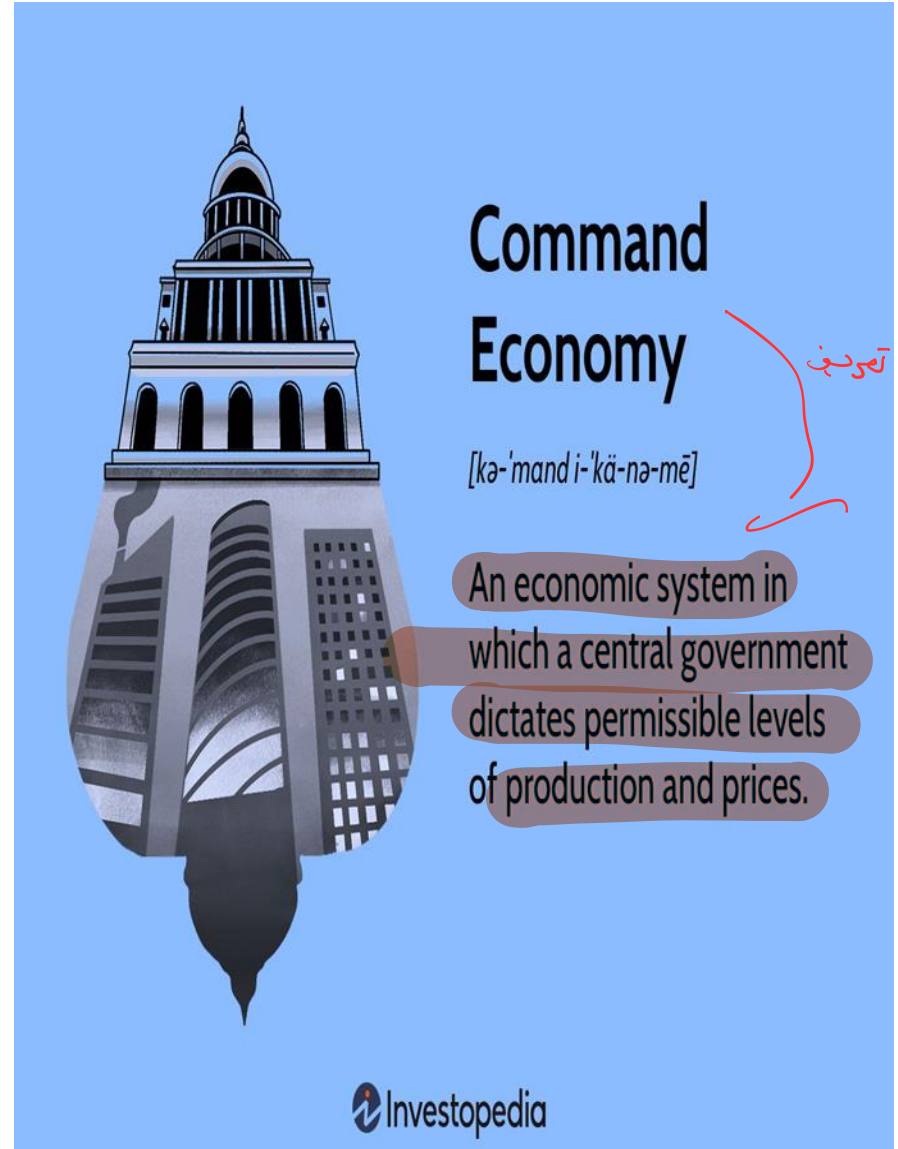
The illustration depicts a blue-toned scene of a market economy. On the left, a two-story building with a striped awning represents a shop. A person is visible inside the shop. In the foreground, three stylized human figures are shown: one is handing a box to the shop, while two others stand nearby. To the right of the figures, there are several coins and a box, symbolizing the exchange of goods and money. The background is a light blue gradient.

Investopedia

اقتصاد موجه Command Economy

هو نظام الحكومة التي يتحكم رواد الأعمال
وهي التي يتحكم بكلماتها

- This is done by **centralized planning** of economic life
- Allocation **choices** are made by the **government** rather than the consumer
- **Socially desirable goals** can be achieved through **planning**
- Government **prevents** any economic **failure**



- When ^{يتدخل} a government **interferes** in a market and restricts price from adjusting, decisions that households and firms make are not based on the proper information.
- Thus, these **decisions** **may be inefficient**
- **Centrally-planned** **economies have FAILED** because they did not allow the market to work

الحكومة هون بتحاول تحقق العدالة الاجتماعية وانو يكون كل الناس زي
 بعض في المستوى الاجتماعي بس بتجيب العيد
 خصوصا في موضوع ال efficiency



Centrally Planned Economy

[ˈsen-trə-lē ˈpland i-ˈkɑ-nə-mē]

An economic system in which decisions are made by a central authority rather than by market participants.

هون الحكومة لازم تدخل **Principle #7:**

Governments Can Sometimes Improve Market

Outcomes

- *There are two broad reasons for the government to interfere with the economy: **the promotion of efficiency and equity.***
- **Market failure** occurs when the market **fails to allocate resources efficiently.**
- **When the market fails (breaks down), government can intervene to promote efficiency and equity.**

عندما يفشل السوق (ينهار)، يمكن للحكومة التدخل لتعزيز الكفاءة والإنصاف.

- Market failure may be caused by

واحد يضر الناس الثانية (المجتمع ككل) احتكار

- An **externality**, which is the impact of one person or firm's actions on the well-being of a bystander. متفرج

، أحد الحضور

- **Market power**, which is the ability of a single person or firm to unduly influence market prices. بلا مبرر

هون انو التجار او البياعين يتفقوا يرفعو الاسعار مع بعض بدون اي مبرر

Because a **market economy rewards** people for their ability to produce things that other people are willing to pay for, there will be an **unequal distribution of economic prosperity** ازدهار.

مسا حفظ

دعواتكم لأهل غزة 

تم بحمد الله 