Summary of the economic way of reasoning

This text explains the core methods economists use to understand human behavior & the economy. the central idea is that people make predictable, rational choices to achieve their goals (like satisfaction or profit) while facing constraints, like scarcity.

1. the Use of models & theories:

- economists use theories & models - simplified frameworks - to identify cause - &- effect relationships
- these models are based on behavioral assumptions to cut through complexity & reveal fundamental forces.
- A crucial rule in testing these models is ceteris paribus which isolates the eff of one variable by holding all others constant.

2. Marginal analysis:

- A fundamental tool for decision-making is marginal analysis.
- this means a choice is rational if you engage in more of an activity whenever t benefits exceed the extra cost

3. the core Concepts of costs & rational Behavior:

- rational behavior is defined as pursuing your self-interest by trying to the greatest well being from your Limited resource.
- the cost of any action is not just money, but the value of the next best alt you must give up. scarcity means that every benefit comes at the cost of forgone opportunity.