Раджан Ишa, 259

1. Purpose of an economic model:
To simplify reality and explain cause and effect relationships in the economy.
2. Marginal analysis and rational behaviour:
People act rationally by comparing marginal benefit with marginal cost and choosing the option with greater benefit.
3. Behavioural assumption and purpose:
Eg: consumers maximize utility.
Purpose: to predict behaviour and simplify analysis
4. Habit-based decisions rational?
No. Rational behaviour requires comparing costs and benefits.

5. Abstraction & usefulness of models:
Models ignore detail to focus on key relationships; unrealistic models help clarify causes and predict outcomes!