(24/09/25) Puspal Patra

1) An economic model is a simplified representation of real economic processes used to analyze relationship between variables and predict the effects of economic decisions. The main purpose is to strip away complexity so that the impact of the changes can be studied and theories can be tested.

2) Marginal analysis examines how an additional unit of a good or action affects benefits and costs. Rational behaviour assumes that individuals decide by comparing the marginal cost. If the marginal benefits exceeds marginal cost, the action is considered rational & worthwhile.

3) An example of a behavioral assumption in an economic models, where people make decisions with limited information and simplified reasoning rather than full optimization.

4) In classicafication economics, such a person is not considered rational because rationally requires weights benefits and costs. In behavioural economics economics can be viewed as bounded rationally if the habit was once optimal or if the person lacks full information.