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1. To simplify complex real world economic systems in order to understand, explain, and predict behavior and outcomes.

2. It shows that rational decision-makers compare the additional benefit of an action to its additional cost if the marginal benefit exceeds the marginal cost, they proceed.

3. Example: Consumers aim to maximize utility.
Purpose: To provide a consistent basis for predicting choices without needing to model individual psychological differences.

4. In standard economic, no- because rationality requires weighing costs and benefits consciously. However, behavioral economics acknowledges that habit may be rational if they saved decision effort in the past.

5. They ignore many real-world details (eg. assuming perfect information or selfish motives)
Such simplications is useful because it isolates key relationships and makes analysis managable.