• Answer the questions

1- What is the purpose of an economic model?

- The primary purpose of an economic model is to simplify and abstract from reality in order to gain a better understanding of complex economic phenomena

2- How can marginal analysis be used to explain rational behavior?

- Marginal analysis guides rational behavior by requiring economic agents to equate the Marginal Benefit (MB) and Marginal Cost (MC). This process of incremental comparison ensures that choices are made to maximize overall utility or profit

3- Give an example of a behavioral assumption in an economic model. What is the purpose of using behavioral assumptions in economic models?

- The core assumption is Rationality, meaning agent choose to maximize their outcomes. ~~This~~ This assumption simplifies complex reality into a predictable framework necessary for building models and generating economic forecasts

4- A person makes decisions by habit. This person considers neither the benefits nor the cost of his or her actions. Can the person be considered rational?

- No, according to the standard (neoclassical) definition of economic rationalty, this person would not be considerd rational.

5- In what ways do economic theories and models abstract from reality? Why are unrelistic models useful?

- Economic models abstract reality through simplifing assumption and the ceteris paribus condition. These "unrealistic" models are usfule because the isolate core relationships for analysis and provide a predictice framework, Which is the Ultimate goal.