VINOTHBABU KRISHNAMUTHU - 2408
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(1) Economics aims to explain how the economy functions and how individuals make choices under conditions of scarcity.

(2) A core assumption in economics is that human behavior is predictable, as individuals and firms systematically pursue objectives such as:
   i) maximizing satisfaction (consumer)
   ii) Maximizing profit (firms)

(3) Marginal analysis is a fundamental method used in economic reasoning:
   i) Decisions are made by comparing marginal (extra) benefits with marginal (extra) costs.
   ii) An action is worthwhile only if marginal benefits exceed marginal costs.

(4) To understand economic behaviour, economists seek cause-and-effect relationships among economic forces.

(5) Economic theories:
   i) Are simplified frameworks used to interpret actions and outcomes.
   ii) Help explain observed economic phenomena
   iii) Rely on assumptions about human motivation and the economic environment.

(6) Economic Variables:
i) Quantities or monetary values that can change.
ii) Example includes price, employment levels, production, consumption, saving and investment.

(7) Economic models:
i) Are abstract, simplified representations of reality.
ii) Show relationships between economic variables.
iii) Use logic, graphs or mathematics to predict outcomes of changes in conditions.

(8) Models focus on key assumptions (e.g profit maximization), even if they do not capture all real-world motivations, to clearly reveal basic economic forces.

(9) The principles of ceteris paribus (other things being equal) is used to isolate the effect of one variable while holding others constant.

(10) Behavioral assumptions are essential in models:
i) firms are assumption to maximize profits.
ii) Consumers are assumed to maximize satisfaction.
iii) These assumptions allow prediction of responses to change in prices, wages, and other variables.

(11) Rational Behaviour:
i) Involves choosing actions where perceived benefits exceed costs.
ii) Costs represent the value of the best alternative forgone (opportunity cost).

(12) Opportunity cost arises because scarcity forces individual to choose between competing alternatives.

(13) Economic reasoning applies to everyday decisions, illustrating how individuals allocate limited resources (Such as time or money) to achieve maximum well-being.