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. the economic way of reasoning .

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the main goal of economic analysis is to understand how the economy functions and how people make choices under constraints.

economic theory assumes that human behavior is generally predictable and motivated by objectives such as maximizing satisfaction or profit.

economists use marginal analysis to study decision-making, which involves comparing extra benefits to extra costs. they also rely on theories and economic models to simplify reality, establish cause-and effect relationships, and explain economic behavior.

these models often use assumptions about human motivation and economic variables to trace how changes in one factor affect others.

since models are abstract, they don't capture every detail of reality.

for example, a model might simplify marriage and divorce trends by focusing only on income differences

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between men and women, even though many other factors play a role.

despite being simplified, models are valuable because they highlight key relationships and help predict outcomes. a central part of these models is behavioral assumptions ideas about how people act.

for instance, it's usually assumed that firms aim to maximize profits, while consumers try to maximize satisfaction.

with these assumptions, economists can analyze how changes influence decisions.

economists also assume people act with rational behavior, meaning they pursue actions when the extra costs, always within the limits of scarcity. rational choices involve weighing trade-offs and making the best possible use of limited resources.

in short, the economic way of reasoning involves:

1. using models and theories to simplify reality
2. applying marginal analysis to compare costs and benefits.