Topic 2 ширини текантанех Амирхосейн

the Economic way of reasoning

* scarcity & choice

Because reasources (time, money Labor) are Limited people must make choices Every choice involves a Trade-off giving up one thing to get another

* opportunity cost

the True cost of any decision is the value of the next best alternative you giveup not just monetary cost - includes time missed opportunities

* Rational Behavior

individuals are assumed to act rationally meaning they try to maximize their satisfaction or benefit given their constraints.

Rational ≠ selfish it means making decisions that best serve your own evaluated interests

* marginal Analysis

. the cornerstone of economic decision making.

. you should do more of something only if the marginal (extera) benefit > marginal (extra) cost.

. Helps optimize decisions: should I study one more houre? only if the benefit (better grade) outweighs the cost (Lost sleep or Leisure)

Economic models & theories

simplified representations of reality used to explain or predict economk behavior

Based on assumptions (firms maximize profit consumers maximize satisfaction)

use ceteris paribus (all else equal) to isolate the effect of one variable

Example modle: if population grows -> apartment rents rise (assuming no new housing is built)

* Economic variables

- measurable factors that can change:

prices unemployment production wages, etc

- models show how changes in one variable

affect others.

Economic reasoning helps us:

understand individual and market behavior

predict responses to policy changes (taxes subsidies

make better personal and professional decisions

using cost-benefit Logic