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Economics studies how people make choices under scarcity. it assumes behavior is predicatable with individuals seeking to maximize satisfaction or profit marginal analysis examines whether the extra benefit of an activity exceeds it extra cost.
Economic theories and models simplify reality to explain cause-and-effect relationships. models rely on assumption about behavior and the environment to predict outcomes of changes in economic variables like price employment, or consumption key assumptions include that consumers aim to maximize satisfaction and firms aim to maximize profit, though models may ignor other motives for clarity. the pharase ceteris paribus (other thing being equal) isolates the effect of a single factor
Rational behavior occurs when individuals make choices to maximize their wel being. weighing benefits against opportunity costs.