

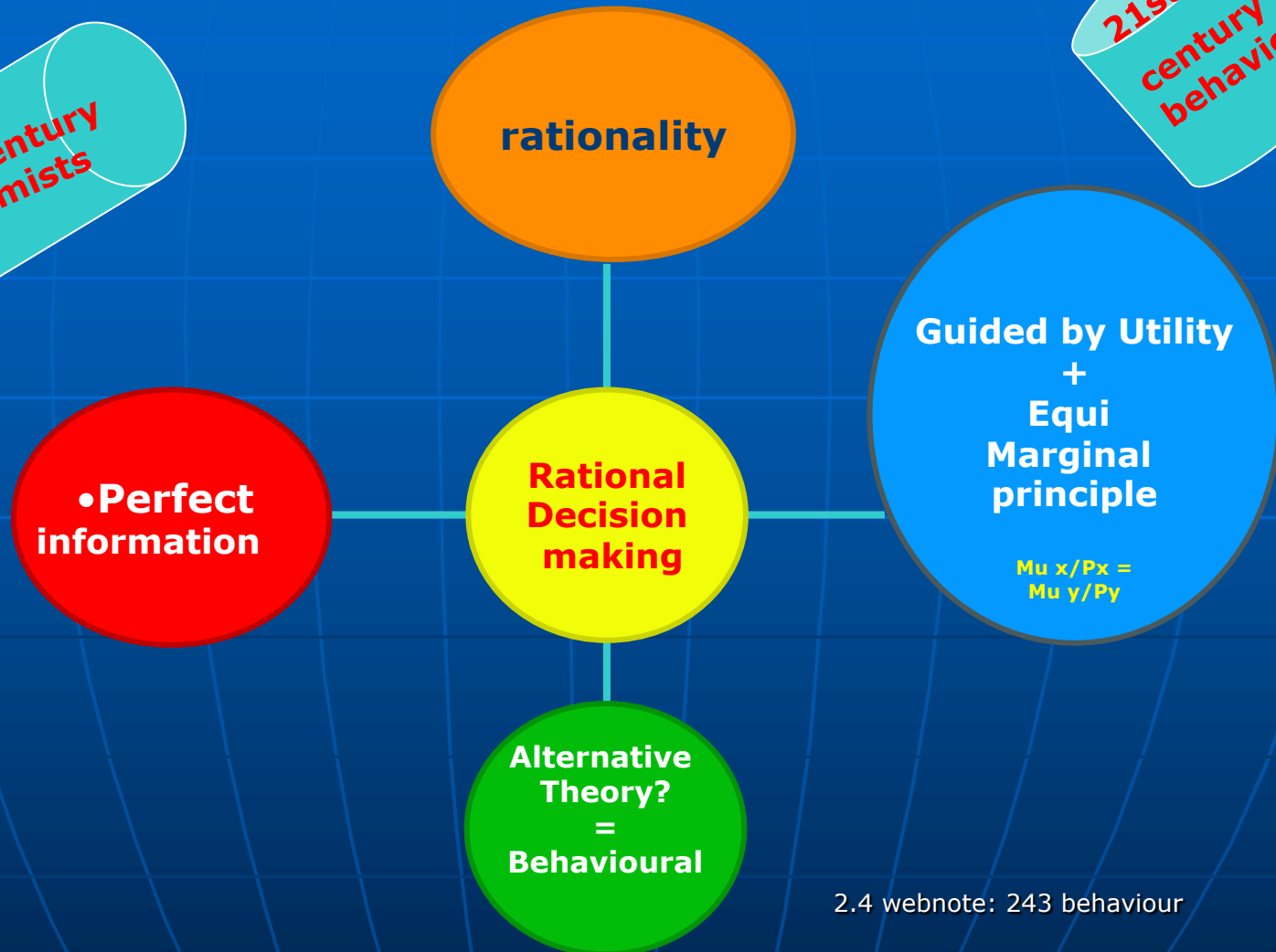


How do consumers + firms behave?



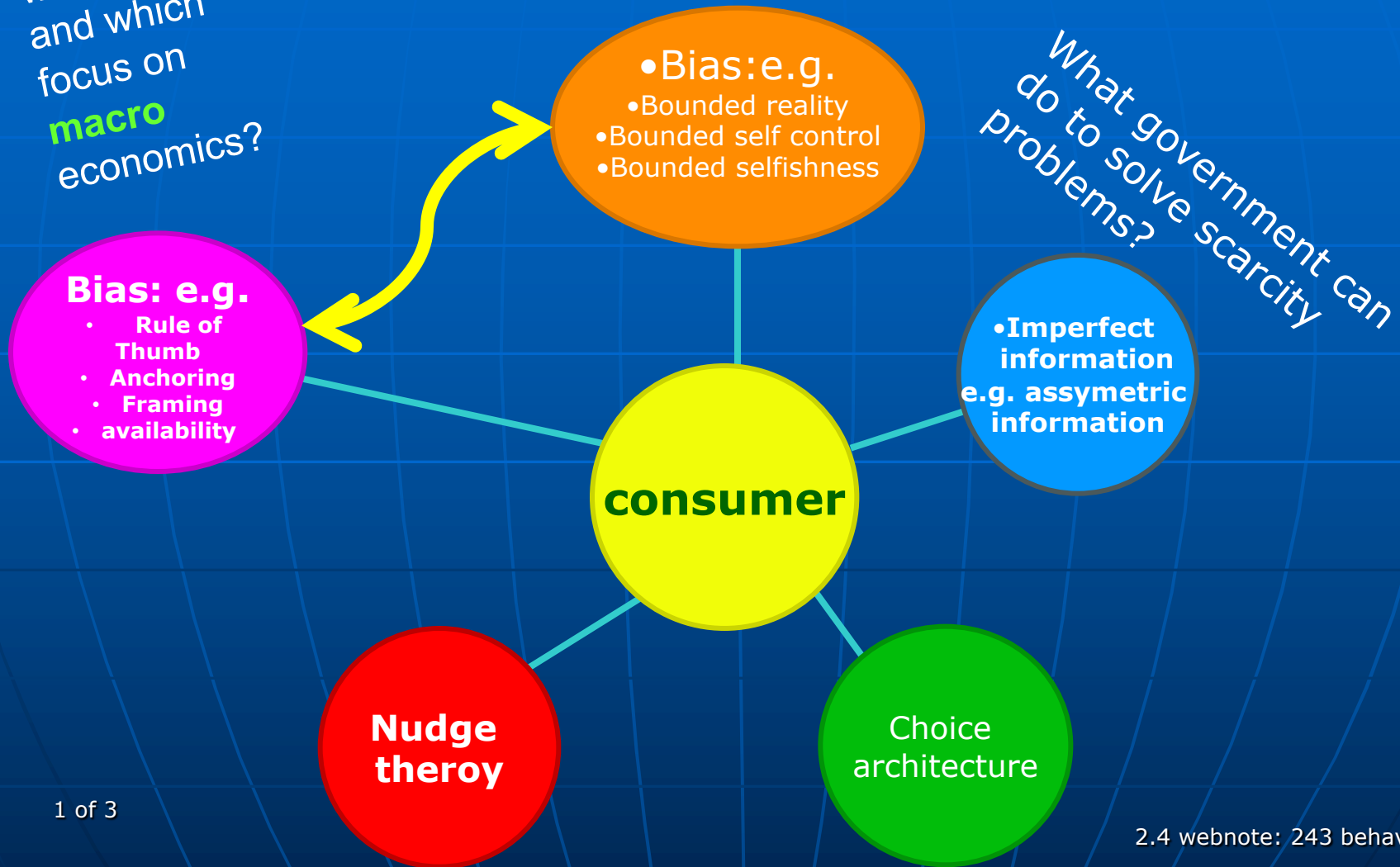
17th century
economists

21st
century
behaviour



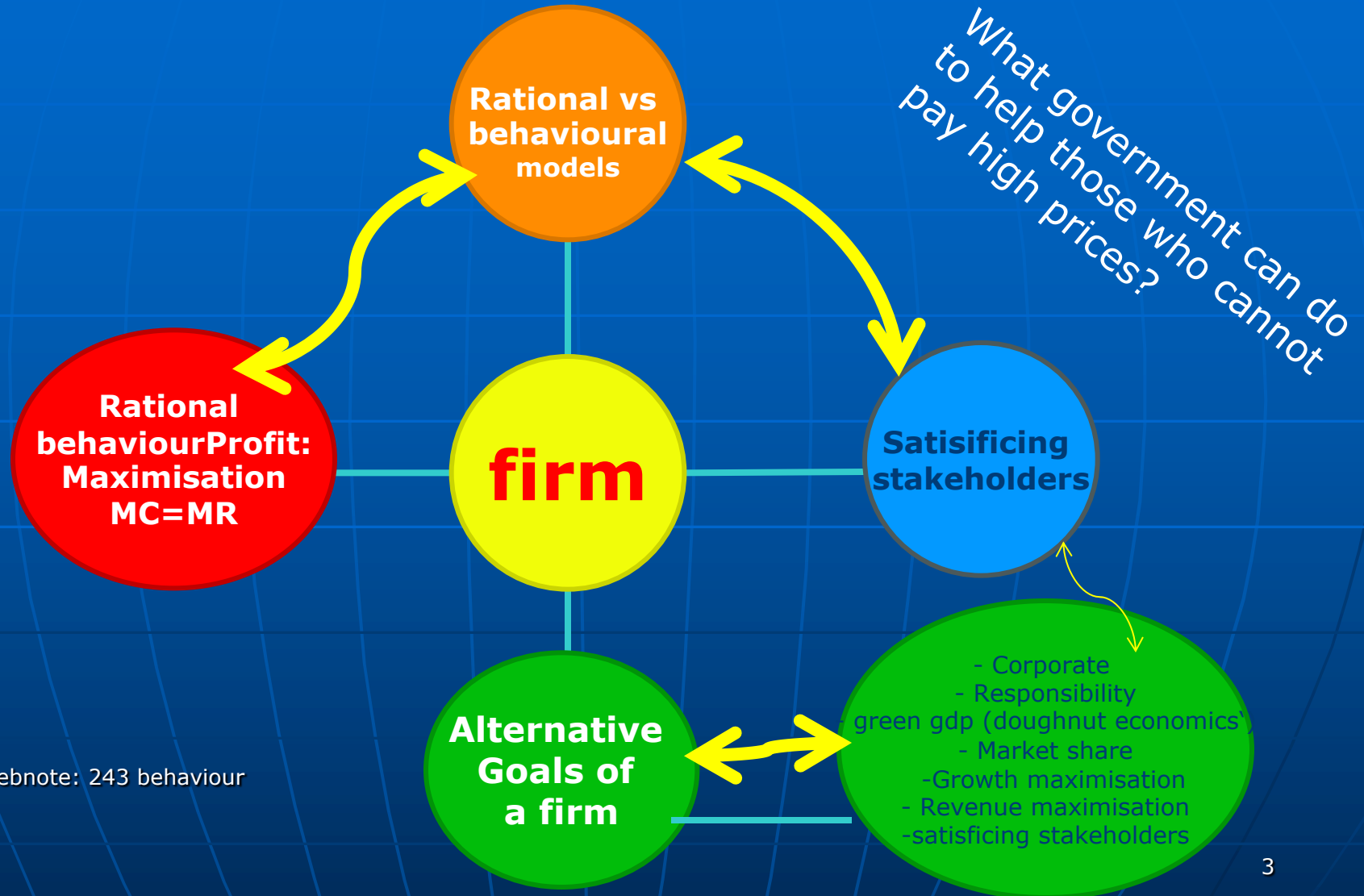
Rational Man?-the classical approach vs behavioural economics

Which of the circles deal with **micro** and which focus on **macro** economics?

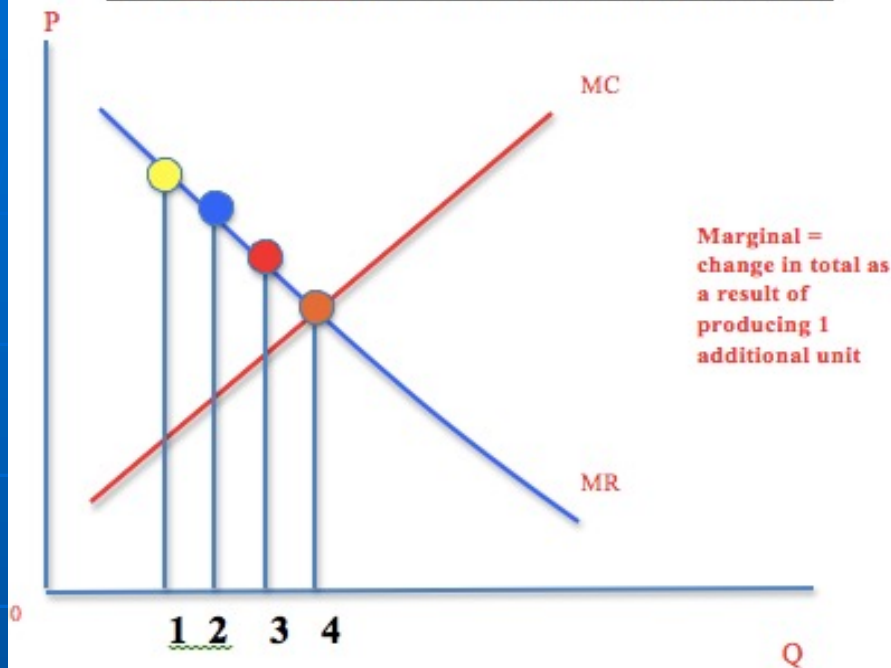


Web note 243: MIND MAP-behavioural economics

Rational Man-the classical approach vs behavioural economics



Why $MR = MC$? Zero profit?
The Production of 200,000 tonne oil tankers



- 4th Oil tanker produced: $MR = MC$. Why produce the 4th? Because it might allow the firm to benefit from economies of scale and produce nearer to the lowest point on the LRAC
- 3rd Oil Tanker: $MR > MC$. Firm benefits
- 2nd Oil Tanker: $MR > MC$. Firm benefits
- 1st Oil Tanker: $MR > MC$. Firm benefits

Main Theme in IB Economics

Consistent throughout the course is:
economic theory should have....

....**more**...**behavioural
economics theory**

Economics has
developed in the
20th century