1.2.1 Rational decision making

a) The underlying assumptions of rational economic decision making:
   - consumers aim to maximise utility
   - firms aim to maximise profits

- The assumptions of rational economic decision making are:
  - Consumers act rationally to maximise their utility (satisfaction)
  - Firms act rationally by aiming to maximise profits
- An Econ is said to be infinitely rational and immensely intelligent, emotionless being who can do cost-benefit analyses at will, and is never wrong.
- Rational acting requires all economic agents to have perfect (symmetric) information that they need to be able to correctly choose between the alternatives
- A rational individual is assumed to have full self-control but behavioural economists argue individuals have limits on their self-control 'bounded self-control'