

## SECTION 1.5 MARGINAL THINKING

This section develops the idea of marginal thinking, looking at the incremental effects of choices. It is argued that this approach is central to rational choice.

- · Most choices involve how much of something to do, rather than whether or not to do something. **Marginal thinking** focuses on the effects of adding to or subtracting from the current situation.

### Chapter 1

4 Copyright © 2013 Nelson Education Limited

- The **rule of rational choice** is that people will alter their behaviour if they expect that the marginal benefit differs from the marginal cost. Individuals will increase their participation in an activity if the expected marginal benefit exceeds that expected marginal cost.

- · The optimal (or best) levels of pollution or crime is not zero but where marginal benefit equals marginal cost. A rational decision as to whether we should reduce crime should be made by comparing the marginal benefits (safer society) and the marginal costs (enforcement, courts).