

Modeling Paper

In Economics 202 we spend much of our time developing models that we use to better understand the behavior of economic agents, principally firms and consumers. We devote some of our class time to conversations about examples of how our models apply to real world situations, but you have not yet had the opportunity to use your newly acquired microeconomics toolkit to answer a question that is of interest to you. Observing the world around us, then using or creating economic models to better understand and explain *why* things are happening in a specific way is one of the most challenging tasks that economists undertake.

Your assignment in this paper is to view the world through the lens of economics. I would like for you to spend some time thinking about a real world event or phenomenon that you have found particularly interesting. Then, after you have identified your area of interest, I want you to apply the tools that you have learned in economics 202 to write a paper that explains how your skills as an economist allow you to better understand *why* the event or phenomenon has occurred. Finally, I want you to comment on how the economic model (or models) that you have chosen to explain your event or phenomenon is inadequate. In other words, what is missing from your analysis because of limitations of the model?

Example

Why are apartments on Chicago's Near North Side more expensive than apartments on Chicago's Near West Side?

You might consider using any number of different models to answer this question. You might start with indifference curve analysis and build from that foundation so that you could effectively employ the supply and demand model. Clearly, the factors affecting the demand (and supply) of apartments in Chicago are more complicated than in the examples we discussed in class. Your job would be to figure out what the factors are, how they can be incorporated into the models you know, and how the models can explain the real world phenomenon that you have observed (the price differential for apartments located in different parts of the city). You would also want to be able to critique the models that you use to answer your question. Specifically, what does the supply and demand model struggle to explain in the market for apartments in Chicago?

Guidelines

You must submit your question/topic for approval. *The deadline for this submission is April 4th. I would encourage you to submit your question/topic earlier than April 4th, though. You may need to get help with modifying or changing your topic.*

The paper is due by 9 AM on Thursday, April 21st.

The paper must be typed, double spaced, and in font size 10 or larger. The paper should be absolutely no longer than three pages. Graphs, math, or other supporting materials do not count towards the page limit.

Hints and Suggestions

Please read the chapters from “The Economic Naturalist” that I have made available on the P: drive.

Please take a look at the handout on my webpage “Writing Papers in Economics.” I am happy to look at rough drafts, but you must come by my office with the draft. I will read the draft while you are in my office and offer you my feedback as soon as I have finished reading. While I will be happy to discuss the assignment with you, I won’t “coach” you to the right answer. This is a tough assignment, and part of the way that you will learn from it is to struggle with the process of economic modeling.