

# model building

*foundations of economics*

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- economists tend to build theoretical models in order to test and illustrate their theories
- *ceteris paribus*: Latin for “all other things being equal”
  - key concept: when economists want to test the effect of one variable on another they need to be able to isolate the effect of the one variable by assuming that there is no change in any of the other variables
- example: the circular flow model



source: jason welker