

GEQ1000
Economics
(Social Science)

2.5 Multiple Models

Recap

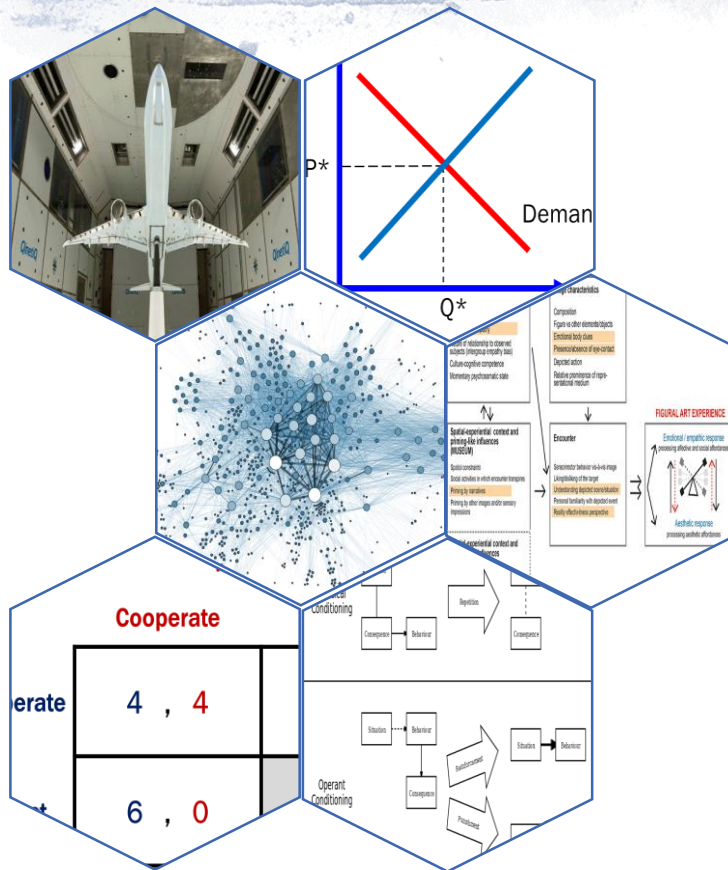
Models are simplifications of reality

It is good practice to make them explicit

They can be used as thought experiments

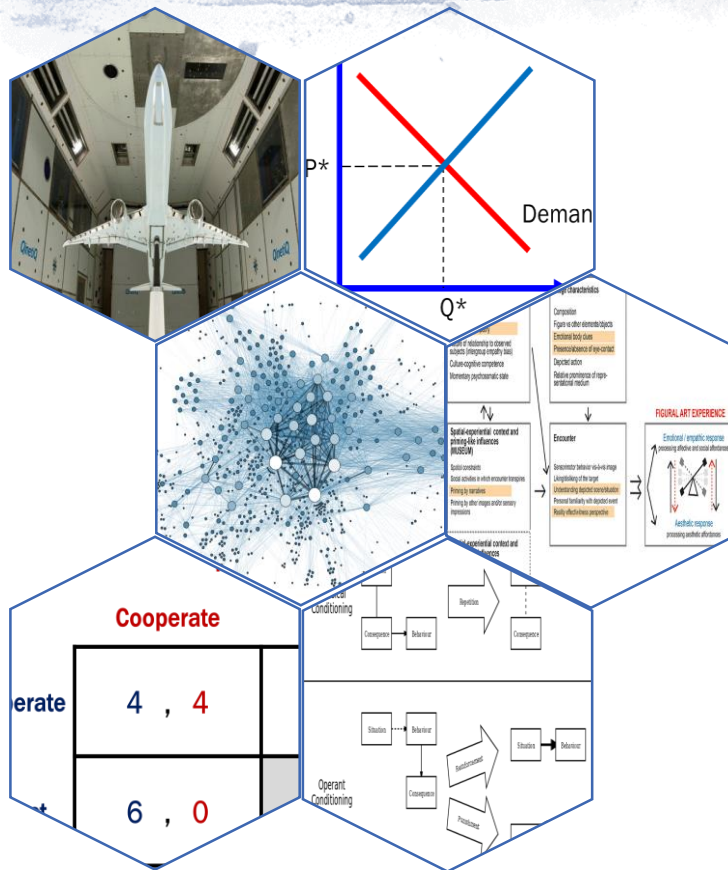
They are applied to, and tested against, the real world

Thinking with Models



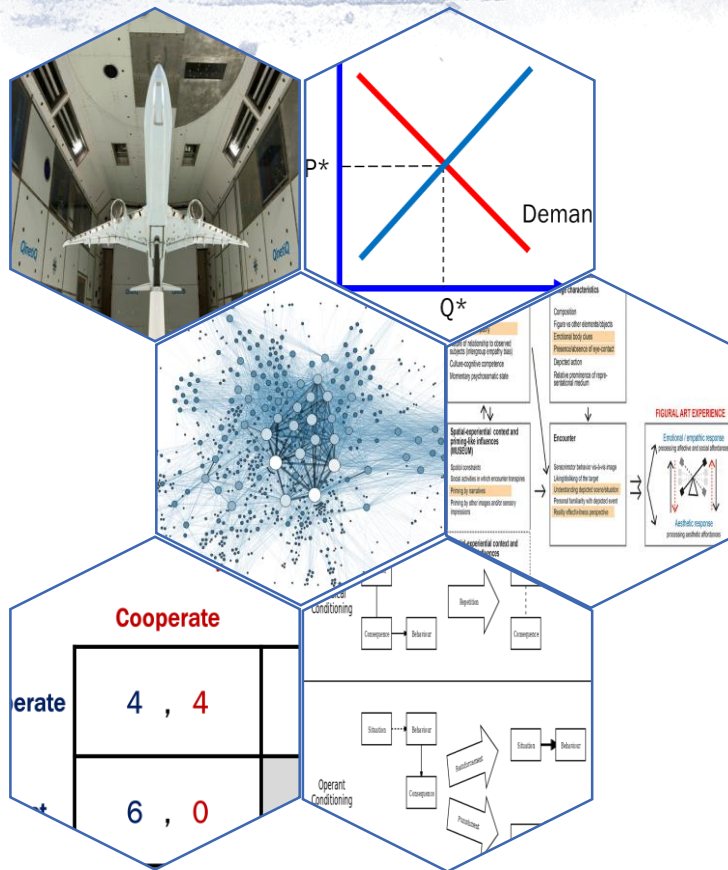
What are the assumptions?

Thinking with Models



What are the insights?

Thinking with Models



How well do the implications
apply to the world?

Get to know many models

Models are not one size fits all

Get to know many models

Models are not one size fits all

Models are not reality



Get to know many models

Models are not one size fits all

Models are not reality

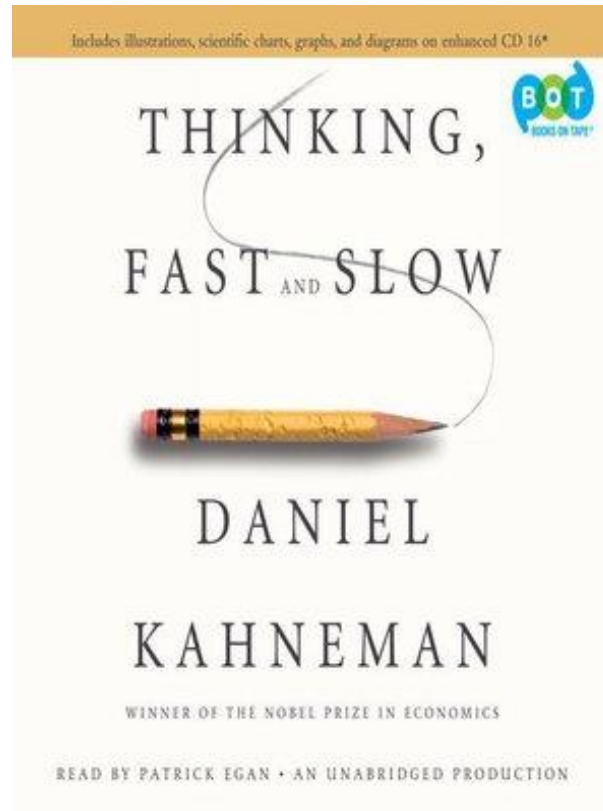
Models can be applied wrongly

More models means more perspectives

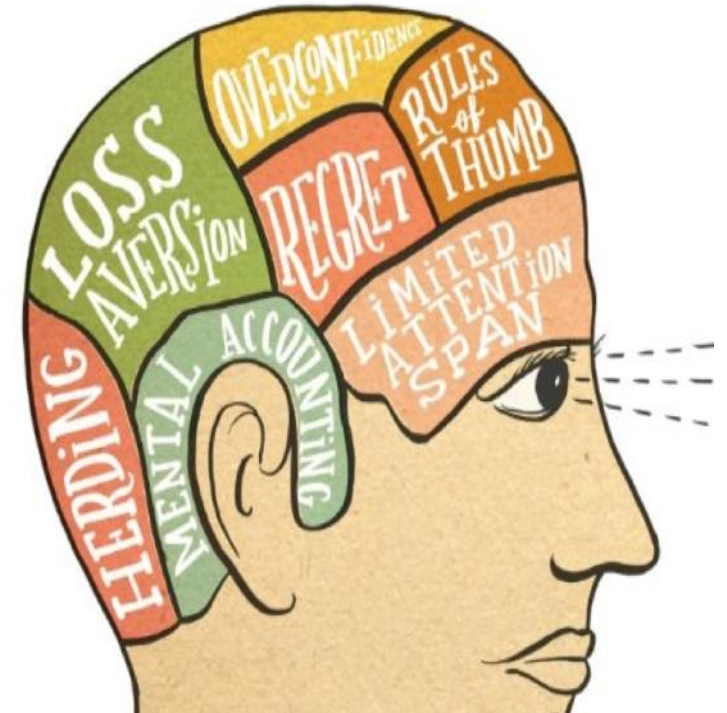
Rational choice models and Behavioral models



Rationality Assumption



Cognitive Biases



Behavioural Economics

Be Ready for Surprises



Summing up

How to use data to explore *causal inference*.

How to use *models*.

Don't expect super predictive power ...

‘Cause we’re only human!



Thank You!