

Economic Model

The purpose of the economic model section of your paper is to provide the reader with the theoretical background necessary to understand your research question, and how you plan to answer your research question with statistical tools. The economic model section is designed to present the economic theory/concepts applicable to your research topic and to use this theory to answer your research question, in abstract.

This section is used to explain to the reader what you expect to find and why, based on economic theory. This could be something as simple as supply and demand, or something more complicated. For more complicated, less common economic models, it would be worthwhile for you to spend more time providing detail for the reader.

In your model section, you should take the following steps:

1. Provide a brief description of the model and its general applications. This will serve as an opening to this section of your paper.
2. Identify the assumptions of the economic model.
3. Present and discuss equations (NOT regression equations) and/or graphs that can be used to understand the model's implications.
4. Use the equations/graphs above to conduct economic analysis. It would be best to start with a general case study (one that differs from your research question).
5. Then, do one or more case studies that help the reader understand how the economic theory answers the research question.

Other comments

- In your model section, explain the economic mechanism underlying the observed behavior, based on the economic theory. Is the behavior driven by, for example, utility maximization, cost minimization, supply and demand forces, a production function, growth model, etc.?
- You should directly link the economic model to your specific research question. You can think of the economic model section as a lecture on an economic theory (1-3), followed by examples (4-5 above) that can be used to answer your research question. Imagine how your research equation would be answered in an economics textbook for one of your elective courses.
- You should NOT include a regression equation anywhere in the economic model section – you will address the statistical/regression analysis in the empirical methodology section of your paper. In some cases, the economic theory will yield an equation that looks like a regression equation (e.g., consumption function, money demand, etc.), but in most cases, it will not.
- This section should include NO regression equations and no (or very limited) reference to data. Imagine you are presenting the theory of how your research question would be answered in an economics textbook – without the use of data or statistical tools. It is ok to keep the data in mind, but this is not the focus. The objective of this section of the paper is to provide the reader with the theoretical background needed to understand what we expect to find in the statistical analysis. This is the approach you have used in most of your other economics classes. The economic model will tell you what you expect to find in your statistical analysis.