

An assessment of the economic way of thinking essay



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It is Important to make the issue as clear as possible when proceeding with analyzing the economic robber in order to make the proper assumptions necessary for the next step which is model building. When building a model economist prefer Including less rather than more variables when explaining the variable under study, but they are also careful not to leave out the important factors. The practice of using the simplest explanation is also used by other disciplines and is referred to as Scam's (also called Chasm's) razor.

As Hal Varian, a prolific economist, points out: when building a model " write down the simplest possible model you can think of, and see if It still exhibits some Interesting behavior. If it does, then make it even simpler. The whole point off model is to give a simplified representation of reality. A model is supposed to reveal the essence of what is going on: your model should be reduced to just those ' Off what Einstein once said, " everything should be as simple as possible, but not more so. Again, care should be taken that the important factors are not taken out when simplifying the model. According to Varian, economic models " pretty much look the same. There are some economic agents. They make choices in order to advance their objectives. The choices have to satisfy various constraints so there's something hat adjusts to make all these choices consistent. " (Varian, 2009) Finally, once a model is formed with the necessary variables included to explain the economic problem, it has to be tested using relevant and available data to establish its worth for future use.

If the data confirms the relationship suggested in the model, then it can be used to predict how the variable under investigation will behave when there are changes in the variables that have been proven to affect it.

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DISAGREEMENTS AMONG ECONOMISTS Despite having a prescribed way of thinking and arriving at solutions to economic problems, economists disagree on issues that are not testable and that depend on analysis that is based on value judgments.

This is unavoidable because each economist (and any individual for that matter) has their own subjective preferences that they have accumulated from their different experiences and different backgrounds. The second and third steps in economic way of thinking discussed above can also lead to disagreements among economists. For example, when simplifying the models it is up to the model-builder how many variables he will end up with because “simplicity” is subjective. This leads some economists to challenge the model built by other economists.

The same is true when they use available data to test their models. Since most available data are only based on the responses of a fraction of the population (a sample), there can be arguments between economists on the reliability and appropriateness of the data used to test the models. Finally, on a lighter note, it may be that it is just in the nature of economists to be argumentative. As Minima wrote in his blog, “perhaps the skills that make a good economist are, for some reason, negatively correlated with the attributes associated with being an agreeable human being.

That is, economics may attract people with a particular set of personality attributes, and perhaps these attributes are not the same set of attributes you might choose for your next dinner party.” Minima, G. R. (2007). The Sociology of Economics. Retrieved from [http:// greenmailing. Bloodspot.](http://greenmailing.blogspot)

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