

DISCUSSION QUESTION

Name:

Instructor:

Course:

Why do economists use models?

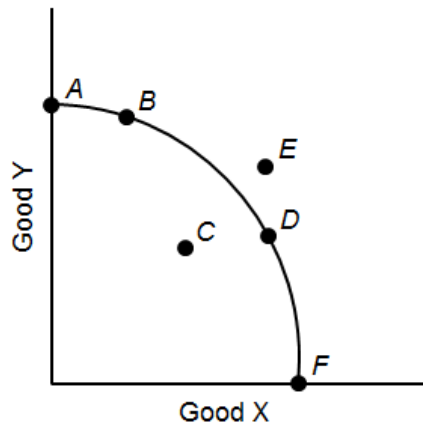
PEER GROUP PROBLEM SOLVING

Name:

Instructor:

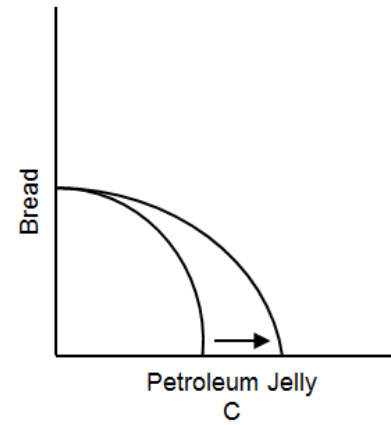
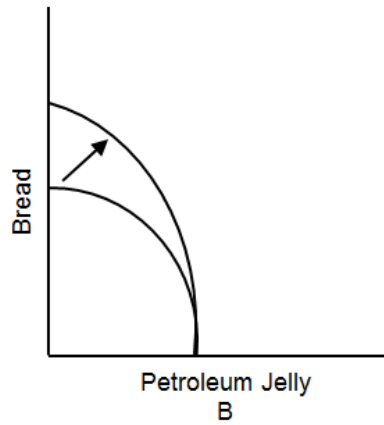
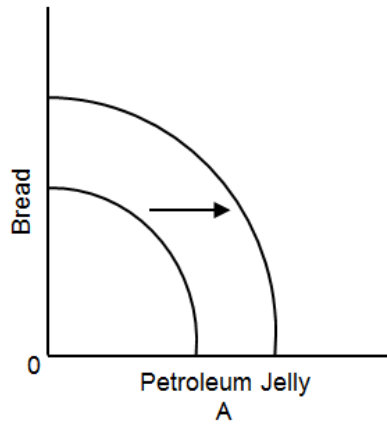
Course:

Based on the Production Possibilities Frontier shown in the graph below, which point(s) are efficient? Which are inefficient? Which are unattainable?



IN-CLASS EXPERIMENT / ACTIVE EXERCISE

Divide the class into three groups. Assign one graph to each group. Have the group present a scenario to explain their graph.



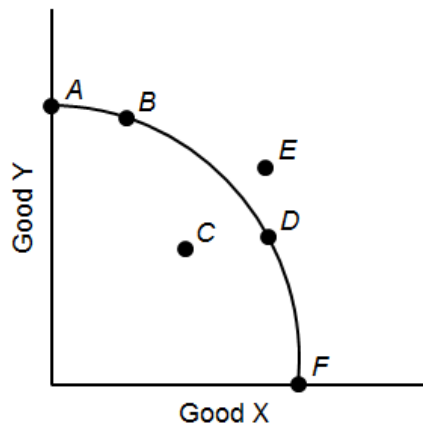
SOLUTIONS AND INSTRUCTOR NOTESDiscussion Question

Why do economists use models?

Economists use models to simplify a set of facts or observations in order to analyze an issue and predict an outcome. Economic models are general frameworks and are built on certain assumptions or rules that govern their operation. Models allow economists to systematically approach complex problems and economic issues.

Peer Group Problem Solving

Based on the Production Possibilities Frontier shown in the graph below, which point(s) are efficient? Which are inefficient? Which are unattainable?



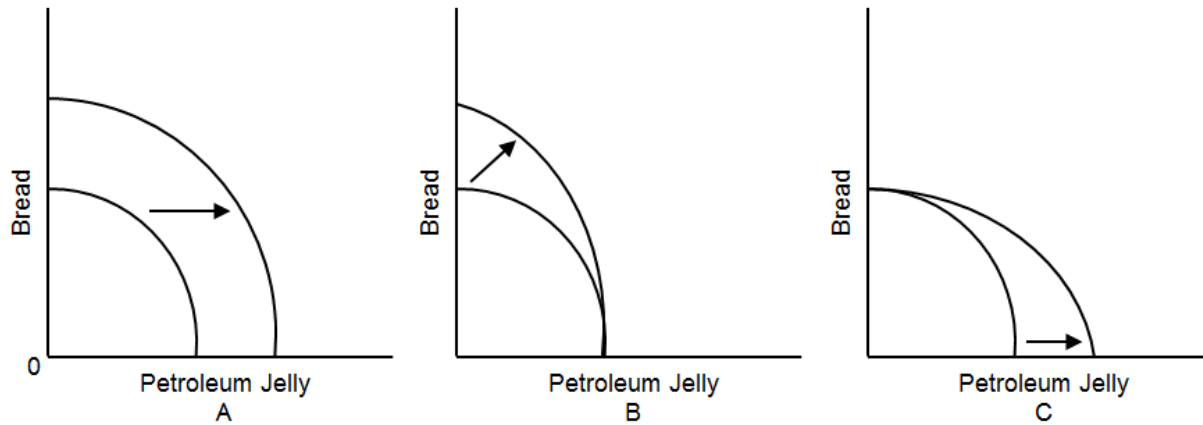
Efficient: A, B, D, and F

Inefficient: C

Unattainable: E

In-Class Experiment / Active Exercise

Divide the class into three groups. Assign one graph to each group. Have the group present a scenario to explain their graph.



Graph A: The economy grew. All factors of production increased an equal amount.

Graph B: Production of bread increased

Graph C: Production of petroleum jelly increased.

Regarding B and C: The assumption is that bread is a labor intensive good and petroleum jelly is capital intensive. Thus, it is most likely that labor allocation increased for bread in Graph B and, in Graph C, technology improved.

For more in-class experiment and active learning ideas, visit www.econedactive.com.