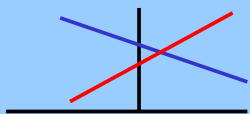


The Role of Models



The Test of a Model

- We never know whether models are true or false.

The Test of a Model

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- Some models fit the facts better than others.

The Test of a Model

- We never know whether models are true or false.
- Some models fit the facts better than others.
- But what about a simple model that “pretty much fits the facts”?

Simple vs. Complicated Models

- The economic models we use in this course are necessarily simple.
- But sometimes a simple model is quite useful.

Two Examples

- Is the world flat or round?

Two Examples

- Is the world flat or round?
 - Driving around Ohio
 - Flying to Asia

Two Examples

- Is the world flat or round?
 - Driving around Ohio
 - Flying to Asia
- How to drive to San Francisco

Two Examples

- Is the world flat or round?
 - Driving around Ohio
 - Flying to Asia
- How to drive to San Francisco
 - Take I-80
 - We miss details, but we better have the general model in mind.

In Summary

- Models can be powerful and useful
- The ultimate test is “does it fit the facts”.

End

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