ECON100 Group Modeling Assignment

FINAL COPY Due: December 12th, 2014 IN CLASS: HAND IN PHYSICAL PAPER
Topic Due: Wednesday, Oct. 29th IN CLASS: HAND IN PHYSICAL PAPER
Rough Draft (optional) Due: Wednesday Nov. 26th IN CLASS: HAND IN PHYSICAL PAPER

FYI: IF YOU DO NOT HAVE A GROUP YOU MUST EMAIL ME IMMEDIATELY!
Give me the section time you are in; and a group you’ll be joining; or I will assign you to a group.

GROUP PARTICIPATION AND ASSIGNMENTS MUST BE FINALIZED THIS WEEK!

Objective:

This assignment is meant for you to get the chance to play around and try your hand at creating a model. If you are mathematically inclined, feel free to make up some reasonable equations for your model and solve them. If not, then make a verbal or visual argument. Keep in mind both the basic tenets of microeconomics and the specific models that we’ve learned in class and use them as needed.

Details:

Each team will submit one paper, co-authored by all team members. You should dedicate your first meeting about the paper to both brainstorming topic ideas and deciding how to divide the work. It’s probably best to hammer out the model and the details together as a group, and then assign writing it up separately. Be sure to include all authors’ names on papers so that credit can be awarded.

Start your paper off by explicitly stating your positive question. You may use one from the list below or come up with your own. If you come up with your own, keep in mind that you want a question that is small enough in scope that you can find a model that will do a good job of answering it. Often, the hardest part of an economic analysis is coming up with the question.

The next hardest part is being creative. All of the interesting puzzles and questions require creative solutions, so take some time to try out “stories” for why you think something might be the way it is. Run your theories by your friends and family. Try to think of counterexamples to your theory.

Also explicitly list your assumptions, and describe why you think they are reasonable (remember: a reasonable assumption doesn’t have to be a true assumption, and the reasonableness of an assumption depends a lot on the question you’re trying to answer).

You may wish to supplement your argument with some actual facts. For example, suppose you are arguing about why Starbucks can charge so much for coffee, and you want to assume that they make a lot of money on each drink. You may argue that they probably do, and even make up some numbers. Or, even better, you can hop onto the internet and come up with some quick figures (they actually make about $0.60 on each $1.00 of coffee they sell (1)). Make sure to cite any such facts or other resources you consult, and try to make sure that the facts you find come from fairly reliable sources. You should use a commonly accepted format for your paper: APA or MLA are best. Your paper should not exceed 15 double-spaced pages. You do not need to write 15 pages, but I doubt that an “A” paper could be achieved in less than 7 pages. Your paper will be mainly evaluated on your argument (clarity of the model and proposed outcome using math/graphs/words), not its length, and some arguments simply take more or less space than
others to convey.

Although you will be explicitly listing your question and assumptions, you need to describe the assumptions of the model (either firm or consumer model; etc) and your analysis clearly using words/graphs/math.

Excessive spelling and grammatical errors will distract the reader (me) and thus weaken your argument. A weakened argument will adversely affect your grade. You must clearly use **WORDS/GRAPHS/MATH** (and hopefully data too) when presenting your model and outcomes.


Sample Questions:

- Why do rock concerts often sell out immediately (i.e. why don’t the musicians raise their prices since they obviously could)?
- What is the effect on traffic accidents of requiring motorcyclists to wear helmets? How about organ-donor lists?
- Why do senior citizens often get discounts at stores, when senior citizens as a group are wealthier than younger people?
- Why do golf courses in Hawaii charge less for locals than tourists?
- What effect would you predict that the arrival of Tiger Woods would have on the playing style of pros in the PGA?
- Think about the incentives and suggest a solution to this problem: You and your significant other are trying to decide on a movie. You want to watch “Lassie” but your s.o. wants to watch “Beerfest.” It’s easy for each of you to insist that you care more about your own movie than the other person does about theirs. Is there any way to extract the truth from each person using economic incentives?
- Why do people who dress well earn more money on average than those with poor fashion taste?
- Why do people give each other gifts rather than cash?
- A couple years back (2009), Todd Neumann (a professor in economics) reported that at the local motorcycle store in Merced, the salesperson told him that sales of motorcycles are down while sales of scooters are up. How can this be reconciled with both the economy and gas prices in 2008?

Other suggestions: Think about current events (there are certainly plenty of them!). Some broad topics include the gas holiday proposed during the primaries, the moral hazard problem in the context of the Great Recession etc. It’s always good to think about the **unintended** consequences of individual actions.