

GENERAL ECONOMICS WRITING INFORMATION

Crash Course in Economics Terminology: many words differ from their common usage

UTILITY: An arbitrary measure of "happiness." Utility is an intangible measure of the happiness you get from doing (or not doing) certain actions.

MARGINAL: The next unit (as opposed to total or aggregate units).

The marginal utility for a third hamburger is how happy eating a third hamburger will make you after you have already eaten two (as opposed to the total happiness of eating three total).

EQUILIBRIUM: When all actors in a transaction maximize their utility and come to an "agreement" on terms of trade.

CETERUS PERIBUS: "all else equal." An assumption made, that while looking at certain variables, all other variables are unchanging.

Positive vs Normative Questions

- Positive questions have definite answers such as "how fast will the ball drop?" or "what will the temperature be a year from now?"
- Normative questions are those which involve *value* judgments such as "should we racially profile at the airport?"

The point of many economics papers is to better understand a normative question using positive measurements. Economists are less concerned with the actual answer to the normative question than they are with possible answers and their ramifications.

Thus, value judgments like *good, bad, better, worse* should not be used in economic analysis.

Correlation vs Causation

- Correlation is observed, any paper that is based on an Econometric model should use correlation. Statistical evidence can **ONLY** show correlation.
- Causation can only be derived through assumptions, and is used only in the framework of a theoretical model.

THE MODEL BASED ECONOMICS PAPER

Organized into (roughly) the following sections

ABSTRACT: 100-200 words to summarize for the reader the purpose of the study, its methods, and its results. Easiest when written last, the abstract should give away the punch of the paper and stand on its own as a "sales pitch" to read more. Should not include broader discussion or go into excessive detail.

INTRODUCTION: Define the problem that is to be explored. Briefly discusses previous research, and how the study fits within the context of the field of study.

DESCRIPTION OF MODEL / METHODOLOGY: Discusses the data gathered and methods of analysis used along with their potential technical caveats. Rationale for why the model applies in the given situation should be given. Clear enough to be repeated by another economist.

RESULTS: Gives the results of the analysis without value judgments. Much of this section can be in the forms of tables and figures, all of which must be referred to in the text. Tables and figures should be understandable without textual explanation.

DISCUSSION: Often rolled in with conclusion. Interpretation of the results in the context of the issues set forth in the introduction. Also analyzes normative implications of the model. Can compare results to those of previous works on the same subject.

CONCLUSION: Often rolled in with discussion. Restates question and the findings' bearing on said question. Can identify possibilities for future research.

Reconstructing a Paper

Each of the following snippets was taken from an Econometrics paper. In your group discuss which section of the paper you think the sentence most likely came from.

Which sector will provide a worker with the best opportunities both in the long and short run?

The ANOVA test showed significance at the 95% confidence level. This means that the null hypothesis that all coefficients in the regression were equal to zero could be safely rejected at the 95% significance level.

For this analysis \hat{y} , the dependent variable, was chosen to be $\ln(\text{wage})$, such that an increase in \hat{y} is equivalent to the same percentage increase in one's wage.

The residual plots of age and age² show no pattern, meaning that heteroskedasticity is unlikely for these variables.

The public sector may offer better employee health or retirement benefits, or may simply offer a work environment that some find to be more enjoyable.

To see if public sector employees were paid higher wages than those in the private sector a multiple regression model was constructed. When compared head to head, public sector workers did make a higher wage.

An increase in benefits for public sector workers would be good for the overall economy in the long run.

Is the difference in compensation for working in the public or private sector solely a function of which sector one is working in?

So if a worker is in the public sector the dummy will "activate" (take on a value of one), and shift the entire continuum by the coefficient to account for the difference in sector.

Variation in different levels of education accounted for a little over 16% of the variation in \hat{y} , as the adjusted R^2 of the regression increased by 0.1639 when the variable for education was added in.

ABSTRACT

This paper explores the variables that affect labor productivity (measured by Average Hourly Earnings). Specifically, it focuses on the impact of "veteran status", keeping in mind that giving our veterans better job options creates a better society. To answer, I use OLS regression models of the form $y = x^2 + E$, with E being the error term, F-tests, and tests for multicollinearity and heteroskedasticity (both of which came out negative). By itself, veteran status has little impact, but as interaction it makes a significant difference. Veteran status benefits Hispanics and men with lower levels of education, while it detracts the earnings of college graduates. This agrees with previous work by Mehay "penalties for military service are largest for white males and college graduates."