

1.1.1 Economics as a social science

- a) *Thinking like an economist: the process of developing models in economics, including the need to make assumptions*
- b) *The use of the ceteris paribus assumption in building models*
- c) *The inability in economics to make scientific experiments*

- Economics is concerned with the ways by which societies organise scarce productive resources to satisfy people's wants.
- Models are used to develop theories of behaviour to explain the choices that all of us must make in our daily lives. They are based on assumptions from which certain deductions may be made.
- How is economics a social science?
 1. It looks at the behaviour of humans and their use of scarce resources
 2. The methodology economists use is similar to that used by scientists
- Empirical data is data collected from experiments or real life observations
- The methodology of economics is similar to science as Economists will:
 - Develop theories and create economic models to explain phenomena
 - Use simplifying assumptions to limit the number of variables
 - Use empirical data
 - Use economic models to test theories
 - Test theories and models against relevant known facts
- Ceteris paribus is Latin for 'all other things remain equal'. It means that when the effect of a change in one variable is considered, it is assumed all other variables are held constant
- Ceteris paribus is used as it helps simplify analysis so that the impact of a single change in a variable can be examined and enables economists to develop theories and models, and make predictions.
- Reasons why is it impossible to make scientific experiments in economics:
 1. Economics is a social science involving people
 2. Economists can't conduct controlled experiments where one variable is changed at a time
- As a result of the inability in economics to make scientific experiments economic policies which may have been effective at one time in one country may not have the same impact at another time or in another country