Review of basic econ approach

1. Individuals are rational
   a. Know what they want
   b. Understand (have a strategy) how to get it, subject to constaints:
      i. Budget constraint: form contingency plans for each conceivable set of (exogenous to them) prices:
         A. Given income (endowments in EE)
         B. Tells the individual what is possible in terms of consumption bundles.
      ii. Demand curves (functions; inverse): plans that answer question: if (exogenous) prices are this, I want (and it is feasible, i.e., satisfies my BC) to consume so much of this and so much of that, etc.
      iii. Markets (other mechanism designs) as institutional constraint
2. Markets: imaginary frien Walrasian auctioneer calls out sets of prices, collects the info from the individuals' plans:
   a. sees if D=S; if so, job done.
   b. if D$\neq S$, call another set of prices; rinse and repeat.
3. Solution: set of prices such that D=S; associated consumptions, productions. (NB: in EE, production is exogenous number).

Class 5: June 25
From journals:

1. Why inflation?
2. Midterm?
3. China trade war.

New news: Short-run supply chain effects