

# Supplementary Notes on Chapter 1 of *Macroeconomics* by N. Gregory Mankiw

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# What Does Economics Study?

- How to make choices.
- How to trade.
- How does an economy operate as a whole.

# How to make choices

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- The framework of General Equilibrium: How do consumers and producers behave, and how is the market equilibrium determined by both sides?
- Game theory: Individuals' choices are interdependent. Question: Will you cheat in your final exams?



Figure 1: John Nash.

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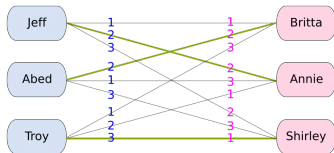
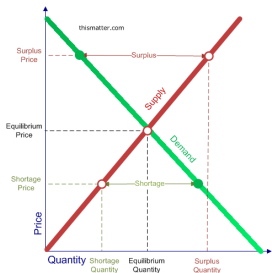


Figure 2: General equilibrium market; auction market; two-sided matching market.

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- Should government intervene in a market under any circumstances?

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- What is your favorite breakfast combo? Do you remember its price in twelve years ago?



Figure 3: Local flavors of Shashi, Jingzhou: 早堂面 & 牛肉米粉。

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- If the former, how did your parents "ran faster" than the whole economy?
- If the latter, and somehow you had the opportunity to go back 12 years ago, would you bring any investment suggestions to your parents at that time?

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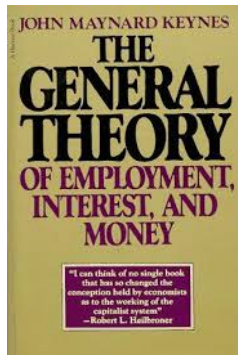
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- Nevertheless, how these variables interplay with each other.
- Sounds complicated! A headache, huh?

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**Figure 4:** *The General Theory of Employment, Interest and Money*; John Maynard Keynes.

# Nobel Macroeconomists

An *incomplete* list:

- Milton Friedman (1976).
- James Tobin (1981).
- Franco Modigliani (1985).
- Robert Solow (1987).
- Robert Lucas (1995).
- Robert Mundell (1999).
- George Akerlof (2001).
- Edward Prescott (2004).
- Edmund Phelps (2006).
- Christopher Sims (2011).

# Nobel Macroeconomists (continued)

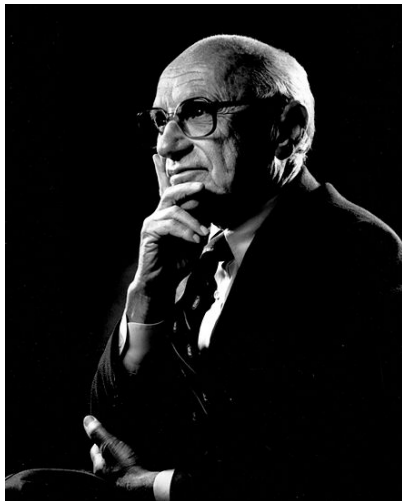


Figure 5: Milton Friedman.

## Nobel Macroeconomists (continued)



Figure 6: James Tobin.

# Nobel Macroeconomists



Figure 7: Franco Modigliani.



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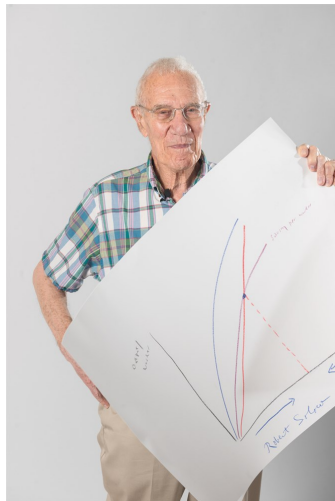


Figure 8: Robert Solow.

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Figure 9: Robert Lucas.

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Figure 10: Robert Mundell.

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Figure 11: George Akerlof.

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Figure 12: Edward Prescott.

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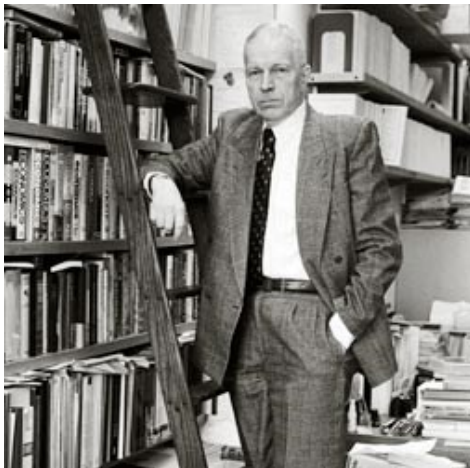


Figure 13: Edmund Phelps.

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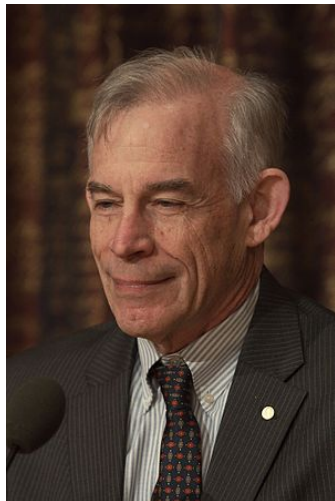


Figure 14: Christopher Sims.

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- More importantly, he is also widely recognized as an excellent English writer!

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- Chapters 15 and 20: I have no idea whether or not we have time to do so...

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- Any Questions?