Journal 2

11 June 2016

On Thursday we first discussed the benefits of modeling using the Monk problem as an example. Modeling is a great tool in Economics that allows us to think of markets and decisions as a narrative and in an understandable picture that aid in making conclusions. I just finished taking Intermediate Macroeconomics with Saggi as well as intermediate micro with Conley, who both introduce various models in the class work, so I am well versed in them and thoroughly understand their incredibly useful advantages that they have when attempting to understand markets. I found it interesting discussing the POW camp markets as I was quite surprised as to how complex they became even though they were under supervision of the Germans even to the point cigarettes became the currency of the camps. It offers an excellent model for understanding trade because there is no production on any behalf. They are all given a specific ration and trade to become better off. One key thing that was pointed out is that trade makes every participant better off because it wouldn’t have happened otherwise. I hope that we will go over relative prices more as in theory I do understand that but I feel that I always mix up how they function in models and thus I end up screwing up the model. I understand that they reflect how much of 1 good it takes to buy 1 unit of another good but when factored into models I always seem to forget how to interpret them. Lastly, I found the discussion on monopolies interesting as I have never really considered them as being beneficial as I have always understood them as lowering output and increasing prices. I’d like to understand this to a greater extent but it seems as if when looking at relative prices, when one price increasing the other relative price will decrease making it the point of monopolies almost indifferent. But it is definitely a point that I would like to explore more.