Every economics model should fall into two parts:

1. Specification of the environment (underlying stuff of the economy)
   (a) Population of agents
      - Who are we modeling? - individuals, households, firms, etc.
   (b) Preferences
      - utility function (individuals)
      - profit function (firms)
      - social welfare function (social planner)
      - rate of time preference
   (c) Productive technology
      - How do we produce output?
      - What’s feasible?
   (d) Information technology
      - Who knows what?
      - When do they know it?
   (e) Enforcement technology
      - How are property rights enforced?
   (f) Matching technology
      - How do people meet?

2. Equilibrium concept (this will determine allocations)
   (a) Non-cooperative game (SPNE, Ramsey eq., etc)
   (b) Competitive (Walrasian eq.)
   (c) Planner’s solution

Be able to specify:
- State variables: what do agents take into account when making decisions?
- Transition equations: how do the state variables evolve over time?
- Control variables: what do agents choose?
- Parameters: what does the agent’s environment look like?