

Microeconomics, Module 23: “Allocating Goods over Time”

Required reading for seventh edition:

(The attached PDF file has better formatting.)

Updated: December 2, 2007

{The Landsburg textbook is excellent. We say to read certain sections and to skip others. This does not mean that certain sections are better; it means that the homework assignments and exam problems are based on the sections that you must read for this course. Some of the skipped sections are fascinating, but they are not tested.}

Section 17.1 explains elementary concepts: bonds, interest rates, present values, and the like; you can skip this section, since it has nothing that you don't already know. The corporate finance course covers these subjects in its early modules, and the subject is covered in depth on SOA Course FM (CAS Exam 2), “Interest Theory.”

Skip section 17.2; this section provides stories and examples relating to financial assets and the time value of money. They are interesting examples, but they are not tested on the final exam.

Read section 17.3 on page 538-551. Barro covers this subject in greater depth, but Landsburg's writing is easier to read. Skip section 17.4; this is covered in Barro's text and need not be repeated here.

To be sure that you understand the material in this module, review problems 4 and 5 on page 557. Review problem 8 on page 557: You can post your answers on this discussion forum, to see if you agree with other candidates taking this course. Students who take college courses can sell their used textbooks on the internet. The market for used textbooks has grown much in recent years. Publishers now issue new editions of Landsburg's text (Microeconomics) and the Brealey and Myers text (Corporate finance) every year. The material is the same, but the page numbers differ and a few items change. This forces us to update the required readings each year and to ensure that final exam questions can be answered from 2 or 3 editions of the text, but it makes more money for publishers.