

Macro Module 23 + 24 Readings (2009 text)

(The attached PDF file has better formatting.)

Chapter 16: Sticky prices and nominal wage rates (Modules 23 and 24)

Module 23: Read pages 289-297. The empirical evidence in “By the Numbers” on pages 295-296 is not tested on the final exam. Sticky prices made more sense in pre-internet days, when consumers did not always know the prices charged by other firms. Now the prices of different firms are easier to compare. Similarly, stock wage rates made more sense when multi-year union contracts set wages for a large proportion of workers (as is still true in some European countries).

Module 24: Read pages 297-306. Read “Back to Reality” on pages 302 and 303. The accepted wisdom in the United States after the New Deal was that the prescient economic policies of Roosevelt saved the populace from the Great Depression. Many economists now say that mis-guided monetary policy aggravated the Great Depression. Barro explains both sides of the debate. The empirical evidence in the “By the Numbers” box on page 305 is not tested on the final exam.