

Macro Module 4 Readings

(The attached PDF file has better formatting.)

Chapter 4: Working with the Solow Growth Model (Module 4)

Read pages 51-59; skip “Extending the Model” on page 55.

Know the effects of changes in the savings rate, technology level, labor, and population growth on steady state output and capital.

Convergence: read pages 59-62. Skim “Extending the Model” on page 62. Know the last two paragraphs in the box on page 62, and the effect of the declining population growth rate in European countries on their capital and real GDP per worker.

Skim “Facts about Convergence” on pages 62-63. The final exam does not test historical details, but the theory of conditional convergence was developed to explain the difference between Figure 4.9 on page 63 (upward sloping curve) and Figures 4.10 and 4.11 on pages 64 and 65 (downward sloping curves).

Read “Conditional Convergence in the Solow Growth Model” from bottom of page 64 to page 68. Review Questions B.5.b+c and B.6.b+c on page 69: variations in the savings rate and population growth rate. The final exam may ask a scenario, such as “if population growth rate declines, what happens to real GDP per worker?”