

Macro Module 6 + 7 Readings

(The attached PDF file has better formatting.)

Chapter 6: Markets, Prices, Supply, and Demand (Modules 6 and 7)

If you have taken the microeconomics on-line course, you know these concepts. The discussion of supply and demand curves is the same as in the microeconomic on-line course. If you have not taken microeconomics, spend more time on the basic concepts of supply and demand, which are used throughout this textbook.

Microeconomics covers goods markets. Barro's textbook has four markets: goods (prices), labor (real wage rates), capital (rental market and interest rates), and bonds. "Back to Reality" on page 95 is interesting but it is not tested on the final exam.

Know key equation 6.6, which links the rental market for capital to the bond market.

Understand the difference between real and nominal prices and returns. Many equations in the textbook convert nominal prices or rates to real prices or rates. See key equation 6.11 on page 101 and key equation 6.12 on page 102.

Skip "Extending the Model" on page 135; this is covered in the corporate finance course.

Read "Clearing of the Markets for Labor and Capital Services" on pages 137-146. This section is written in detail. The formulas for the two markets are similar. Both assume an inelastic (vertical) supply curve. Focus on equation 6.14 on page 105 and equation 6.16 on page 108. These equations use the marginal product of labor and capital. Note that depreciation enters the equation for the marginal product of capital.

Skip "Back to Reality" on page 108. This topic is covered in the corporate finance course.

Review Questions A.4 and A.5 on page 109. Distinguish between a change in the demand curve and a change in the quantity demanded. Review Questions B.7.a+b on page 110.

Skip the appendix on pages 111.