

Internet Activities

Chapter 1

What Do Economists Do?

Go to the website of the UK Government Economic Service (<http://www.ges.gov.uk>) and explore the pages on what government economists do and the profiles. In one paragraph, answer these questions: What does an economist do? What qualifications and skills are needed to be an economist?

Go to the website of the Society of Business Economists (<http://www.sbe.co.uk>) and look at the section on careers (<http://www.sbe.co.uk/careers/index.htm>). According to the site, where are business economists employed? What does it say about the personal qualities, skills and attainments needed to be an economist?

The Invisible Hand.

Go to the website of the Foundation for Economic Education (<http://www.fee.org>) and find the article “I, Pencil” by Leonard E Read (<http://www.fee.org/publications/the-freeman/article.asp?aid=1405>) What is the invisible hand and how is this story an example of the invisible hand at work?

Chapter 2

Thinking Like an Economist.

Go to the Money section of Men’s Health.
(<http://www.menshealth.co.uk/archive/living/money/0/20>)

(This section is now being written by Tim Harford and Will Self and follows a similar pattern to the series of Dear Undercover Economist articles that Harford wrote for the Financial Times)

Read some of the articles which cover a range of different and often unusual approaches to everyday issues. Consider how like an economist you currently think. Would you have looked at the issues in a similar manner to the way they are viewed in any of the articles you’ve read?

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

Chapter 3

Occupational Specialization.

Go to the website <http://www.prospects.ac.uk> and look over the section called “Explore types of jobs”. (You will find this under “Jobs and work experience” on the main menu.) How many categories of job type are listed? How many more specific categories are listed under “Finance and management consultancy”? And how many job titles are listed under “Investment management”? Try a similar exercise on recruitment website <http://www.jobsite.co.uk>. How many job sectors are used to categorize jobs? Within the banking sector, how many types of job are listed? Do you expect to specialize in your future career?

Comparative Advantage.

Go to the website <http://desertislandgame.com> and play the game to see how good you are at trading to exploit comparative advantage.

Chapter 4

The Effects of the Weather.

Go to the website of the BBC (<http://www.bbc.co.uk>) and look up the current weather news (<http://www.bbc.co.uk/weather>). You will probably find a story about exceptional weather somewhere in the world. What do you think might be the economic effects of this exceptional weather? Use a supply and demand diagram to illustrate the effect you expect this exceptional weather to have on one particular market.

Boycotts.

Go to the website of Ethical Consumer (<http://www.ethicalconsumer.org>) and look up the list of boycotts (http://www.ethicalconsumer.org/boycotts/boycotts_list.htm). Choose one of the boycotts and use a demand and supply diagram to show what effect the boycott might be expected to have.

Chapter 5

Price Elasticity of Demand for Coffee.

Go to the website of the international Coffee Organization (<http://www.ico.org>); navigate to the statistics section and to historical data. Select “Monthly Averages” and look at the statistics. Use the data to plot a graph of the price of coffee beans over the last two years of the data. Do some research to find out what the main cause of the changes in coffee prices you have charted have been over this period.

Price Elasticity of Demand for and Supply of Gold.

Go to the website of the World Gold Council (<http://www.gold.org>); navigate to the research

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

and statistics site in the Market Intelligence section, and then to the average monthly gold prices since 1971 (<http://www.research.gold.org/prices/monthly/>). The price of gold in both US dollars and euro rose strongly from between 2004 and 2010. What do you think might be the main reason for this rise in price? Do you think the price elasticity of demand for gold is high or low? What about the price elasticity of supply?

Explain your answers.

Chapter 6

The Minimum Wage in the UK.

Go to the Direct Gov National Minimum Wage web site (http://www.direct.gov.uk/en/employment/employees/pay/dg_10027201)

What is the current minimum wage in the UK? Does it vary according to a worker's age or other factors? If so, what are the rates for different groups of workers?

Duty on Tobacco Products in the EU.

Go to the web site of the European Commission (http://ec.europa.eu/taxation_customs/taxation/excise_duties/tobacco_products/rates/index_en.htm) and find the pdf file for excise duty rates on manufactured tobacco products - (http://ec.europa.eu/taxation_customs/resources/documents/taxation/excise_duties/tobacco_products/rates/excise_duties-part_iii_tobacco_en.pdf)

Choose two countries and compare the duties levied on a particular tobacco product (for example, cigarettes or fine cut tobacco). Use the 'Overall minimum excise duty as the basis for your comparison). Why do you think the rates differ (if indeed they do)? What do you think the price elasticity of demand is for these products and what does this imply about the burden of the tax shared by the producer and the consumer?

Chapter 7

The eBay Experience.

Go to <http://www.ebay.co.uk>. Describe how eBay works. Are the outcomes on eBay economically efficient?

Consumer Surplus

Go to the Biz/ed web site (<http://www.bized.co.uk/index.htm>). You can find the actual resource by using the following direct link: http://www.bized.co.uk/current/mind/2005_6/220506.htm Read the information and try the questions after the 'theory' section. A mark scheme is also provided to give you

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

some guidance on how to tackle the questions.

Chapter 8

Aviation Tax in Germany.

Go to the website of the German Finance Ministry -

http://www.bundesfinanzministerium.de/nm_103442/EN/Home/node.html?__nnn=true

Find the link to 'Fiscal Policy' and then look for an article published on 7th September 2020 on Aviation Tax – the link below takes you straight there.

http://www.bundesfinanzministerium.de/nm_103442/EN/Topics/Fiscal-policy/Articles/20100906-Aviation-tax.html?__nnn=true

What are the German government's plans for taxing aviation? Who do you think bears the burden of this tax? Explain whether you think a deadweight loss can be expected to result from the imposition of this tax.

Henry George's Remedy: Is It Right? Will It Work?

Go to <http://www.henrygeorge.org/rem0.htm>. Write a short essay discussing Henry George's single tax on land from the standpoints of efficiency and equity.

Chapter 9

What is the WTO?

Go to the website of the World Trade Organization (WTO) and the page titled "What is the WTO?" (http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm). Using the information from this page, write a short essay on what the WTO is and does.

The European Commission Directorate General for External Trade.

Go to http://ec.europa.eu/trade/index_en.htm. Who is the current EU Trade Commissioner for External Trade? Explore the sections on this site and write a 1 000 word report summarising the range of work carried out by the EU Trade Commission.

Trade Disputes.

What trade disputes or trade agreements have been in the news lately? In these cases, who do you think are the winners and losers from free trade? Which groups have more political clout and which have less? Places to look for this information include newspapers and the websites of: the World Trade Organization (<http://www.wto.org>), the European Trade Commission (<http://ec.europa.eu/trade/tackling-unfair-trade/>), and the Cairns Group (<http://www.cairnsgroup.org/>). You may find the website of the United Nations Conference on Trade and Development (<http://www.unctad.org>) useful as well.

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

Chapter 10

Patents.

Go to <http://www.epo.org/> the European Patents Office website. Briefly explain how to obtain either a patent. Using the theory of externalities, explain why governments seek to protect patents.

Acid Rain.

Access the following paper:

<http://www.encosrl.it/enco%20sr1%20ITA/servizi/pdf/restauro/salt.pdf> and skim read it (the article contains some chemistry which is not the main focus of our interest).

What is capillary rise in sea water and acid rain? Explain why both are likely to be a source of externality problems and why it is of concern to Venice.

Chapter 11

Congestion Charging.

Go to the Transport for London website dedicated to the congestion charge (<http://www.tfl.gov.uk/roadusers/congestioncharging/>). Write a short essay explaining how the congestion charge operates and what kind of problem it is designed to deal with. (Some further information is also available via Biz/ed at: http://www.bized.co.uk/current/mind/2003_4/230204.htm)

Endangered Species.

Go to <http://www.worldwildlife.org/species/>. Find an endangered species that interests you. Can the market be relied on to protect this species? Explain.

Chapter 12

Income Tax.

Go to the web site of the tax authority in the country in which you live or are studying. In the UK it is HM Revenue & Customs (<http://www.hmrc.gov.uk/index.htm>) This site also has some useful links to tax authorities in other countries – see <http://www.hmrc.gov.uk/menus/links.htm>

Try to find information about tax rates for the current financial year in your country.

What is the current personal allowance (or equivalent) ? What is the starting rate of income tax? What range of taxable income is taxed at that rate? What is the basic rate of income tax? What range of taxable income is taxed at that rate? Is there a higher rate of income tax? What

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

range of taxable income is taxed at that rate if there is a higher rate? Who do you think bears the burden of income tax?

Public Spending.

Try to find data in your country about public spending. In the UK, HM Treasury publish statistics on public spending – see http://www.hm-treasury.gov.uk/psf_statistics.htm

The OECD also publish a Factbook – see: http://www.oecd-ilibrary.org/economics/oecd-factbook-2010_factbook-2010-en

In the contents list find ‘Public Finance’ and then access the data for your country from there.

When you have located the data, find out what proportion of public spending is devoted to the following categories for at least three different EU countries:

- a. health care
- b. education
- c. Law order and defence.

Why are there differences between these amounts?

Also find out what total tax revenue was for the last 3 years. What has been happening to tax revenue in your country over that time period and why do you think this has happened?

Chapter 13

Average and Total Cost in the Short Run and the Long Run.

Go to the website 'Think Economics' and to the page on a firm's long-run average costs. (<http://www.whitenova.com/thinkEconomics/lrac.html>). In the lower part of the page you will find an interactive diagram. To use it, click on the output levels identified from Q_1 to Q_8 on the quantity axis; and for each one, select the short-run average cost curve the firm should choose to operate on. Write a paragraph and draw a diagram of your own to explain what this interactive diagram is designed to teach us.

Chapter 14

The Market for Cereals.

Go to the website of the Home Grown Cereals Authority (<http://www.hgca.com>). What is the mission of the HGCA? (Follow the "About Us" link.) Have you ever seen or do you expect to see advertising for individual cereal farmers? Why?

Investigating Perfect Competition.

Go to <http://www.economicsnetwork.ac.uk/archive/ou/tutorial6/tutorial06.htm> and follow the tutorial there.

Chapter 15

Mergers.

Go to the website LearnMergers.com (www.learnmergers.com). It contains explanations of horizontal and vertical mergers and brief descriptions of some firms recently involved in mergers (e.g. the software firms Adobe and Macromedia, which merged in 2005). Choose one of the mergers mentioned on the site, read information provided, and write a paragraph or two explaining your view of the likely effects of the merger on competition in the market concerned.

Chapter 16

Monopolistic Competition on the Web.

Go to <http://www.msn.com/>, <http://www.aol.com/>, and <http://webcenters.netscape.com/compuserve.com/menu/>. Browse around each page. Are these three internet services participating in a monopolistically competitive market? Explain.

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

Valuable Advertising?

Go to <http://www.washingtonpost.com/>. How many advertisements are on the page? Do you consider this advertising valuable or wasteful from a social standpoint? Explain.

Chapter 17

The Prisoner's Dilemma.

Go to <http://serendip.brynmawr.edu/bb/pd.html> and play the game. Explain your final result.

Game Theory: Go to the Biz/ed website at <http://www.bized.co.uk/educators/16-19/economics/macrocont/lesson/gametheory.htm>

Go through the notes on game theory and then try the activities on the last page.

Chapter 18

National Income and Payments to the Factors of Production.

Go to the website of National Statistics (<http://www.statistics.gov.uk>) and select GDP from the list of key statistics on the left side of the home page. This should take you to a page that shows the latest GDP growth rate and a chart. Click on “Gross domestic product” from the list of “suggested links” on the right. You should then see a page containing “Story results”, “Article results” and “Data results”. From the “Data results” select “National accounts: GDP by category of income” and download the data in a csv file.

What proportion of GDP was received as “compensation of employees” (essentially wages) in the latest year shown? What proportion of GDP was received as “gross operating surplus of corporations” (profits) in the latest year shown? Repeat your calculation for the previous ten years. Has there been any change? Is there a trend visible?

Go to the web site of Eurostat

(<http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>)

Select the ‘statistics’ tab and then select the link for ‘National Accounts (Including GDP) under the ‘Economy and finance’ section. Then select the ‘Main tables’ link on the left hand navigation list. In the folder titled ‘GDP and main components (t_nama_gdp) find the table for ‘Compensation of Employees (tec00013)’ Select five of the EU 27 countries, and chart the data from 2000. What trends do you notice for each country? How do the trends for each of the country’s you have chosen compare?

Chapter 19

Hourly Earnings by Gender.

Go to the website of National Statistics (<http://www.statistics.gov.uk>) and use the search facility to search for “earnings”. Select “Earnings - hourly/weekly”. From the “Data results”, select “Labour Force Survey (LFS) Historical Quarterly Supplement Table 37 - Average

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

gross weekly/hourly earnings by industry sector” and download the Excel file.

How much did all employees earn per hour on average in the latest period reported? How much was the corresponding average hourly earnings figure for male employees only? And for female employees only? What is the percentage difference in the average hourly earnings of males and females? Do a similar calculation for the earliest period shown in the table. Has the differential between male and female earnings increased or decreased?

Go to Eurostat (<http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/0>) and select the ‘Statistics’ tab. Find the link to ‘Labour Market (including LFS)’ and select this link. Find the ‘earnings’ link in the left hand navigation and select the ‘main tables’ link. Open the table data for ‘Gender pay gap in unadjusted form in %’ and study the data. In which countries is the gender pay gap the widest? Is the pay gap narrowing in the EU 27 countries highlighted? Can you offer any explanations for why some countries appear to have much wider gaps than others?

Chapter 20

Income Inequality.

Go to the website of National Statistics (<http://www.statistics.gov.uk>) and use the search facility to search for “inequality”. From the “Data results” select “Distribution of real household disposable income” and download the Excel spreadsheet. Compare the average income of households in the lowest income group shown with that of the highest income group shown. Write a short paragraph describing other features of the data that seem interesting.

Chapter 21

Your Budget Constraint.

Go to <http://www.amazon.com> (or the Amazon site most appropriate for the country you are studying in). Find the price of your favourite movie (in DVD format). Find the price of a book that interests you. (In both cases, ignore shipping and handling.) (a) Assume you have \$200 (or equivalent in pounds or euro) to spend and the movie and the book are the only goods available. Graph your budget constraint and explain how you constructed it. (b) Now assume you have \$300 (or equivalent) to spend. Graph your new budget constraint. (c) Finally, assuming you have \$200 to spend, add \$5 (or £5 /€5) to the price of the movie and graph your budget constraint.

Savings Rates

Using the statistics service for the country you are studying in (for example the Office for National Statistics for the UK or Eurostat for the EU) along with the web site for the central

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

bank (such as the Bank of England or the European Central Bank (ECB) and find data on a.) interest rates and b.) the savings ratio for the last 20 years (if you can't find the data going back that far, find it for as far back as the data allows). Is there any correlation between the interest rate and the savings ratio?

Chapter 22

The Market for Lemons.

Go to the websites of some used car dealers (e.g. <http://www.carcraft.com>, <http://www.cargiant.co.uk>, <http://www.autoplanet.co.uk>). Is there any evidence that the car dealers are trying to overcome a problem of asymmetric information? If so, what are they doing to overcome the problem?

Go to the Biz/ed web site and access the following In the News item:

<http://www.bized.co.uk/cgi-bin/chron/chron.pl?id=2993>

To what extent is the giving of gifts a classic example of asymmetric information?

Chapter 23

GDP.

Go to the website of the statistics service of the country you are studying in (for example the Office for National Statistics for the UK - <http://www.statistics.gov.uk/default.asp> or Eurostat for the EU - <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>)

Find the data on GDP and chart the growth in GDP for the past twenty years. Describe the trends in GDP and suggest some reasons for the trends you observe.

Chapter 24

The Rate of Inflation.

Go to the website of the statistical service in the country you are studying – for example the Office for National Statistics (<http://www.statistics.gov.uk> or Eurostat for the EU - <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>) and find data for Inflation.

What was the annual rate of inflation in the latest year shown in the country in which you are studying? What was the annual rate of inflation in the latest quarter shown? What has been the trend in the rate of inflation in past few years? Can you offer any explanations for why inflation has behaved in the way you observe?

Chapter 25

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

Comparative GDP.

Go to the World Fact Book website (<http://www.odci.gov/cia/publications/factbook>). Choose your own country and any other three countries from any three continents and find GDP for each.

Go to the website containing the Compound Interest Calculator (<http://www.1728.com/compint.htm>). How much money would you have to deposit today so that you would have \$1,000,000 when you retire? Assume your deposit will grow 10% per year. (Since international comparisons of GDP usually use figures expressed in US dollars, it's appropriate that this website should present the issue of compounding using dollars; but the numbers you enter and answers you get do not depend on the currency you have in mind – you could use this calculator to project the value of your own savings in euros or pounds if you wanted to.)

Using the Compound Interest Calculator, let per capita GDP for your own country be "Total" and one of the other countries' per capita GDP be "Principal". How many years would it take that country to achieve the same level of per capita GDP as your country enjoys if the country grew at 2% per year? What if the country grew at 3%? At 4%? If the per capita GDP of your own country grew at 2% per year, what would its per capita GDP be after that many years?

Repeat these calculations for the other two countries you chose.

Chapter 26

Stock Markets

Use the Financial Times web site (<http://www.ft.com/home/uk>), or the web site of the BBC's market data section (http://www.bbc.co.uk/news/business/market_data/overview/) or Bloomberg (<http://www.bloomberg.com/markets/>) or any other site you are familiar with which provides equity market data. Try to find data on the main stock market index for the US, UK, Europe and Asia over the past year. Describe the trends in the data sets and examine to what extent the trends follow very similar patterns. If they do, what does this tell you about market data in these countries?

Credit Default Swap markets:

Go to <http://seekingalpha.com/article/124623-berkshire-hathaway-proof-that-the-cdsmarket-is-irrational>

Do you agree that markets are acting irrationally? Justify your answer.

Chapter 27

Winning the Lottery and NPV.

Go to the website of Euro Millions lottery (<http://www.euro-millions.com/>) How much is the

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

next estimated lottery jackpot in the various country's lotteries? Assume you win that jackpot and will receive your winnings in equal increments over the next 20 years. What is the present value of your winnings (assume a discount rate of 10%)?

Index Funds.

Go to the website of the Motley Fool (<http://www.fool.co.uk>) and to this page in particular http://www.fool.co.uk/decisioncentre/isas/articles/index_trackers.aspx. What is an index tracker fund? What are the advantages of investing in index funds? What are the disadvantages?

Go to this page from the American Motley Fool website: <http://www.fool.com/school/13Steps/13Steps04.htm>. What are the advantages of investing in index funds? What are the disadvantages?

Chapter 28

The Unemployment Rate.

Go to the website of the statistical service in the country you are studying – for example the Office for National Statistics (<http://www.statistics.gov.uk> or Eurostat for the EU - <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>)

Find data on the labour market to access information about employment or unemployment. What is the most recent unemployment rate in your country? What is the most recent figure for the claimant count? What trends have occurred in both the employment and unemployment rates in your country? Can you offer any explanations for these trends?

Unions.

Go to the website of the TUC (<http://www.tuc.org.uk>). Or the ETUC (<http://www.etuc.org/>) What are these organisations and what are their aims? Write a paragraph or two explaining some of the main things that trade unions do.

Chapter 29

The Bank of England.

Go to the website of the Bank of England (<http://www.bankofengland.co.uk>). What is the Monetary Policy Committee? Who are its current members? How often does it meet?

The European Central Bank.

Go to this page on the ECB website: <http://www.ecb.int/ecb/orga/decisions/govc/html/index.en.html>. Who is the current representative from France on the ECD Governing Council? Who is the current Governor of

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

the Bank of Ireland? How often does the Governing Council meet?

Libor:

Go to the Libor website and select the 'Rates' link -

<http://www.bbalibor.com/bba/jsp/polopoly.jsp?d=1638>

You may have to register to access the lists but students can do so for free.

Then access the Federal Reserve website at: <http://www.federalreserve.gov/>

Find data on Libor and the Federal Funds rate and graph the data from July 2009.

Comment on the results of your graph.

Chapter 30

What Is A Pound Worth?

Inflation erodes the value of money over time. Go to this website:

<http://eh.net/hmit/ppowerbp>. What would a pound from the year of your birth have been worth last year? What value of goods or services would a pound from last year have bought in the year of your birth?

There is an article about this issue with data on inflation from 1750 available on the National Statistics Website. (<http://www.statistics.gov.uk/cci/article.asp?ID=726>).

Download it. Explain some possible reasons for the spikes in inflation in the period from 1750 – 2001.

Chapter 31

Trade Deficits and Surpluses.

Go to the website of National Statistics (<http://www.statistics.gov.uk>). Is the UK running a trade deficit or a surplus? How large is that deficit or surplus? What has been the trend in recent months?

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

Exchange Rates.

Go to <http://moneycentral.msn.com/investor/market/rates.asp>. What is the exchange rate between the pound and the euro? What is the exchange rate between the pound and a currency of your choice? How many units of that currency would £1,000.00 buy? (Ignore transaction costs.)

Go to the web site of the BBC and find the section on currencies:

http://www.bbc.co.uk/news/business/market_data/currency/default.stm

Select an appropriate currency exchange rate (for example, £ v \$, \$ v € etc.) and chart the exchange rate over the past 12 months. What trends have occurred in the exchange rate? Comment on the effect of these trends on:

- a) a firm based in each country who imports a large proportion of its raw materials
- b) a firm based in each country that exports a large proportion of its output
- c) a firm based in each country that engages in both importing and exporting as part of its business.

Chapter 32

Budget Deficits and the Trade Balance.

Go to the website of HM Treasury (<http://www.hm-treasury.gov.uk>) and click on “Economic data and tools”. Then click on the link “Statistics on public finance and spending”. Then click on “Public Sector Finance Statistics”; and finally, download the Excel file containing the latest public finances databank. What is the latest actual figure for net borrowing by the UK government shown in “key statistics”? How large a percentage of UK GDP is this?

Forecasts for future years are also shown. What is expected to happen to net government borrowing in the forecast period? According to the model introduced in the chapter, what should happen to the UK’s trade balance as a result of the forecast development in government borrowing?

The IMF.

Go to the website of the International Monetary Fund (<http://www.imf.org>). Read the page on “The IMF at Work”.

Go to this Reuters blog: <http://blogs.reuters.com/felix-salmon/2010/04/14/the-greek-debt-spreadsheet/>

And download the spreadsheet where you see the link to ‘this spreadsheet’. You can change the assumptions on the behaviour of certain economic variables (in orange) and then see what the effects will be on the level of Greek debt. Play around with this and see what happens!

Chapter 33

The IS-LM Model

Go to the eurmako economics site – to this link: <http://www.fgn.unisg.ch/eurmako/tutor/islm.html>
Follow the guided exercise.

Chapter 34

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

The Aggregate Demand Aggregate Supply Model.

Go to the website Think Economics and to the page on the aggregate demand aggregate supply model (<http://www.whitenova.com/thinkEconomics/adas.html>). In the lower part of the page you will find an interactive diagram. To use it, click on each item in the list of changes in the determinants of AD, SRAS, and LRAS, and then drag the appropriate curve in the diagram to illustrate the effect of the change you have highlighted. The website should tell you whether or not you are correct.

The Index of Leading Indicators.

An index of leading indicators is calculated from data on a number of things that generally rise before GDP growth rises and fall before GDP growth falls. So the index can provide guidance on the likely future path of GDP growth.

Go to the website of the Conference Board (<http://www.conference-board.org>). Select “Economics, Markets and Value” from the main menu; click on “Economic indicators” and then “Data & Analysis”. Look at the press release calendar and select a leading index link for a country of your choice. What is it currently saying about the direction of the economy for that country?

Chapter 35

Macroeconomic Policy Tools.

Go to the website Think Economics and to the page on economic policy tools (<http://www.whitenova.com/thinkEconomics/policy.html>). In the lower part of the page you will find an interactive diagram. To use it, click on “Full Employment” to use this as the starting position – a full employment equilibrium. Then click on each item in the list of fiscal and monetary policy instruments in turn, and drag the appropriate curve in the diagram to illustrate the effect of that policy adjustment.

The Operation of Monetary Policy in the UK.

Go to the website of the Bank of England (<http://www.bankofengland.co.uk>). Select “Monetary Policy” from the main menu and click on “Interest Rate Decisions” from the list on the left. Scroll to the bottom of the page and download the Excel spreadsheet containing details of historical interest rate voting. How many members of the Monetary Policy Committee (MPC) voted to reduce interest rates at the last meeting? Has any member taken a consistently different line to the majority?

Chapter 36

The Short Run Trade-Off between Inflation and Unemployment

Go to the website of the statistical service in the country you are studying – for example the Office for National Statistics (<http://www.statistics.gov.uk> or Eurostat for the EU - <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>)

Find data on inflation and unemployment over the past ten years. To what extent does there appear to be a trade-off between the two as suggested by the Philips curve?

Chapter 37

Quantitative Easing:

Go to the Bank of England's Asset Purchasing Facility page -

<http://www.bankofengland.co.uk/markets/apf/index.htm>

The Bank paused the facility in February 2009. In the light of the time that has passed are you in a better position to judge whether the programme has achieved the objectives it set out to achieve?

Chapter 38

Monetary Union in East Asia?

Go to this page on the website of the Federal Reserve Bank of San Francisco:

<http://www.frbsf.org/publications/economics/letter/2005/el2005-19.html>. Read the economics letter it contains about the possibility of monetary union in east Asia. Write a short paragraph summarizing the argument. Are there any other issues that you think ought to be considered in any assessment of whether the countries of east Asia might constitute an optimum currency area?

Chapter 39

Economic Forecasting:

Go to http://www.hm-treasury.gov.uk/data_forecasts_index.htm In the light of the information contained in these forecast reports, would you agree that economists gets things right most of the time? Justify your answer.

The Keynesian Debate:

The following web sites provide articles which focus on the debate about the relevance of Keynesianism to the economic problems faced by the world's economies following the financial crisis. One of the proponents of Keynesian intervention at this time is Paul Krugman, a Nobel Prize winning economist. However, Krugman arouses considerable anger in opponents who criticise his views.

Read the articles on these web sites and construct a commentary highlighting the points of view of both sides of the debate.

<http://web.mit.edu/krugman/www/keynes.html>

<http://www.businessweek.com/news/2010-09-08/krugman-delong-s-keynes-model-flawed-ferguson-says-tom-keene.html>

<http://www.tnr.com/blog/william-galston/75228/the-case-against-keynes-some-questions-krugman-too>

As a bit of light relief, this web site (<http://www.brain-sludge.com/t1826/>) contains an amusing cartoon lampooning a proposed debate between Krugman and a supporter of the Austrian school of economics, Bob Murphy. You can read more about the background to the debate at <http://www.marketoracle.co.uk/Article23849.html>

Economics, 2nd edition

N. Gregory Mankiw and Mark P. Taylor

ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA

Economics, 2nd edition
N. Gregory Mankiw and Mark P. Taylor
ISBN 978-1-84480-870-0 © 2011 Cengage Learning EMEA