

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 are the qualifications 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 Dear Economist Blog (<http://www.timharford.com/deareconomist>). Read some of the questions to The Economist and The Economist’s responses. Consider how like an economist you currently think. Would you have given similar answers to any of the questions you’ve read?

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” 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 “Retail prices in importing Member countries (monthly)” (<http://www.ico.org/asp/select8.asp>) and choose your own country. (If your country is not listed, choose any listed country.) What happened to the price of coffee between January 2002 and December 2004? Do you think the quantity demanded will have changed greatly over this period? Explain your answer.

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 section on research and statistics, and then to monthly gold prices since 1971 (<http://www.gold.org/value/stats/statistics/monthlysince1971.html>). The price of gold in both US dollars and UK pounds rose strongly from 2001 to 2005. Do you think the price elasticity of demand is high or low? What about the price elasticity of supply?

Chapter 6

The Minimum Wage in the UK.

Go to the HM Revenue & Customs National Minimum Wage website (<http://www.hmrc.gov.uk/nmw/>). 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?

Air Passenger Duty in the UK.

Go to the website of HM Treasury (<http://www.hm-treasury.gov.uk>) and find the section devoted to statistics on the public finances and spending (use this link to go straight there http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pubsec_finance/psf_statistics.cfm). Open the Excel file containing the latest statistics. How much revenue did the UK government receive from air passenger duty in the latest year? This duty is levied by airlines as an addition to the ticket price for flights. Explain why the burden of the tax might not be borne by passengers alone.

Chapter 7

The eBay Experience.

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

Auctioning holidays.

Go to the auctions section of the website of LastMinute.com (<http://www.auctions.lastminute.com>). Choose the London Hotels category. You are likely to see both English auctions and Dutch auctions for weekend stays in London hotels. Discover from the website how a Dutch auction works and what is meant by an English auction. Under which type of auction do you think buyers fare better?

Chapter 8

Duty on Spirits in the UK.

Go to the website of HM Revenue & Customs (<http://www.hmrc.gov.uk/>); navigate to the section called “Excise and other” and then to “Rates, codes and tools”. Click on alcohol duties and download the file containing rates of duty on spirits. How much is the current duty per litre on spirits? Who do you think bears the burden of this tax? Explain how 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://europa.eu.int/comm/trade/index_en.htm. Explore the section on “What we do”. Who is the current EU Commissioner for External Trade?

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 Directorate General Trade of the European Commission (http://europa.eu.int/comm/trade/index_en.htm), 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.

Chapter 10

Patents and Trademarks.

Go to <http://www.uspto.gov/>, the United States Patent and Trademark Office website. Briefly explain how to obtain either a patent or a trademark (your choice). Using the theory of externalities, explain why the government protects patents and trademarks.

Acid Rain.

Go to the website of the US Environmental Protection Agency (<http://www.epa.gov>) and to the pages on acid rain (<http://www.epa.gov/acidrain/index.html>). What is acid rain? Explain why it is likely to be a source of externality problems and why it is likely to be of concern also within Europe.

Chapter 11

Congestion Charging.

Go to the Transport for London website dedicated to the congestion charge (<http://www.cclondon.com>). Write a short essay explaining how the congestion charge operates and what kind of problem it is designed to deal with.

Endangered Species.

Go to <http://endangered.fws.gov/wildlife.html#Species>. Find an endangered species that interests you. Can the market be relied on to protect this species? Explain.

Chapter 12

Income Tax in the UK.

Go to the website of HM Revenue & Customs and find the section for individuals and employees (<http://www.hmrc.gov.uk/individuals/>). There you will find a list of topics under the heading “Tell me about...” and from there you will be able to find information about tax rates for the current financial year (<http://www.hmrc.gov.uk/individuals/tmarates-and-allowances-.shtml>). What is the current personal allowance? 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? What is the higher rate of income tax? What range of taxable income is taxed at that rate? Who do you think bears the burden of income tax?

Public Spending in the UK.

From the same Excel file, find out what proportion of UK government spending is allocated to education and health in the latest financial year.

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 HGCA” 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 (eg 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.

Chapter 16

The Prisoner's Dilemma.

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

Chapter 17

Monopolistic Competition on the Web.

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

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 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?

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 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?

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>. 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 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 to spend. Graph your new budget constraint. (c) Finally, assuming you have \$200 to spend, add \$5 to the price of the movie and graph your budget constraint.

Food Stamps.

Go to <http://www.fns.usda.gov/fsp/>. Find the maximum monthly allotment of food stamps for a family of 3, 4 and 5 persons. You will have to do some searching to find the information.

Chapter 22

The Market for Lemons.

Go to the websites of some used car dealers (eg <http://www.carland.com>, <http://www.cargiant.co.uk>, <http://www.autoplanet.co.uk>, <http://www.millennium-cars.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?

Chapter 23

GDP.

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: expenditure at current market prices” and download the data in a csv file.

For the latest year shown, what was the value of final consumption by households? What percentage of GDP did this sum represent? What was the value of final consumption by general government? What percentage of GDP did this figure represent? Calculate these percentages for all years in the dataset. Write a few sentences describing the changes over time.

Chapter 24

The Rate of Inflation.

Go to the website of National Statistics (<http://www.statistics.gov.uk>) and select Inflation 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 CPI inflation rate and a chart. Click on “Consumer Prices” 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 “Consumer Prices Index” and download the data in a csv file.

What was the annual rate of inflation in the latest year shown? 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?

Chapter 25

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

The FTSE100 Index.

Go to the website of the London Stock Exchange (<http://www.londonstockexchange.com>). What was the value of the FTSE100 Index at the time you visited the site? What was the price of shares in the London Stock Exchange itself?

Find the most recent share price for a company of your choice.

Chapter 27

Winning the Lottery and NPV.

Go to the website of the National Lottery (<http://www.national-lottery.co.uk>). How much is the next estimated Lotto jackpot. 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 National Statistics (<http://www.statistics.gov.uk>) and select employment from the list of key statistics on the left side of the home page. This should take you to a page that shows charts for employment and unemployment, together with commentary on the data. What is the most recent unemployment rate? What is the most recent figure for the claimant count?

Unions.

Go to the website of the TUC (<http://www.tuc.org.uk>). What is the TUC? In what year was it founded? 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 the Bank of Ireland? How often does the Governing Council meet?

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>).

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?

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.)

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”.

Chapter 33

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” from the main menu; click on “Economic indicators” and then “Business Cycle Indicators”. Read the latest press release about the leading index indicator for a country of your choice. What is it currently saying about the direction of the economy for that country?

Chapter 34

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

Credit Default Swap markets:

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

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

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 37

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.

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

Inflation Targeting.

Go to <http://www.frbsf.org/econsrch/wklyltr/wklyltr98/el98-18.html>. What is inflation targeting and should the Fed adopt that as an operating strategy? Your Share of the Government Debt? Go to <http://www.publicdebt.treas.gov/opd/opdpdodt.htm>. What is your share of the government's debt? You might need information from the Census Bureau site (<http://www.census.gov/>) to help you answer the question.

The Flat Tax.

Go to <http://flattax.house.gov/welcome.htm>. What is the flat tax? Would a flat tax encourage saving? The Consumption Tax. Go to <http://www.fairtax.org/>. What is the consumption tax? Would a consumption tax encourage saving?