

A·N·N·U·A·L E·D·I·T·I·O·N·S

Macroeconomics

02/03



Macroeconomics

02/03

Fourteenth Edition

EDITOR

Don Cole

Drew University

Don Cole, professor of economics at Drew University, received his Ph.D. from Ohio State University. He has served as consultant to a variety of public and private organizations, and is cofounder of the Drew University Semester on the European Union in Brussels, Belgium. An innovator in the use of computer-assisted instruction in the teaching of economics, Dr. Cole is the author of articles on various subjects, including economic policy, monetary theory, and economic education. He is also the editor of other McGraw-Hill/Dushkin publications, including *The Encyclopedic Dictionary of Economics* and two other *Annual Editions* anthologies, *Economics* and *Microeconomics*.

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In publishing ANNUAL EDITIONS we recognize the enormous role played by the magazines, newspapers, and journals of the public press in providing current, first-rate educational information in a broad spectrum of interest areas. Many of these articles are appropriate for students, researchers, and professionals seeking accurate, current material to help bridge the gap between principles and theories and the real world. These articles, however, become more useful for study when those of lasting value are carefully collected, organized, indexed, and reproduced in a low-cost format, which provides easy and permanent access when the material is needed. That is the role played by ANNUAL EDITIONS.

Annual Editions: Macroeconomics is an anthology that provides up-to-date readings on contemporary macroeconomic issues. In view of the recent explosion of interest in economics, it is essential that students are given opportunities to observe how economic science can help them to understand major economic events in the real world. *Annual Editions: Macroeconomics 02/03* is designed to meet such a need.

This anthology is divided into six sections, which generally correspond to the typical sequence of topics in macroeconomic textbooks:

Introduction to Macroeconomics. Macroeconomics involves the study of the economy "in the large"; it concerns such broad issues as how gross domestic product, economic growth, unemployment, and inflation are determined. As articles in this section indicate, macroeconomic reasoning can be applied to a vast assortment of "real world" problems.

Measuring Macroeconomic Performance. Economists use economic data for the purpose of judging an economy's general health and making informed choices among policy alternatives. This section examines various problems associated with the gathering and interpretation of such data.

Fiscal Policy and the Federal Budget. Articles in this section deal with ways in which the federal government might use its spending and tax programs to achieve various macroeconomic goals. Major emphasis is placed upon issues of tax and budgetary reform.

Money, Banking, and Monetary Policy. Monetary policy involves deliberate changes in the money supply and credit availability for the purpose of achieving macroeconomic goals. This section provides an overview of the U.S. banking

system and an assessment of the effectiveness of monetary policy.

Employment, Prices, and the Business Cycle. A major goal in the implementation of macroeconomic policy is the simultaneous achievement of high employment, stable prices, and vigorous economic growth. Articles selected for this section discuss some theoretical and policy issues involved in improving the economy's performance in these areas.

International Economics. In recent years the global economy has experienced a series of dramatic events unforeseen even a decade ago: the end of the cold war; ambitious market reforms in what were formerly centrally planned economies; an acceleration of the process of economic integration in the Americas, Western Europe, and the Pacific Rim; and increased use of protectionist measures by most major traders. This section examines key aspects of these developments.

Whether you are someone who is currently pursuing studies in economics, or just a casual reader eager to learn more about some of the major economic issues of the day, you will find *Annual Editions: Macroeconomics 02/03* to be one of the most useful and up-to-date anthologies available. Your comments can be very valuable in designing the next edition. Please complete and mail the post-paid *article rating form* at the conclusion of this book and let us know your opinions.



Don Cole
Editor

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1. Economics and the New Economy: The Invisible Hand Meets Creative Destruction, Leonard I. Nakamura, *Business Review* (Federal Reserve Bank of Philadelphia), July/August 2000.

Some believe that a **"new economy"** has emerged—an economy in which the globalization of world markets and high-tech innovations play a major role. What should the fundamental paradigm of economics be in the twenty-first century, **creative destruction** or the **invisible hand**? Leonard Nakamura considers some possible answers to this question.

2. Building Wealth, Lester C. Thurow, *The Atlantic Monthly*, June 1999.

Lester Thurow maintains that the world is currently in the throes of a **third industrial revolution**, in which knowledge—rather than natural resources—is the key to success. This knowledge-based economy is asking new questions, giving new answers, and developing new rules for generating wealth.

3. What in the World Happened to Economics? Justin Fox, *Fortune*, March 15, 1999.

Economics is a subject rich in **controversy**. Although most economists speak the same language, disagreements often do occur. More often than not these disagreements involve the global economy. According to Justin Fox, most economists no longer seem to believe that there are single answers to the big global issues.

4. Economic Possibilities for Our Grandchildren, Elizabeth Johnson and Donald Moggridge (eds.), from *Collected Writings of John Maynard Keynes*, Vol. 9, 1978.

In this essay, originally written in 1930, the father of modern macroeconomics predicts the **demise of the economic problem** 100 years from now. Filling leisure time in a meaningful way, John Maynard Keynes contends, will prove to be our grandchildren's chief concern.

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5. State of the Union: Black Holes in the Statistics, Robert Eisner, *Challenge*, January/February 1997.

How reliable are official U.S. government statistics? Robert Eisner believes that they are deeply flawed. This applies to measures of GDP, public deficits and debt, domestic and foreign investment and saving, productivity, real wages, and the distribution of income and wealth.

6. Notes From Underground: Money That People Earn and Spend Outside the Realm of Official Economic Calculations Is Nonetheless Real, Elia Kacapyr, *American Demographics*, January 1998.

A large share of economic activity occurs in the **underground economy**, where goods and services—some legal, some not—are produced but not reported. Elia Kacapyr considers possible implications of this activity for economic policy.



Introduction to Macroeconomics

Four articles examine some of the controversies that lie at the heart of macroeconomics.



Measuring Economic Performance

Six articles consider the dynamics of the measurement and interpretation of economic indicators. Subjects examined include the validity of government statistics, productivity, and sustainable development.



Fiscal Policy and the Federal Budget

Seven selections discuss the state of the federal budget. Topics include the current budget predicament, the dynamics of the deficit, balancing the budget, federal tax policy, and Social Security.

7. **Tough Calls in Economic Forecasting: Seers Often Peer Into Cracked Crystal Balls**, Steven Pearlstein, *Washington Post*, January 15, 2001. **42**
Economic forecasting is an imprecise art. Predicting recessions that never come can earn an economist a bad reputation or an unflattering moniker such as "Dr. Doom." On the other hand, there seems to be no professional penalty for missing a recession as long as you remain with the pack.
8. **Just How Productive Are U.S. Workers?** David Friedman, *Los Angeles Times*, July 9, 2000. **44**
 Why did **U.S. productivity**, the nation's economic output per labor hour, suddenly accelerate in 1995 after decades of stagnation? David Friedman suggests that the answer will determine whether America is truly leading the world into a new, prosperous era, or whether its good times reflect unique circumstances that can, and likely will, change for the worse.
9. **An International Tale of Two Consumers**, David Ingram, *The Dismal Scientist*, July 10, 2000. **46**
 The **personal rate of time preference (RTP)** captures consumers' attitudes toward current versus future consumption. Individuals with a high RTP strongly value current consumption over future consumption. David Ingram explains why the RTP is high in the United States but low in Japan.
10. **This Tax Cut Could Too Hurt Us**, C. Fred Bergsten, *Washington Post*, February 26, 2001. **48**
 The **U.S. saving rate** is already by far the **lowest** of any major country. Adequate investment and thus growth can be maintained only if increased saving can be attracted from other sources. C. Fred Bergsten considers implications of financing a U.S. tax cut through foreign borrowing.

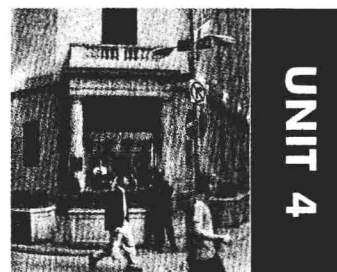
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11. **Taxing Terminology: A Primer**, Albert B. Crenshaw, *Washington Post*, February 11, 2001. **52**
 The debate over President Bush's tax proposal has produced a good deal of ill-informed or outright contentious rhetoric from both sides, which serves as a reminder of how confusing tax laws are to ordinary citizens and even to some government leaders. Albert Crenshaw explains how **an understanding of basic tax concepts** can demystify the debate over tax cuts.
12. **Surplus Mania: A Reality Check**, L. Randall Wray, *Policy Notes*, Volume 3, 1999. **55**
 A **federal government surplus** has finally been achieved, and it has been met with pronouncements that it is a great gift for the future and with arguments about what to do with it. However, L. Randall Wray argues that the surplus will be short-lived, it will depress economic growth, and, in any case, surpluses cannot be "used" for anything.
13. **The Tax Man Cometh: Consumer Spending and Tax Payments**, Peter S. Yoo, *Review (Federal Reserve Bank of St. Louis)*, January/February 1996. **59**
How do consumers respond to changes in income tax rates? Peter Yoo examines several episodes in U.S. history when tax payments changed noticeably. He finds that the response of households was rather modest.

- 14. Go Figure**, Jodie Allen, *The New Republic*, July 31, 2000. **66**
 If tax breaks aren't simple, neither are they very efficient. It has been documented that **tax preferences mostly subsidize activities that would have occurred anyway** (such as saving money, hiring workers, or having kids), and much of the money does not go toward the intended purpose at all.
- 15. The 28% Solution**, Martin Feldstein, *Wall Street Journal*, February 16, 2001. **68**
 Martin Feldstein argues that President Bush's tax plan is compatible with protecting Social Security, increasing the outlays for Medicare and defense, and still having substantial money left for further debt reduction. He supports **an even larger reduction in the top rates that people pay (to 28 percent)** as a way to improve incentives and reduce waste with very little additional revenue loss.
- 16. A Prosperity Easy to Destroy**, Robert E. Rubin, *New York Times*, February 11, 2001. **70**
 A former secretary of the treasury surveys economic developments over the past decade and concludes that **large tax cuts pose a serious threat to the fiscal soundness of the United States**.
- 17. Social Security Reform Need Not Be Drastic**, Augustine Faucher, *The Dismal Scientist*, April 4, 2001. **72**
 Most Americans understand that **Social Security** faces a long-term imbalance between the cost of benefits promised under current law and the program's projected income. Augustine Faucher demonstrates why reforming the system need not be drastic.

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- 18. What Should Central Banks Do?** Frederic S. Mishkin, *Review (Federal Reserve Bank of St. Louis)*, November/December 2000. **74**
 In the last 20 years, there has been substantial rethinking about **how central banks should do their job**. Frederic Mishkin discusses seven basic principles that can serve as useful guides for central banks trying to achieve their objectives.
- 19. Central Banking in a Democracy**, Alan S. Blinder, *Economic Quarterly (Federal Reserve Bank of Richmond)*, Fall 1996. **76**
 A former vice chairman of its Board of Governors asks, **who does the Federal Reserve serve?** Alan Blinder argues that it is not the U.S. president, or the Congress, or the banks, or the financial system. The Fed's true constituency is the entire nation.
- 20. How Sluggish Is the Fed?** Glenn D. Rudebusch, *FRBSF Economic Letter (Federal Reserve Bank of San Francisco)*, March 2, 2001. **88**
How quickly does the Fed adjust monetary policy in response to developments in the economy? A common view among economists is that the Fed changes the short-term policy at a very sluggish pace over several quarters. Glenn Rudebusch takes issue with this position.
- 21. The Science (and Art) of Monetary Policy**, Carl E. Walsh, *FRBSF Economic Letter (Federal Reserve Bank of San Francisco)*, May 4, 2001. **95**
 While economists have identified broad principles to guide monetary policymakers, making policy is not a science. Good policy-making requires good policymakers since it requires **combining the science of the economist with the art of the practitioner**.



Money, Banking, and Monetary Policy

Seven articles analyze the accountability of central banking, how politicians influence federal policy, and the money movement.



Employment, Prices, and the Business Cycle

Eight selections examine the interaction between employment and inflation. Specific topics discussed include employment rates, our standard of living, and inflation cycles.

22. **What Greenspan Doesn't Know . . .**, Robert J. Samuelson, *Newsweek*, May 1, 2000.
Robert Samuelson says that the **"dirty secret of today's economy"** is that no one—including Fed chairman Alan Greenspan—truly understands it. One reason is that the standard model of how the economy works (upon which experts generally base their conclusions) has gradually broken down, and there is thus far nothing to replace it.
23. **The New World of Banking**, Jim Campen, *Dollars and Sense*, May/June 2000.
The Gramm-Leach-Bliley Financial Service Modernization Act of 1999 makes possible a new kind of corporation—called a **financial holding company**—that allows any number of banks, insurance companies, and securities firms to be brought together under the same corporate umbrella. Jim Campen suggests that the result is likely to be another wave of financial megamergers.
24. **Who Needs Money?** *The Economist*, January 22, 2000.
"E-cash" (or electronic money) is money that moves along multiple channels largely outside the established network of banks, checks, and paper currency that are overseen by the Federal Reserve. *The Economist* discusses what e-money might mean for the future of banking and the monetary system.

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25. **Learning From the Big Booms**, Louis Uchitelle, *New York Times*, June 28, 1998.
The **"Soaring Nineties"** invites comparison with other great periods of prosperity in modern history. What is striking is that each of them—the Gilded Age in the late nineteenth century, the Roaring Twenties, the Fabulous Fifties and Sixties—ended suddenly, and in each case the end came as a shock. This article offers some historical perspective on the current economic expansion.
26. **The New Growth Economics: How to Boost Living Standards Through Technology, Skills, Innovation, and Compensation**, Robert D. Atkinson, *Blueprint*, Winter 2001.
Robert Atkinson argues that while the New Economy continues to displace the Industrial Age economy, U.S. economic policies are still rooted in the past. He says that the new administration should jettison the holdover prescriptions of Keynesian and supply-side economics and **embrace a new growth economics focused on boosting productivity and wage growth**.
27. **The Mystery of Economic Recessions**, Robert J. Shiller, *New York Times*, February 4, 2001.
Economists have yet to be able to pinpoint **what ultimately causes recessions**. Robert Shiller argues that, contrary to what many economists believe, changes in the level of confidence in the economy, not the Federal Reserve, are what basically determine its ups and downs.
28. **The Cost of Living and Hidden Inflation**, James Devine, *Challenge*, March/April 2001.
Economists generally argue that **inflation** is overstated by the federal government because it does not sufficiently account for the improved quality of products. James Devine argues that if we account for all pertinent changes in the quality of life, inflation is understated.

29. Is Stagflation About to Stage a Comeback?—If a Few Economists Are Correct, Fed's Moves Could Be, 123

Jon E. Hilsenrath and Greg Ip, *Wall Street Journal*, February 22, 2001.

"Stagflation" is broadly defined as flagging growth tied with rising inflation. Economists haven't given it much thought since it was last seen in the 1970s. The authors show how, in view of recent macroeconomic developments, it may be time to rethink this concept.

30. In Layoff Plans, Reality Is Often Less Severe in U.S., 125

David Leonhardt, *New York Times*, February 19, 2001.

Week in and week out, in boom times or recessions, anywhere from 250,000 to 400,000 Americans a week file new claims for unemployment insurance after **involuntarily losing their jobs**. Yet nearly every week, even more people than that are hired by companies across the country. David Leonhardt considers the implications of these developments for overall levels of unemployment.

31. Employment May Be Even Weaker Than You Think, 128

Francis X. Markey, *The Dismal Scientist*, April 18, 2001.

Surveys of employment trends conducted by the Bureau of Labor Statistics (BLS) are the most timely and most watched economic indicators available. In this article, Francis Markey warns of flaws in BLS methods that may currently be overstating the overall number of jobs.

32. The Age-Adjusted Unemployment Rate: An Alternative Measure, 130

Robert Horn and Philip Heap, *Challenge*, January/February 1999.

The **U.S. unemployment rate** is low by recent historical standards. However, the official rate does not take into account the fact that the age and sex composition of the labor force changes over time. Robert Horn and Philip Heap show how, once such adjustments are made, today's unemployment rate does not look low at all.

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33. The Fall and Rise of the Global Economy, John G. 134

Fernald and Victoria Greenfield, *Chicago Fed Letter* (Federal Reserve Bank of Chicago), April 2001.

The **worldwide integration of national economies**—through goods and services trade, capital flows, and operational linkages among firms—has never before been as broad or as deep as it is now. John Fernald and Victoria Greenfield describe developments that have contributed to the globalization process.

34. Reforming Globalization, Jay Mandle, *Challenge*, 138

March/April 2001.

While **globalization** has reduced barriers to the movement of goods and capital across national boundaries, it **has also created a series of problems**, including job losses, increasing income inequality, and stagnant or deteriorating real wages. Jay Mandle examines the role that multinational corporations have played in globalization.

35. The "Globalization" Challenge: The U.S. Role in Shaping World Trade and Investment, Robert E. Litan, 142

Brookings Review, Spring 2000.

Economic engagement with the rest of the world played a key part in the recent U.S. economic boom. However, as Robert Litan warns, American economic policy must steer a middle course between the extremes of either unilateralism or one-worldism.



International Economics

Fourteen articles consider how free trade, protectionism, trade deficits, the European Union, the emergence of Central Europe, and NAFTA affect the world economy.

- 36. Has the U.S. Economy Really Been Globalized? 145**
Robert M. Dunn Jr., *The Washington Quarterly*, Winter 2001.
"Globalization" of the U.S. economy seems to imply that the United States no longer has an independent national economy, but instead it is merely part of a single world entity. Robert Dunn challenges this view and concludes that **evidence of a fully globalized U.S. economy is sparse.**
- 37. Should We Worry About the Large U.S. Current Account Deficit? 151**
Paul Bergin, *FRBSF Economic Letter* (Federal Reserve Bank of San Francisco), December 22, 2000.
Over the last year the **U.S. current account deficit has reached unprecedented levels.** This *Economic Letter* explores some recent theories and some data to help the reader understand how the current account deficit could be either an optimal situation or a threatening one.
- 38. Global Shell Games: How the Corporations Operate Tax Free, 154**
Byron Dorgan, *The Washington Monthly*, July/August 2000.
More than two-thirds of foreign-based multinational companies doing business in the United States—and only a slightly smaller fraction of U.S.-based multinational firms—pay no federal income tax at all. Byron Dorgan takes a look at **how these corporations manage to operate tax free.**
- 39. Trade in the Americas: All in the Familia, 157**
The Economist, April 21, 2001.
The **Free Trade Area of the Americas (FTAA)** would create the world's largest trade zone, stretching from Alaska to Argentina. The Bush administration is all for it; South America's biggest economy, Brazil, is not so sure.
- 40. Latin America's Volatile Financial Markets, 161**
Jonathan Lemco and Scott B. MacDonald, *Current History*, February 2001.
The **major economies of Latin America** have made remarkable progress since the early 1990s. Strong growth has been accompanied by sharply curtailed inflation rates and impressive debt management. Yet, as the authors note, the greatest challenge facing these nations is their heavy dependence on international capital markets.
- 41. The Euro's Challenge to the Dollar, Barry Eichengreen, 165**
Great Decisions, 2000.
The dollar is used for international trade and financial transactions by people around the world. But with the **birth of the euro**, the dollar has a serious rival in the international sphere for the first time in 50 years. Barry Eichengreen considers possible implications of this development.
- 42. The Rap on Russia, Phillip Merrill, The International Economy, March/April 2001. 168**
According to Philip Merrill, **Russia is a Third World economy** with a government that still considers itself a First World power. The country is in an economic mess, but it is not a threat to the West. Merrill argues that the job of U.S. policymakers over the next few decades is to fully integrate Russia (and China) into the world economy.

- 43. Japan Learns the Sun May Not Come Out Tomorrow**, Howard W. French, *New York Times*, April 8, 2001.
Little more than a decade ago, *Japan* still had the gleaming look of one of history's greatest economic success stories. Now, after 11 years of unrelenting decline, the desire by Japan's neighbors to follow its model has been replaced by dismay over its decay.
- 44. East Asia: Recovery and Restructuring**, Ramon Moreno, *FRBSF Economic Letter* (Federal Reserve Bank of San Francisco), December 29, 2000.
The **rapid recovery of East Asian economies** following major crises in 1997 has caught many observers by surprise. Ramon Moreno maintains that the biggest challenge facing East Asian policymakers today is to decide how many traditional institutional practices to keep and how many to discard in favor of the systems in place in advanced market economies.
- 45. China's Economic Power: Enter the Dragon**, *The Economist*, March 10, 2001.
Although still poor by traditional standards, **the Chinese economy** could potentially experience extraordinary growth over the next two decades and become the second-largest economy in the world. In this article, *The Economist* considers possible implications for both China and the world economy.
- 46. Changing Today's Consumption Patterns—for Tomorrow's Human Development**, United Nations Development Programme, *Human Development Report*, May 1998.
World consumption expanded at an unprecedented pace over the twentieth century, and its benefits have been spread far and wide. Yet, as this United Nations report shows, competitive spending and conspicuous consumption have turned the affluence of some into the social exclusion of many.

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Topic Guide

This topic guide suggests how the selections in this book relate to the subjects covered in your course.

The Web icon (🌐) under the topic articles easily identifies the relevant Web sites, which are numbered and annotated on the next two pages. By linking the articles and the Web sites by topic, this ANNUAL EDITIONS reader becomes a powerful learning and research tool.

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Federal Deficit/Surplus	5. State of the Union 12. Surplus Mania 10. This Tax Cut Could Too Hurt Us 15. 28% Solution 16. Prosperity Easy to Destroy 17. Social Security Reform 🌐 2, 7, 12, 13, 15		

TOPIC AREA	TREATED IN	TOPIC AREA	TREATED IN
Japanese Economy	9. International Tale 43. Japan Learns the Sun May Not Come Out Tomorrow ☉ 30, 32, 34, 35, 36, 37	Say's Law	3. What in the World Happened to Economics? ☉ 1, 2, 4, 9
Keynesian Economics	3. What in the World Happened to Economics? 4. Economic Possibilities for Our Grandchildren 7. Tough Calls in Economic Forecasting 26. New Growth Economics 33. Fall and Rise of the Global Economy ☉ 1, 2, 4	Social Security System	17. Social Security Reform ☉ 13, 14, 15, 16
Latin American Economies	39. Trade in the Americas 40. Latin America's Volatile Financial Markets 46. Changing Today's Consumption Patterns ☉ 29, 31, 32, 33, 34, 37	Stagflation	29. Is Stagflation About to Stage a Comeback? ☉ 7, 9, 10, 12
Monetarism	3. What in the World Happened to Economics?	Supply-Side Economics	26. New Growth Economics ☉ 7, 9, 10, 12
Monetary Policy	8. Just How Productive Are U.S. Workers? 9. International Tale 12. Surplus Mania 18. What Should Central Banks Do? 19. Central Banking in a Democracy 20. How Sluggish Is the Fed? 21. Science (and Art) of Monetary Policy 22. What Greenspan Doesn't Know ... 23. New World of Banking 24. Who Needs Money? 25. Learning From the Big Booms 27. Mystery of Economic Recessions 29. Is Stagflation About to Stage a Comeback? ☉ 17, 18, 19, 20	Taxation	10. This Tax Cut Could Too Hurt Us 11. Taxing Terminology 12. Surplus Mania 13. Tax Man Cometh 14. Go Figure 15. 28% Solution 16. Prosperity Easy to Destroy 17. Social Security Reform 38. Global Shell Games ☉ 13, 14, 15, 16
Multinational Business	34. Reforming Globalization 38. Global Shell Games ☉ 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37	Taylor Rule	20. How Sluggish Is the Fed? 21. Science (and Art) of Monetary Policy ☉ 16, 17, 18
New Economy View	1. Economics and the New Economy 2. Building Wealth 8. Just How Productive Are U.S. Workers? 22. What Greenspan Doesn't Know ... 25. Learning From the Big Booms 26. New Growth Economics ☉ 17, 18, 19, 20	Transition Economies	34. Reforming Globalization 40. Latin America's Volatile Financial Markets 42. Rap on Russia 44. East Asia: Recovery and Restructuring 45. China's Economic Power 46. Changing Today's Consumption ☉ 29, 30, 31, 32, 33, 34, 36, 37
North American Free Trade Agreement (NAFTA)	36. Has the U.S. Economy Really Been Globalized? 39. Trade in the Americas ☉ 31	Underground Economy	5. State of Union 6. Notes From the Underground ☉ 1, 2, 4, 5, 9, 12
Phillips Curve	3. What in the World Happened to Economics? ☉ 1, 2, 4, 9	Unemployment	19. Central Banking in a Democracy 21. Science (and Art) of Monetary Policy 29. Is Stagflation About to Stage a Comeback? 30. In Layoff Plans, Reality Is Often Less Severe in U.S. 31. Employment May Be Even Weaker 32. Age-Adjusted Unemployment ☉ 8, 25, 26
Rational Expectations	3. What in the World Happened to Economics? ☉ 1, 2, 4, 9	U.S. Income Distribution	1. Economics and the New Economy 5. State of the Union 11. Taxing Terminology 14. Go Figure 15. 28% Solution ☉ 1, 2, 4, 5, 8, 10, 15
Recessions	7. Tough Calls in Economic Forecasting 27. Mystery of Economic Recessions ☉ 1, 2, 5	U.S. Trade Deficit	37. Should We Worry About the Large U.S. Current Account Deficit? ☉ 9, 10, 12, 13, 16
Russian Economy	42. Rap on Russia ☉ 28, 30, 36, 37	World Trade Organization (WTO)	34. Reforming Globalization 36. Has the U.S. Economy Really Been Globalized? ☉ 37

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The following World Wide Web sites have been carefully researched and selected to support the articles found in this reader. The sites are cross-referenced by number and the Web icon (●) in the topic guide. In addition, it is possible to link directly to these Web sites through our DUSHKIN ONLINE support site at <http://www.dushkin.com/online/>.

The following sites were available at the time of publication. Visit our Web site—we update DUSHKIN ONLINE regularly to reflect any changes.

General Sites

1. AmosWorld

<http://www.amosweb.com>

Here is a premier Internet site for instructional economic information. Its main features include a glossary of over 500 economic terms and concepts, a reading room, and an interactive question-and-answer resource.

2. The Dismal Scientist

<http://www.dismal.com>

Often referred to as the "best free lunch on the Web," this is an excellent site with many interactive features. It provides access to economic data, briefings on the current state of the economy, and original articles on economic issues.

3. Fairmodel

<http://fairmodel.econ.yale.edu>

This site brings the power of large-scale macroeconomic analysis to anyone with access to the Internet.

4. MBA Lectures in Macroeconomics

<http://www.stern.nyu.edu/~nroubini/LNOTES.HTM>

Lectures in macroeconomics prepared by Professors Nouriel Roubini and David Backus of the Stern School of Business at New York University are available at this site.

5. The Mining Company

<http://economics.miningco.com>

This frequently updated source "mines the Net" for information on economic subjects. Major features include a very large number of Net links and online articles.

6. Resources for Economists on the Internet

<http://econwpa.wustl.edu/EconFAQ/EconFAQ.html>

This resource of the WWW Virtual Library on Economics is an excellent starting place for any research in economics.

Measuring Economic Performance

7. Bureau of Economic Analysis

<http://www.bea.doc.gov>

Part of the U.S. Department of Commerce, the BEA is the nation's accountant. It issues the Survey of Current Business and is a good data source.

8. Bureau of Labor Statistics

<http://stats.bls.gov>

The home page of the BLS, an agency of the U.S. Department of Labor, offers Data, Economy at a Glance, Keyword Searches, Surveys and Programs, other statistical sites, and more.

9. Dr. Ed Yardeni's Economics Network

<http://www.yardeni.com>

Prepared by the Chief Economist of Deutsche Bank Securities, this site provides chartbooks and studies on such topics as economic indicators, public policy, and global trade.

10. Economic Statistics Briefing Room

<http://www.whitehouse.gov/fsbr/esbr.html>

This site has easy access to current federal economic indicators. It provides links to information from a large number of federal agencies.

11. Internet Public Library: Business and Economics Reference

<http://ipl.org/ref/RR/static/bus0000.html>

A comprehensive reference library on matters involving the production, distribution, and consumption of goods and services, this site includes many subtopics, including consumer issues and labor and the work place.

12. New York Times Business Connections

<http://www.nytimes.com/library/cyber/reference/busconn.html>

This page of links to business and economics sites on the Web was prepared for use by journalists of the New York Times for their own research purposes. It includes links to such categories as markets, companies, business news, banking and finance, and government.

Fiscal Policy and the Federal Budget

13. Center on Budget and Policy Priorities

<http://www.cbpp.org>

The Center on Budget and Policy Priorities is a nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs, with an emphasis on those affecting low- and moderate-income people.

14. The Public Debt

<http://www.publicdebt.treas.gov/opd/opd.htm>

Here you will find links to The Public Debt of the United States to the Penny, Historical Debt, Interest Expense and the Public Debt, and Frequently Asked Questions.

15. Tax Wire

<http://www.tax.org/TaxWire/taxwire.htm>

Created by tax analysts, this site provides forums for discussion of a wide variety of tax ideas. It provides up-to-the-minute news on tax development.

16. U.S. Treasury

<http://www.ustreas.gov>

Select Browse at this site to open up the U.S. Treasury, which is divided into accessible areas: Banking & Finance, Money, Taxes, and Treasury Services among them.

Money, Banking, and Monetary Policy

17. Alan Greenspan's Tradeoff

<http://www.pathfinder.com/fortune/1997/971208/fst5.html>

This page from *Fortune* magazine leads to an extensive discussion of the Fed and its chairman, Alan Greenspan.

18. Federal Reserve Board

<http://www.bog.frb.fed.us>

This Web site includes links to all 12 Federal Reserve Banks and other federal agencies. It provides access to the Fed's Beige Book, a report published 8 times a year on current economic conditions.

19. History of Money

<http://www.ex.ac.uk/~RDavies/arian/llyfr.html>

This site provides a chronology of money from ancient times to the present. It also includes articles on such topics as the Origins of Banking and Third World Debt.

20. Mark Bernkopf's Central Banks of the World: Central Banking Resources Center

<http://patriot.net/~bernkopf>

Interesting papers on electronic money and its effect on the banking world are available at this Web site.

Employment, Prices, and the Business Cycle

21. Business Cycle Indicators

<http://www.globalexposure.com>

This site leads to the 256 data series known as the U.S. Business Cycle Indicators, which are used to track and predict U.S. business activity.

22. What's a Dollar Worth? CPI Calculation Machine

<http://minneapolisfed.org/economy/calc/cpihome.html>

This interactive site demonstrates how the Consumer Price Index is used to calculate how prices have changed over the years. It includes CPI data from 1913 to 1998.

23. Economic Cycle Research Institute

<http://www.businesscycle.com>

The Economic Cycle Research Institute represents over 60 years of business cycle research covering all major market economies. The focus of its work is business cycle forecasting.

24. U.S. Census Bureau

<http://www.census.gov>

This is a major source of information on U.S. economic, social, and demographic trends. Features include the Statistical Abstract of the United States.

25. U.S. Department of Labor

<http://www.dol.gov>

This searchable Department of Labor Web site includes information about the department and its agencies, labor laws and trends, press releases, and texts of regulations.

26. WorkIndex

<http://workindex.com>

This annotated guide to Internet resources in human resources, labor relations, benefits, training, technology, recruiting, leadership, and more is sponsored by the School of Industrial Relations at Cornell University.

International Economics

27. European Union in the U.S.

<http://www.eurunion.org>

Topics at this comprehensive Web site include EU policies and legislation, information on member states, and EU-U.S. relations. Access to *Europe Magazine* is also provided.

28. Institute for International Economics

<http://www.iie.com>

The site of this nonprofit, nonpartisan research institution is devoted to the study of international economic policy, and contains news, views, reviews, working papers, publications, and press releases, plus links to related sites.

29. Inter-American Development Bank

<http://www.iadb.org>

The Inter-American Development Bank was established in 1959 to help accelerate economic and social development in Latin America and the Caribbean. This site offers access to IDB reports and information on member countries.

30. International Monetary Fund (IMF)

<http://www.imf.org>

The IMF is a cooperative institution involving 182 countries that consult each other "for the purpose of maintaining a stable system of buying and selling their currencies."

31. North American Free Trade Association (NAFTA)

<http://www.tradewatch.org/nafta/naftapg.html>

This is the home page of the North American Free Trade Association. NAFTA's stated objective is "to provide accurate and timely information to U.S. exporters experiencing market access barriers in Canada or Mexico."

32. Organization for Economic Cooperation and Development (OECD)

<http://www.oecd.org>

This Web site of OECD provides information on OECD activities, news, documentation, and related links. One interesting feature is a link to the Centre for Cooperation with Nonmembers.

33. Sustainable Development Organization

<http://www.sustainabledevelopment.org>

This site provides a resource center for investigating issues of sustainable development. Extensive links lead to such categories as agriculture, energy, environment, finance, health, microenterprise, public policy, and technologies.

34. UNCTAD

<http://www.unctad.org>

The main task of the United Nations Conference on Trade and Development (UNCTAD) is to accelerate economic growth and development.

35. WORLDLINK Glossary and Acronyms

<http://www.worldlinkinternational.com/gloss.htm>

This glossary includes definitions of many terms and acronyms encountered in international trade and finance.

36. World Policy Institute

<http://www.worldpolicy.org>

The WPI publishes an online version of the *World Policy Journal*, which focuses on core policy issues, with an emphasis on international economic affairs.

37. World Trade Organization (WTO)

<http://www.wto.org>

The WTO facilitates the working of the multilateral trading system, negotiating agreements among trading nations.

We highly recommend that you review our Web site for expanded information and our other product lines. We are continually updating and adding links to our Web site in order to offer you the most usable and useful information that will support and expand the value of your Annual Editions. You can reach us at:
<http://www.dushkin.com/annualeditions/>

Unit Selections

1. **Economics and the New Economy: The Invisible Hand Meets Creative Destruction**, Leonard I. Nakamura
2. **Building Wealth**, Lester C. Thurow
3. **What in the World Happened to Economics?** Justin Fox
4. **Economic Possibilities for Our Grandchildren**, Elizabeth Johnson and Donald Moggridge (eds.)

Key Points to Consider

- ❖ What should the fundamental paradigm for economics be, creative destruction or the invisible hand?
- ❖ Where does economic wealth come from, and how might it be increased?
- ❖ What are the main schools of contemporary economic thought?
- ❖ Do you agree with John Maynard Keynes's forecast of economic life in the year 2030? Why or why not?



Links

www.dushkin.com/online/

1. **AmosWorld**
<http://www.amosweb.com>
2. **The Dismal Scientist**
<http://www.dismal.com>
3. **Fairmodel**
<http://fairmodel.econ.yale.edu>
4. **MBA Lectures in Macroeconomics**
<http://www.stern.nyu.edu/~nroubini/LNOTES.HTM>
5. **The Mining Company**
<http://economics.miningco.com>
6. **Resources for Economists on the Internet**
<http://econwpa.wustl.edu/EconFAQ/EconFAQ.html>

These sites are annotated on pages 4 and 5.