

A·N·N·U·A·L E·D·I·T·I·O·N·S

Economics

00/01

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00/01

Twenty-Ninth 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 he 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 Dushkin/McGraw-Hill publications, including *The Encyclopedic Dictionary of Economics* and two other *Annual Editions* anthologies, *Microeconomics* (5th Edition) and *Macroeconomics* (13th Edition).

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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.

New to ANNUAL EDITIONS is the inclusion of related World Wide Web sites. These sites have been selected by our editorial staff to represent some of the best resources found on the World Wide Web today. Through our carefully developed topic guide, we have linked these Web resources to the articles covered in this ANNUAL EDITIONS reader. We think that you will find this volume useful, and we hope that you will take a moment to visit us on the Web at <http://www.dushkin.com> to tell us what you think.

This twenty-ninth edition of *Annual Editions: Economics* has been largely revised since previous editions and continues the tradition of providing the most up-to-date readings on contemporary economic issues. In view of the recent explosion of interest in the subject of economics, it is important that students are given opportunities to observe how economic science can help them to understand events in the real world. This anthology is designed to meet such a need.

The volume is divided into five major units. Unit 1 introduces several general concepts involving economic analysis. At the heart of economics is the notion of "opportunity cost," the idea that in choosing one economic alternative, we must forgo other choices. What, for example, is the opportunity cost of a human life? Where does economic wealth come from? Why do economists disagree over key economic issues? What role does the Internet play in the world economy?

Unit 2 presents articles that treat economic issues from a microeconomic perspective. Microeconomics studies the way in which market values are established through the interaction of consumers (households) and producers (firms). For instance, what role do technological changes play in the choices consumers make and the size of business enterprises? How do mergers affect the business climate? How does government regulation of industry affect market competition?

Issues of income distribution and economic justice are examined in unit 3. You will find that this is an area of intense controversy, particularly as it relates to government programs that attempt to alter the distribution of income and wealth. Questions raised include: What are the causes of growing income disparities in America? Should the federal government attempt to eradicate poverty and, if so, how? Is federal welfare reform working? Should Social Security be privatized?

Broader economic issues are the focus of the next two units, which involve macroeconomics (unit 4) and the global economy (unit 5). The economy-wide perspective of macroeconomics leads us to consider ways

of gauging an economy's health, vis-à-vis levels of employment, the degree of price stability, and the rate of economic growth over time. Readings selected for this unit raise questions of great consequence to the United States. For example, what are the causes of booms and busts in an economy? What is the long-term outlook for the American economy? Is tax reform possible? Will paper money someday be replaced by electronic money?

Finally, unit 5 examines recent changes in the world economy. In the last decade we have witnessed a series of unforeseen events: the end of the cold war; the rush by many former communist states to embrace the market system; a crisis in Asia that threatened to spread throughout the world; and the impoverishment of many developing countries burdened by staggering international obligations. How did such developments come about, and what do they portend as the global economy enters a new century?

In this edition of *Annual Editions: Economics 00/01* there are World Wide Web sites that can be used to further explore the topics. These sites are cross-referenced by number in the topic guide.

Whether you are currently pursuing studies in economics or are just a casual reader eager to learn more about some of the major economic issues of the day, you will find *Annual Editions: Economics 00/01* to be one of the most useful and up-to-date anthologies available. Your input can be valuable for the next edition. Please offer your opinions by filling out and returning to us the postage-paid article rating form on the last page of this book.



Don Cole
Editor

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Selected World Wide Web Sites

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- 1. How Much for a Life? Try \$3 Million to \$5 Million,** Peter Passell, *New York Times*, January 29, 1995. 8
Much economic reasoning is based on the **opportunity cost** principle, the idea that any decision involving scarce resources must involve costs in terms of **forgone alternatives** elsewhere. Peter Passell applies this principle to an age-old question: What is the value of a human life?
- 2. Building Wealth,** Lester C. Thurow, *The Atlantic Monthly*, June 1999. 11
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. The 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. 20
The field of economics has been the scene of some very public battles over the past half century. Recently, economists have attained a state of relative peace and consensus, but they have done so by diminishing their expectations. Justin Fox examines the **current state of economic thought**.
- 4. New Universe Forming as Business between Businesses Explodes,** Don Tapscott, *USA Today*, November 16, 1998. 25
The Internet is the wonder of the era, a tool that is expected to change everything. **What if the twenty-first century economy were dominated by the Internet?** How might this affect the buying habits of consumers and transactions between the firms from which they purchase goods and services? Don Tapscott offers a brief glimpse into the economy of the future.
- 5. The Internet Economy: The World's Next Growth Engine,** Michael J. Mandel, *Business Week*, October 4, 1999. 27
The age of the Internet has begun, and it has taken hold amazingly fast. This article reviews the impact the Internet will have on the world and compares it with the disruptive effects other technologies have had on our culture and society.

Overview

- 6. Why You Can't Tell What Things Cost,** David J. Morrow, *New York Times*, March 2, 1997. 32
The traditional **laws of supply and demand** once imposed a semblance of order and clarity on prices. Yet, as David Morrow explains, today they are being so haphazardly amended by technological changes and new marketing techniques that the American marketplace now offers all the certainty of a foreign bazaar.
- 7. Smoke Signals,** *New York Times*, New Jersey Sunday Edition, January 10, 1999. 34
One of the more useful concepts in microeconomics is **demand elasticity**, which measures the responsiveness of consumer demand to changes in prices. Recently, the New Jersey legislature doubled the state cigarette tax in an effort to reduce smoking. This article examines the impact that this has had on cigarette sales in both New Jersey and nearby states.

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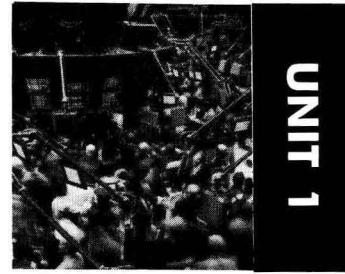
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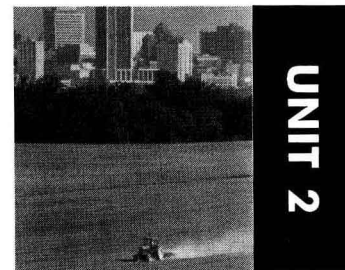
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Introduction

Five articles discuss some of the basic theories that make up the foundations of the study of economics.



Microeconomics

Thirteen articles examine various concepts of microeconomics such as laws of supply and demand, government regulation, oligopoly, competition, and delivery of services.

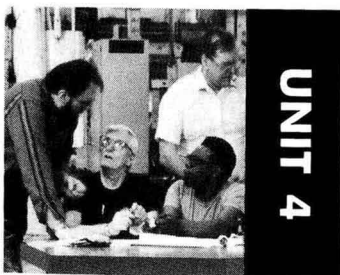
- 8. Why Tobacco Pact Won't Hurt Industry**, Michael M. Phillips and Suein L. Hwang, *Wall Street Journal*, September 12, 1997. **36**
 In 1997 U.S. tobacco companies completed a sweeping settlement with the federal government that requires them to pay out substantial sums to the states for 25 years. Yet, since cigarette demand is **price-inelastic**, manufacturers can easily raise prices to cover payments. The authors identify major reasons for this.
- 9. The Theory That Made Microsoft**, James Aley, *Fortune*, April 29, 1996. **38**
 While most businesses, especially mature ones, will forever remain in the competitive and unforgiving world of diminishing returns, many newer ones—such as Microsoft and Intel—benefit from the idea that a big user base is the key to success. James Aley demonstrates the usefulness of the **principle of increasing returns**.
- 10. I Got It Cheaper than You**, Scott Woolley, *Forbes*, November 2, 1998. **40**
 What do American Airlines, Staples, Stanford University, AT&T, and Safeway Stores all have in common? They practice **price discrimination** by charging some customers more than other customers for the same thing. Scott Woolley says price discrimination seems destined to become more frequent and complex with the growth of electronic commerce.
- 11. Let's Play Oligopoly! Why Giants Like Having Other Giants Around**, G. Pascal Zachary, *Wall Street Journal*, March 8, 1999. **42**
 The major force in the past decade of megamergers is **oligopoly**. Everywhere one looks, industries in accounting, telecommunications, music, cigarettes, soft drinks, and countless other businesses are sorting themselves out into their own version of the Big Three automakers.
- 12. Oligopoly! Highly Concentrated Markets across the U.S. Economy**, Amy Taub with Robert Weissman, *National Monitor*, November 1998. **44**
 In evaluating whether or not to permit mergers, the U.S. Department of Justice uses a device called the **Herfindahl-Hirschman Index (HHI)** of market concentration. Performing HHI calculations on many of the leading industries in the United States reveals extraordinary levels of concentration throughout the economy.
- 13. Who Should Be in Charge?** Jane Katz, *Regional Review*, Fall 1997. **48**
 The **rules that govern decision making** in the largest U.S. corporations are critical to the creation of new wealth and the economic well-being of the nation. Jane Katz shows why it is important to consider the interests of all parties who have risky investments in an enterprise.
- 14. Government Trustbusters Weigh How Big Is Too Big**, Deb Riechmann, *Associated Press*, April 29, 1998. **53**
Antitrust policy assumes that consumer interests are served best when many companies compete to sell each product or service. In the past two decades, the enforcement of such policy appears to have weakened as the merger movement has grown. Deb Riechmann asks: How big is too big?
- 15. Cable Rates Rising as Industry Nears End of Regulation**, Stephen Labaton, *New York Times*, March 8, 1999. **55**
 The Telecommunications Act of 1996 provided for a 3-year phaseout of federal controls over television cable rates. But while the **prospect of competition** was supposed to drive prices down, cable rates continue to rise, with many companies announcing increases for this year that are more than double the projected rate of inflation.

- 16. Electricity Deregulation and the Consumer,** 58
Resources, Winter 1997.
 Traditionally, **electric utilities** have received government protection against competition in exchange for state regulation of their rates and the quality of their service. This essay examines possible consequences of industry deregulation for utility companies, their customers, and the environment.
- 17. Drug Legalization? Time for a Real Debate,** Paul 62
 B. Stares, *Brookings Review*, Spring 1996.
 Concern is mounting that the large wave of teenagers—the group most at risk because of illicit drug use—that will crest around the turn of the century will be accompanied by a new surge in drug use. Paul Stares says that the time has come for a real debate over the **pros and cons of drug legalization**.
- 18. Congested Parks—A Pricing Dilemma,** Dan M. 66
 Bechter, *Monthly Review (Federal Reserve Bank of Kansas City)*, June 1971.
 Overcrowding at public parks creates a **classic microeconomic dilemma**: Outdoor recreationists face insufficient parking spaces, which must be allocated through adjusting park fees. Dan Bechter investigates possible solutions to the problem.
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- 19. The Prosperity Gap,** *Business Week*, September 27, 74
 1999.
Today's economy is booming, but, as this article points out, it is not affecting everyone in the same way. Unlike the economic expansion of the 1960s, where workers in all segments of the economy benefited, today's wage growth is focused in the technology and service fields.
- 20. Growing American Inequality: Sources and Remedies,** Gary 78
 Burtless, *Brookings Review*, Winter 1999.
 For the better part of two decades, the **gap in earning between rich and poor Americans** has increased steadily. The incomes of poor Americans shrank and those of the middle class stagnated while the incomes of the richest families continued to grow. Gary Burtless asks: Should we care? And, if we do care, what should be done about it?
- 21. The Victimless Income Gap?** Robert H. Frank, *New York Times*, April 12, 1999. 83
 Some economists maintain that **inequality doesn't really matter** so long as no one ends up with less in absolute terms. Robert Frank disagrees. He argues that when the rich get richer, the rest do suffer.
- 22. The State of the Poor,** *Challenge*, November/December 85
 1996.
 Some economists maintain that, since poverty is a relative matter, many of the poor are not faring as badly as we might think. Using information on family expenditures, home ownership, and health care, this essay demonstrates **what it really means to be poor in America**.
- 23. Most Adults Find Jobs after Leaving Welfare: Many Struggle on Low Pay or Rejoin Rolls,** Judith 87
 Havemann, *Washington Post*, May 27, 1999.
 Three years after Congress sought to "end welfare as we know it," a large percentage of adults leaving public assistance have gotten jobs. Yet, **welfare reform appears to be a mixed blessing**, since many of the jobs are low-paying, and some people who leave welfare find it necessary to return to the rolls.



Income Distribution and Economic Justice

Eleven articles discuss income distribution and economic growth by looking at income equality and welfare reform.

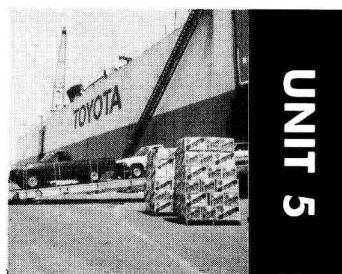


Macroeconomics

Eleven articles examine various concepts of macroeconomics such as unemployment, deficits, fiscal policy, taxes, U.S. monetary policy, and globalization.

- 24. Minimum Wage Bandwagon Needs Some Skillful Reining**, Michael M. Weinstein, *New York Times*, May 13, 1999. **89**
 The main reason for **raising the minimum wage** is to make it possible for all full-time workers to earn enough to lift their families out of poverty. The current minimum wage falls short of this goal. Michael Weinstein shows how, through coupling a boost in the current minimum wage with tax credits, a reduction in U.S. poverty might be achieved.
- 25. Corporate Welfare Remains Unchecked**, Doug Bandow, *Business and Society Review*, Number 97, 1996. **90**
 "Welfare reform" is a term generally applied to changing the system through which poor people receive government aid. While sharp cutbacks have been made in this form of federal assistance, another sort of subsidy (otherwise known as "**corporate welfare**") is expanding rapidly. Doug Bandow describes the many ways in which businesses benefit from government largesse at public expense.
- 26. Should We Retire Social Security?** Henry J. Aaron and Robert D. Reischauer, *Brookings Review*, Winter 1999. **93**
 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. Today, policymakers and the public face a bewildering array of proposals to reform or replace the nation's public pension system. The authors evaluate major proposals currently under consideration.
- 27. New Unions for a New Economy**, Stephen A. Herzenberg, John A. Alic, and Howard Wial, *The New Democrat*, March/April 1998. **99**
How will American trade unionism fare in the twenty-first century? In the so-called New Economy, very few new jobs are broken down in classic production-line fashion, and productivity improvements depend more than ever on the ability of employees to solve problems and to improvise. The authors recommend ways in which unions can meet these challenges.
- 28. The Indelible Color Line**, Gregory D. Squires, *The American Prospect*, January/February 1999. **104**
 Although overt racism has diminished greatly over the last 30 years, **most American cities remain deeply segregated**. Gregory Squires maintains that the practices of mortgage lenders and property insurers may have done more to shape housing patterns than outright racism ever did.
- 29. Study Finds Benefits from Immigration**, *Minneapolis Star Tribune*, May 18, 1997. **109**
 While many people believe the **recent surge in immigration** has adversely affected the American economy and job availability for native U.S. citizens, there is little evidence to support these theories. This article examines recent immigration patterns.
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- 30. Learning from the Big Booms**, Louis Uchitelle, *New York Times*, June 28, 1998. **112**
 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.

- 31. Meeting the Challenge of the New Economy, 114**
 Michael J. Mandel, *Blueprint*, Winter 1998.
 Michael Mandel, economics editor at *Business Week*, argues that a **New Economy** has been born. This New Economy is transforming America and much of the world at a pace that is scarcely imaginable. How the United States responds to the twin forces of globalization and the Information Revolution will help to shape the world economy in the twenty-first century.
- 32. The New Economy: Work in Progress, The Economist, 119**
 July 24, 1999.
 On the surface, America's economy is changing dramatically. But **just how deep the changes go**, and what they imply for the country's growth in the long term, remains an **open question**.
- 33. Joblessness Is Down. Prices Aren't Up. Go Figure. 123**
 Richard W. Stevenson, *New York Times*, April 11, 1999.
 The current economic boom, one of the longest and healthiest in U.S. history, has confounded everybody, including professional economists. It has long been thought that **too much economic growth or too little unemployment would automatically result in inflation**. Richard Stevenson suggests that the time has come to rethink these economic relationships.
- 34. Notes from Underground: Money That People Earn and Spend Outside the Realm of Official Economic Calculations Is Nonetheless Real, Elia Kacapyr, 125**
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 proposals for regulating such activity.
- 35. Why Are Taxes So Complicated, and What Can We Do about It? William G. Gale, Brookings Review, Winter 1999. 126**
 Since virtually everyone agrees that taxes should be easy to understand, administer, and enforce, **why are taxes so complicated?** The author suggests that the answer is that people also agree that taxes should be fair, should be conducive to economic prosperity, should raise sufficient revenue to finance government spending, and should respect the privacy of individuals.
- 36. The Case against Tax Cuts, Alan J. Auerbach and William G. Gale, Brookings Policy Brief, March 1999. 129**
 Emerging federal budget surpluses have sparked calls for **large-scale tax cuts**. Even if surpluses do materialize, they will exist only because government accounting obscures the fact that the United States faces a large, long-term deficit. Alan Auerbach and William Gale suggest that, by paying down public debt, **saving the surplus** would help the economy much more than would tax cuts.
- 37. U.S. Monetary Policy: An Introduction, FRBSF Economic Letter (Federal Reserve Bank of San Francisco), January 1, 1999. 134**
 This essay provides insights into the major dimensions of **U.S. monetary policy**. What are the ultimate goals of the Federal Reserve? What happens when these goals conflict? How does the Fed formulate its strategies, and what effect do its policies have on the economy?
- 38. Central Banking in a Democracy, Alan S. Blinder, Economic Quarterly (Federal Reserve Bank of Richmond), Fall 1996. 142**
 Alan Blinder, former vice chairman of the Federal Reserve Bank's Board of Governors, asks: **Who does the Federal Reserve serve?** 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.



The Changing Global Economy

Eleven articles examine the impact that current events have on the overall stability and alignment of the world economy.

- 39. Is the Fed Slave to a Defunct Economist?** Evan F. Koenig, *Southwest Economy (Federal Reserve Bank of Dallas)*, September/October 1997. **149**
Some commentators have recently accused the Federal Reserve of pursuing a **Keynesian policy of "fine tuning" the economy**. As an alternative they advocate a policy of allowing output and employment to range freely, as long as inflation holds steady. Evan Koenig argues that the Fed has, in fact, steered a middle course between these extremes.
- 40. The Fiscal Frontier**, Philip Davis, *Discover*, October 1998. **153**
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- 41. Globalization and Its Discontents: Navigating the Dangers of a Tangled World**, Richard N. Haass and Robert E. Litan, *Foreign Affairs*, May/June 1998. **160**
The **global liberalization of trade** has reduced barriers to the movement of goods and capital across national boundaries. But globalization has also created a series of problems, including job losses, increasing income inequality, and stagnant or deteriorating real wages. The authors examine three fundamentally different approaches to addressing recent developments in the global economy.
- 42. Trade Policy at a Cross Roads**, I. M. Destler, *Brookings Review*, Winter 1999. **164**
Anxieties over globalization have brought the **U.S. trade policy agenda** to a stalemate. But the exceptional current condition of the American economy offers an unusually favorable climate for addressing these anxieties. I. M. Destler suggests a new approach.
- 43. Why Trade Is Good for You**, *The Economist*, October 3, 1998. **167**
If countries specialize according to their **comparative advantage**, they can prosper through trade regardless of how inefficient, in absolute terms, they may be in their chosen specialty. This article demonstrates how this principle can be used to support the case for free trade.
- 44. The Other Crisis**, James D. Wolfensohn, *Across the Board*, February 1999. **170**
James Wolfensohn, World Bank president, asserts that we must look beyond the **global financial crisis** to seek the long-term structural reforms necessary to put the world's troubled economies back on the road to recovery. Ultimately, the real issue is the state in which the world finds itself in terms of environment, humanity, and peace and stability.
- 45. The Spotlight and the Bottom Line: How Multinationals Export Human Rights**, Debora L. Spar, *Foreign Affairs*, March/April 1998. **174**
Traditionally, U.S. manufacturers of consumer products targeted for **human rights violations** abroad have turned the blame over to foreign subcontractors. Recently, these corporations have begun to acknowledge responsibility for such violations and have created voluntary codes of conduct. Debora Spar assesses the effectiveness of this approach.
- 46. NAFTA after 5 Years: 'Free' Trade Is Often Costly**, Kathy McCabe, *Boston Globe*, May 9, 1999. **178**
The formation of the **North American Free Trade Agreement (NAFTA)** was marked both by extravagant promises about its benefits and by blood-curdling warnings about its costs. Now that 5 years have passed, Kathy McCabe asks: "How is NAFTA doing?"

- 47. The Birth of the Euro**, Robert Solomon, *Brookings Review*, Summer 1999. **181**
 With the end of the battle over a **common currency**, Europeans have a more momentous task before them: to agree on a common monetary policy for Europe's disparate countries, regions, and groups. Robert Solomon traces the history of European monetary union and considers the role of the euro in the world economy.
- 48. Russia Is Not Poland, and That's Too Bad**, Michael M. Weinstein, *New York Times*, August 30, 1998. **185**
 Both **Poland and Russia** began the decade saddled with paltry living standards bequeathed by a centrally controlled economy. Poland now ranks among Europe's fast-growing economies, while Russia's economy stagnates. This article explains what went wrong.
- 49. What Next for Japan?** Martin Feldstein, *Wall Street Journal*, June 17, 1999. **187**
Japan was once feared for its economic might. Today it is feared for its **economic weakness**—and the harm its ailing system might do to the world. Martin Feldstein examines the sources of Japan's current troubles and prospects for its economic recovery.
- 50. Re-Emerging Economies: Uncertain Prospects**, *The Economist*, April 24, 1999. **190**
Emerging economies appear to have finally clawed their way back from the brink of financial collapse, following years of serious crisis. But they are still a long way from economic health.
- 51. Changing Today's Consumption Patterns—for Tomorrow's Human Development**, United Nations Development Programme, *Human Development Report*, May 1998. **194**
World consumption has expanded at an unprecedented pace over the twentieth century. 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 and World Wide Web sites found in the next section of this book relate to topics of traditional concern to economics students and professionals. It is useful for locating interrelated articles and Web sites for reading and research. The guide is arranged alphabetically according to topic.

The relevant Web sites, which are numbered and annotated on pages 4 and 5, are easily identified by the Web icon (🌐) under the topic articles. 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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TOPIC AREA	TREATED IN	TOPIC AREA	TREATED IN
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Labor-Management Relations	2. Building Wealth 13. Who Should Be in Charge? 27. New Unions ☉ 16, 19	Poverty	20. Growing American Inequality 22. State of the Poor 23. Most Adults Find Jobs 24. Minimum Wage Bandwagon ☉ 14, 15, 17, 21
Latin American Economies	50. Re-Emerging Economies 51. Changing Today's Consumption Patterns ☉ 33, 35, 36, 37, 38	Protectionism	41. Globalization and Its Discontents 42. Trade Policy at a Cross Roads 43. Why Trade Is Good for You 44. Other Crisis 44. NAFTA after 5 Years 47. Birth of the Euro 49. What Next for Japan? 50. Re-Emerging Economies ☉ 31, 32, 34, 38
Less Developed Countries (LDCs)	45. Spotlight and the Bottom Line 51. Changing Today's Consumption Patterns ☉ 35, 36, 37, 38	Russian Economy	44. Other Crisis 48. Russia Is Not Poland ☉ 38
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Oligopoly	8. Why Tobacco Pact Won't Hurt 11. Let's Play Oligopoly! 12. Oligopoly! ☉ 6, 11	Welfare Reform	23. Most Adults Find Jobs 25. Corporate Welfare ☉ 14, 17, 18, 19, 21, 22
Opportunity Costs	1. How Much for a Life? ☉ 3		

● AE: Economics

The following World Wide Web sites have been carefully researched and selected to support the articles found in this reader. If you are interested in learning more about specific topics found in this book, these Web sites are a good place to start. The sites are cross-referenced by number and appear in the topic guide on the previous two pages. Also, you can link 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 and Introduction

1. AmosWorld

<http://amos.bus.okstate.edu>

This site seeks to be the premiere Internet site for instructional economic information. 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. Litigation Analytics: How Much for a Human Life?

<http://www.humanlifevalue.com/index.html>

"How much is a human life worth?" This site provides an interesting, interactive exercise involving this question.

4. The Mining Company

<http://economics.miningco.com>

This frequently updated resource "mines the Net" for information on economic subjects. It includes a large number of netlinks and online articles from economics magazines and journals.

5. Resources for Economists on the Internet

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

Here is an excellent starting place for any research in economics by academic and practicing economists.

Microeconomics

6. Antitrust Policy

<http://www.antitrust.org>

Sponsored by the Owen Graduate School of Management at Vanderbilt University, this site provides detailed information on such topics as case studies in price fixing, merger simulations, and the evolution of U.S. antitrust policy.

7. CEO Express—Business and Financial News

<http://www.ceoexpress.com>

This site provides users with extensive tools for researching companies through direct links to the home pages of *Fortune* 500 and many other firms.

8. Corporate Watch

<http://www.corpwatch.org>

Corporate Watch is an online magazine and resource center designed to provide an array of tools for investigating and analyzing the activities of transnational corporations.

9. Internet Public Library: Business and Economics Reference

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

This comprehensive reference library on the production, distribution, and consumption of goods and services includes

many subtopics about consumer issues, employment, business and industry, and labor and the workplace.

10. Leading Companies E-zine

http://www.fed.org/leading_companies/index.html

This monthly online electronic magazine contains topics that generally focus on the development of a high-performance workplace, employee ownership, and entrepreneurial issues.

11. 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.

12. Small Business Administration

<http://www.sbaonline.sba.gov>

The U.S. Small Business Administration provides financial, technical, and management assistance to 23 million small businesses.

Income Distribution and Economic Justice

13. Center on Budget and Policy Priorities

<http://www.cbpp.org>

This nonpartisan research organization and policy institute conducts research and analysis on a range of government policies and programs, with an emphasis on those affecting low- and moderate-income people.

14. Joint Center for Poverty Research

<http://www.jcpr.org>

This site examines what it means to be poor and to live in America. Issues considered include changing labor markets, the causes of inequality, family functioning, the impact of concentrated urban poverty, and implications for public policy.

15. Social Security Administration

<http://www.ssa.gov>

The official Web site of the Social Security Administration, this is a multifaceted source.

16. Today's Unions

<http://www.aflcio.org>

The AFL-CIO Web page provides access to a large number of topics concerning ways in which labor unions might improve the lives of working families.

17. The Urban Institute

<http://www.urban.org>

The Urban Institute investigates national social and economic problems and analyzes solutions.

18. U.S. Department of Health and Human Services

<http://www.hhs.gov>

The Department of Health and Human Services is the U.S. government's principal agency for protecting the health of all Americans and providing essential human services, especially for those who are least able to help themselves.

19. 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.

20. U.S. Immigration and Naturalization Service (INS)

<http://www.ins.usdoj.gov>

The INS is responsible for enforcing laws regulating the admission of foreign-born persons to the United States and for administering various immigration benefits.

21. Welfare-to-Work

<http://www.doleta.gov>

A federal government Web site that examines the transition from welfare-to-work from the perspective of individuals, employers, and communities is found here.

22. WorkIndex

<http://workindex.com>

This index is an annotated guide to Internet resources in human resources, labor relations, benefits, training, technology, staffing, recruiting, leadership, motivation, insurance, relocation, legal issues and more.

Macroeconomics**23. Bureau of Economic Analysis (BEA)**

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

The BEA is the nation's accountant. It issues the Survey of Current Business and is a good source for data on industrial and regional development.

24. Citizens for Tax Justice

<http://www.ctj.org>

Citizens for Tax Justice is a research and advocacy organization that "seeks to give ordinary people a greater voice in the development of tax laws."

25. Congressional Budget Office

<http://www.cbo.gov>

The Congressional Budget Office seeks to provide "objective, timely, nonpartisan analyses needed for economic and budget decisions and with the information and estimates required for the Congressional budget process."

26. Economic Report of the President

<http://www.whitehouse.gov/WH/EOP/CEA/html/CEA.html>

This is the Web page of the Council of Economic Advisors. A copy of the most recent *Economic Report of the President* is available here.

27. Federal Reserve Board

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

The Web site of the Federal Reserve Board (the Fed) links to all the Federal Reserve Banks and other federal agencies. It provides access to the Fed's "Beige Book," a report published eight times each year on current economic conditions by Federal Reserve district.

28. History of Money

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

An award-winning site that provides a comprehensive chronology of money from ancient times to the present day, this page also includes articles on such topics as the Origins of Banking, Money in North American History, Britain and the European Monetary Union, and Third World Debt in the 20th Century.

29. The Public Debt

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

Features of this site include estimates of "daily amounts to the penny," interest costs of the outstanding public debt, and long-term trends.

30. Underground Economy

http://newmedia.jrn.columbia.edu/1997/groups/assignment_4.html

Designed as a multimedia project by two students this, site examines segments of the multimillion dollar underground economy of New York City.

The Changing Global Economy**31. The European Union in the U.S.**

<http://www.eurunion.org>

Here is a comprehensive Web site for those interested in the nature and origin of the European Union. Topics include EU policies and legislation, information on member states, and EU US relations.

32. Institute for International Economics

<http://www.iie.com>

Since its founding in 1981, the Institute for International Economics has provided objective analysis of key international economic problems and has proposed concrete solutions.

33. Inter-American Development Bank (IDB)

<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.

34. North American Free Trade Association (NAFTA)

<http://www.mac.doc.gov/nafta/nafta2.htm>

The North American Free Trade Association's objective is "to provide accurate and timely information to U.S. exporters experiencing market access barriers in Canada or Mexico."

35. Organization for Economic Co-operation and Development (OECD)

<http://www.oecd.org>

The Web site of the OECD, this page provides information on OECD activities, news, and documentation. One interesting feature is links to the Centre for Co-operation with Non members.

36. Sustainable Development.Org

<http://www.sustainabledevelopment.org>

Extensive links at this site lead to such sustainable development categories as agriculture, energy, environment, finance, health, microenterprise, public policy, and technologies.

37. United Nations Development Program (UNDP)

<http://www.undp.org>

The UNDP helps people in 174 countries to help themselves by focusing on poverty elimination, environmental regeneration, job creation, and the advancement of women.

38. World Resources Institute

<http://www.wri.org>

The World Resources Institute provides information and practical proposals for policy and institutional change that will foster environmentally sound, socially equitable development.

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. **How Much for a Life? Try \$3 Million to \$5 Million**, Peter Passell
2. **Building Wealth**, Lester C. Thurow
3. **What in the World Happened to Economics?** Justin Fox
4. **New Universe Forming as Business between Businesses Explodes**, Don Tapscott
5. **The Internet Economy: The World's Next Growth Engine**, Michael J. Mandel

Key Points to Consider

- ❖ Is life priceless? Explain your answer in terms of the opportunity cost principle.
- ❖ Where does economic wealth come from, and how might it be increased?
- ❖ What are the main schools of contemporary economic thought?
- ❖ What role does the Internet play in the global economy, and how is this role changing?
- ❖ What effect do you think the Internet will have on future generations that is different from today's influence? Explain.



Links

www.dushkin.com/online/

1. **AmosWorld**
<http://amos.bus.okstate.edu>
2. **The Dismal Scientist**
<http://www.dismal.com>
3. **Litigation Analytics: How Much for a Human Life?**
<http://www.humanlifevalue.com/index.html>
4. **The Mining Company**
<http://economics.miningco.com>
5. **Resources for Economists on the Internet**
<http://econwpa.wustl.edu/EconFAQ/EconFAQ.html>

These sites are annotated on pages 4 and 5.

Economics concerns the decisions we face in meeting our material needs. Examples of such decisions can be found everywhere: college students confront rising tuition costs; a local business firm announces that it will lay off workers; a newspaper editorial comments on the merits of minimum-wage legislation; the U.S. Congress debates proposals to reform the Social Security system. Like a view on a very clear day, a list of all possible economic problems appears to have no end.

Beginning students of economics often wonder why this is so. Why are the 6 billion citizens of the planet not able to find a way to meet their needs for material existence? More than a half century ago, the British economist Lionel Robbins provided an interesting answer to this question. He suggested that we are unable to do all the things we may wish to do for the simple reason that our economic resources—human talents, the natural endowment, and the stock of capital—are finite. Robbins defined “the economic problem” as one of scarcity: Our resources are scarce because the number of possible uses to which they might be put in meeting our material needs is unlimited. Economics, therefore, ultimately concerns the hard choices we must make, both private and public, about ways to employ these resources. Because such choices always carry a price (or “opportunity cost”) in terms of alternatives forgone, economics leads us to consider the costs and benefits of things we choose to do.

This unit offers different perspectives on the subject of resource limits and opportunity costs. First, Peter Passell raises an age-old question: What is the value of a human life? People sometimes hide economists for knowing “the cost of everything and the value of nothing.” Yet, as Passell demonstrates, economic reasoning has great usefulness in understanding why people do the things they do,

even—indeed, especially—when those things involve risky behaviors. When smokers light up, for example, they are making economic decisions (however subconsciously) about the value of the risks they incur. In effect, they are placing a value on their own lives. One of the tasks economists have is to remind us that no behavior is without cost and that at times these costs can be substantial.

In the next essay, Lester Thurow asks us to consider where economic wealth comes from. He says 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. The knowledge-based economy is posing new questions, giving new answers, and developing new rules for generating wealth.

Next, in “What in the World Happened to Economics?” Justin Fox traces some recent developments in economic thinking. Economics is a subject rich in controversy. Although most economists speak the same language, disagreements frequently occur, and these more often than not involve explaining the behavior of the global economy. In fact, as Fox observes, most economists no longer seem to believe there is a single correct explanation.

The following two articles address the economic role played by the Internet, the fastest growing repository of information in history. Dan Tapscott conjectures on ways in which the Internet affects the buying habits of consumers, and transactions between firms from which they purchase goods and services.

The unit concludes with an article about the amazing speed of acceptance and usage of the Internet and its impact worldwide. J. Bradford DeLong compares the Internet with other technologies that have impacted our culture and society.

