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- 1. Counter-Terrorism: The Private Cost of More Security**, Peter Navarro, *Los Angeles Times*, September 8, 2002
Peter Navarro argues that the greater danger that **terrorism** poses to America may be purely economic. The danger lies in a severe **productivity shock** that could lead to a gross domestic product that will be trillions of dollars below what it otherwise would be. **2**
- 2. After \$75,000, Money Can't Buy Day-to-Day Happiness**, Jenifer Goodwin, *Bloomberg Businessweek*, September 7, 2010
A recent study shows that emotional happiness increases along with annual household incomes up to about \$75,000. However, earning more than that has no effect on day-to-day happiness. Although social scientists and psychologists have long grappled with how to measure happiness, the findings are consistent with a lot of other studies. On the other hand, as income drops the happiness declines and sadness and stress increase. **4**
- 3. More, Bigger, Faster**, Amar Bhidé, *Across the Board*, September/October 2004
Economist Joseph Schumpeter once insisted that the process of creative destruction—through which old industries are continuously being replaced by new ones—was an essential fact about capitalism. In this article Amar Bhidé demonstrates how capitalism will thrive as long as we can create new wants and new products to meet them. **6**



UNIT 2 Microeconomics

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- 4. College Tuition High, but Cost of Not Going Is Higher**, Elizabeth Fuller, *The Christian Science Monitor*, September, 2010
Although college tuition is skyrocketing, having a college degree still pays off. During a recession, college graduates not only make more money than a high school graduate who hasn't attended college, they're more likely to be employed. But one has to weigh the cost of student loans and find ways to effectively pay them off. **12**
- 5. America's Greatest Health Threat: Obesity**, Catherine Arnst, *Bloomberg Businessweek*, November 17, 2009
Obesity has become a national epidemic. One in four Americans is considered obese and the number keeps rising. According to health care experts, if the issue of obesity is not addressed properly, preventable chronic illness will escalate medical costs substantially. The rising rate of the uninsured will become a big impediment for any policy success. **13**

6. **The Real Price of Gas**, *International Center for Technology Assessment*, November 1998
The retail price Americans pay for gasoline has risen steadily in recent years. Adding in the many **external costs** that consumers pay indirectly by way of increased taxes, insurance costs, and retail prices in other sectors, this study estimates the **real per gallon price to be more than \$15**. 14
7. **The Coast Is Not Clear**, Peter Coy, *Bloomberg Businessweek*, August 2010
Long-term threats persisted even before the BP oil spill. Overfishing, loss of wetlands, and the impact of global climate change already wreaked havoc on the Gulf ecosystem. The BP oil spill added fuel to the fire. The cleanup efforts came at an enormous cost and how to minimize the effects of chemical dispersants of the food chain remains to be seen. 16
8. **America's Green Innovation Problem**, Rob Atkinson and Devon Swezey, *Bloomberg Businessweek*, March 2010
Although clean technology has grown considerably in the United States over the last decade, it came with a cost. Between 2000 and now, large U.S. multinationals such as GM, Dow Chemical, Intel, etc. have constructed high-tech research labs in China. The U.S. government should find ways to facilitate the development of clean energy clusters within the United States and become pioneers rather than rely on energy sources invented and produced abroad. 18



UNIT 3

The Economics of Work and Income

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9. **The Long Term Economic Effects of the BP Oil Spill**, Jkhalal Assar, *Economic Times*, June 18, 2010
The author shows the financial responsibility of BP and breaks it down for the reader. This disaster is compared with similar disasters in the past. Also, how it affects BP shareholders, the fishing community, the seafood industry, and tourism in general has been shown. 22
10. **Outsized Offshore Outsourcing**, John Miller, *Dollars & Sense*, September/October 2007
“Offshore outsourcing” (the shipping of jobs overseas to take advantage of low wages) has led some economists and businessmen to question the value of “free trade.” John Miller maintains that there is no guarantee that unfettered international trade will leave participants better off in the long run. 24
11. **The New Suburban Poverty**, Eyal Press, *The Nation*, April 23, 2007
A study by the Brookings Institution shows that from Las Vegas to Boise to Houston, suburban poverty has been growing in recent years. For the first time ever, more poor Americans live in the suburbs than in all U.S. cities combined. 30
12. **Broke in the Burbs**, Amy Keller, *Florida Trend Magazine*, March 1, 2010
A study by the Brookings Institution shows that in 2008, Lakeland had the fifth-highest suburban poverty rate in the nation which mirrors a national trend. Study suggests that suburban American poverty will require a comprehensive plan where policymakers and social service providers collaborate to effectively address the needs of suburban poor. 34
13. **Gender Pay and Leadership Gaps Are Real—and Impact Our Economy**, Ilene H. Lang, *The Hill*, September 30, 2010
The author observes that despite the recent gains in the equality of women pay, women still face workplace challenges. A lot of 4,100 women and men with international MBA degrees from Europe, Asia, Canada, and the United States were interviewed. The study shows that the earnings gap between men and women still looms at 23 percent. Only 3 percent of the Fortune 500 companies have woman CEOs while 14 percent are board members. 35

- 14. Are Young Women Earning More Than Their Boyfriends?: Yes, but Only Because They're Better Educated**, Heather Boushey, *Slate*, September 7, 2010
Is this true? One needs to be cautious of how we interpret women's success. Typically, gender pay gap is a good yardstick of workplace fairness. We ask whether equally skilled men and women with similar jobs receive the same pay. Further, do women with similar credentials, with similar jobs, earn as much pay as their male counterpart? The answer still remains no. However, young women are earning more than men because they are acquiring more skills. 37
- 15. Finance: Getting Women from Micro to Mezzo**, Ritu Sharma, *Bloomberg BusinessWeek*, May 4, 2010
This article deals with the alleviation of global poverty using microfinance. There are more than a billion people living on a dollar a day or less, especially women. To ease poverty among women, Women Thrive Worldwide and other organizations are fostering training, and access to seeds, low level technology, and water. In addition, they are aiding women in opening small produce shops, and investing in cooperatives via agricultural assistance programs. 39
- 16. Outsourcing Jobs: The Myths and Realities**, Martin N. Baily and Diana Farrell, *Milken Institute Review*, Fourth Quarter 2004
The authors maintain that the debate over outsourcing is misplaced because the issue is not globalization, but instead the way nations allocate the benefits of economic integration. They suggest various ways in which public policy can help disadvantaged workers. 41



UNIT 4 Macroeconomics

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- 17. Misplaced Incentives Were the Rot at the Core of the Financial Crisis**, Peter Cohan, *Daily Finance, An AOL Money & Finance Site*, September 27, 2010
The financial meltdown was caused mainly by the inability of the credit rating agencies to evaluate Mortgage Backed Securities (MBS). A few big banks hired other firms to monitor MBS and share the findings with credit rating agencies but the sharing never occurred. The rating agencies were primarily interested in making quick money and ended up rating most MBS as AAA. 46
- 18. The "Inflation" in Inflation Targeting**, Richard Dennis, *FRBSF Economic Letter*, June 2010
The Fed conducts monetary policy using an inflation targeting framework, where some measure of inflation is chosen as the target. One approach would be to use an index of goods and services whose market prices are not subject to frequent changes. That could be an index based on the personal consumption expenditures of services and durable goods but distinct from the U.S. core personal consumption expenditures price index. 47
- 19. Fixing the Tax System**, William G. Gale, *Opportunity 08: Independent Ideas for America's Next President*, February 28, 2007
A good tax system raises the revenues needed to finance government spending in a manner that is as simple, stable, and conducive to economic growth as possible. William Gale examines the challenges for the next President to make reform work. 51
- 20. The Changing Landscape of Community Banking**, Gary S. Corner, *Review (Federal Reserve Bank of St. Louis)*, Fall 2010
The industry trend of consolidation in the banking industry for the last 30 years has reduced the number of community banks despite continued demand for the products and services they offer. Advances in technology, innovations, regulatory costs, and standardized loan products have hurt their market share and profitability. 56

- 21. How Does Monetary Policy Affect the U.S. Economy?**, FRBSF *Economic Letter*, January 30, 2004
This article discusses how Federal Reserve policy actions affect real interest rates, which in turn affect aggregate demand, and ultimately output, employment, and inflation. **59**
- 22. Inflation: The Great New Divide**, Peter Coy, *Bloomberg Businessweek*, August 2010
In the last five decades, the United States always pulled the global economy out of recession, now the tides have turned, emerging market nations are helping the United States. Inflation is soaring in emerging markets due to rapid expansion and generating asset-price bubbles partly stoked by capital flow from developed nations. Near-deflation still persists in developed nations. This divergence between inflation and near-deflation can be a potential threat to the global expansion. **62**
- 23. A Quiet Revolution in Money**, Robert J. Samuelson, *The Washington Post*, June 21, 2007
The long-predicted “cashless society” has nearly arrived; currency, coins, and checks are receding as ways of doing everyday business. Robert J. Samuelson investigates various aspects of this trend. **63**
- 24. Interest Rates: The Zero Percent Solution**, Mark Gilbert, *Bloomberg Businessweek*, September 2010
Maintaining rates low for an extended period of time comes at a cost. Keeping rates too low for too long damages the recovery by “raising asset prices and incentivizing investment in riskier assets,” according to Raghuram Rajan. Moreover, savers on fixed income are earning near-zero returns. However, the U.S. economic performance continues to be anemic and raising rates at this time will be a terrible mistake which will once again dislocate any chances of recovery. **65**
- 25. Countdown to a Meltdown**, James Fallows, *The Atlantic*, July/August 2005
James Fallows *imagines what the U.S. economy might look like in 2016*. He creates a scenario to pinpoint the challenges the country must deal with now to meet the future. **67**
- 26. Greed Is Not Good**, Robert Skidelsky, *Boston Globe*, October 26, 2003
In his review of Joseph Stiglitz’s “The Roaring Nineties,” Robert Skidelsky examines Stiglitz’s interpretation of the forces driving the American economy to frenzy in the 1990s and to collapse in 2000. **78**
- 27. CRE: The Cracked Glass Slipper?**, Ronald A. Wirtz, *Fedgazette*, January 2010
Commercial banks and savings institutions hold about 56 percent of the \$2.5 trillion commercial real estate (CRE) debt nationwide. Without doubt, due to this huge exposure, the banking sector will experience—and is already seeing—fallout from the CRE slump. As delinquency rates for all types of CRE loans are rising the health of banks is deteriorating. **80**
- 28. Why Are Taxes So Complicated and What Can We Do about It?**, William G. Gale, *Brookings Review*, Winter 1999
As virtually everyone agrees that taxes should be easy to understand, administer, and enforce, why are taxes so complicated? The author suggests 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. **83**



UNIT 5

The Changing Global Economy

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- 29. What Should Central Banks Do?**, Frederic S. Mishkin, *Review* (Federal Reserve Bank of St. Louis), November/December 2000
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 to achieve their objectives. **88**

The concepts in bold italics are developed in the article. For further expansion, please refer to the Topic Guide.

30. **Toward a Cashless Society**, David R. Warwick, *The Futurist*, July/August 2004
 Until recently, it appeared that America was headed toward the use of a **completely electronic payment system**. David Warwick argues that the **benefits that might result from ending the use of cash** could include major reductions in taxes, vastly improved public services, and the total eradication of many of the most serious and violent crimes. 98
31. **Myths of Globalization**, Ralph Peters, *USA Today Newspaper*, May 23, 2005
 In this article, Ralph Peters goes back in history to dispel myths about globalization's effects on the world. 102
32. **The Effect of Immigrants on U.S. Employment and Productivity**, Giovanni Peri, FRBSF, August 30, 2010
 There is no consensus among economists regarding whether immigrants decrease the number of job opportunities available to U.S.-born workers or fill essential jobs that are shunned by other workers. Results show that immigrants expand the economy's productive capacity and promote specialization. This produces efficiency gains and boosts income per worker. 104
33. **Consumer Trends in Three Different "Worlds,"** Andy Hines, *The Futurist*, July/August 2008
 What are the top 20 trends affecting consumer life around the world? In this article, Andy Hines, a business-trend watcher and a professional futurist, looks at the major developments in demography, money, and consumerism that will shape the world in the next decade. 108
34. **I'm Not a Goldbug: Gold's Evangelist**, Jason Kelly, *Bloomberg Businessweek*, September 2010.
 This article talks about the life of gold guru Thomas Kaplan, the chairman of Manhattan-based Tigris Financial Group. Kaplan acknowledges the paradox of investing in an industry which is detrimental to the environment while promoting conservation and ecological balance. He talks as an investor about the importance of gold. 112
35. **Eliminating Child Labor**, Miriam Wasserman, *Regional Review*, Second Quarter 2000
 Much of the developing world continues to rely on child labor. Miriam Wasserman asks: Can we learn from the U.S. experience about what is required for its elimination? 115
36. **Is the Recent Productivity Boom Over?**, Daniel J Wilson, *FRBSF Economic Letter*, September 2010
 Over the past 2 ½ years productivity has been fairly strong. Many analysts believe that productivity growth must slow to facilitate labor market recovery. It is very unlikely as recession typically means less people employed and more work for the ones that are already employed. 121
37. **Not All Bubbles Present a Risk to the Economy**, Frederic Mishkin, *The Financial Times Limited*, November 2009
 A tight monetary policy during "a credit boom bubble," in which exuberant expectations about economic prospects or structural changes in financial markets lead to a credit boom, is very dangerous. However, a "pure irrational exuberance bubble" is benign in nature and use of tight monetary policy is unreasonable. 125
38. **Finance Chiefs Warn Currency 'War' Is Risk to Growth**, Flavia Krause-Jackson and Ye Xie, *Bloomberg Businessweek*, October 9, 2010
 The weakening of currency to bolster trade and growth might backfire, according to some experts, and might initiate protectionism and trade imbalances. Exchange-rate volatility coupled with mismanagement of currencies can take a toll on the global growth. 127
39. **Update on the State of the Future**, Jerome C. Glenn and Theodore J. Gordon, *The Futurist*, January/February 2006
 The authors assert that global prospects for improving the overall health, wealth, and sustainability of humanity are increasing, but slowly. In the years ahead, **globalization** will present humanity with **both challenges and opportunities**, as increased connectivity highlights the strengths and shortcomings of a global community. 129

The concepts in bold italics are developed in the article. For further expansion, please refer to the Topic Guide.

<p>40. Asymmetric Globalization: Global Markets Require Good Global Politics, Nancy Birdsall, <i>Brookings Review</i>, Spring 2003 In the global game, economic power matters. In the last two decades, most developing countries took steps to open and liberalize their markets. Nancy Birdsall asks: What are the implications of market-led globalization for the world's poor nations?</p>	133
<p>41. Puzzling Over Globalisation, Chris Rowlands, <i>Works Management</i>, September 2005 Chris Rowlands discusses how manufacturers and developing nations have benefitted from globalization.</p>	138
<p>42. Half a Tank: The Impending Arrival of Peak Oil, Mark Floegel, <i>Multinational Monitor</i>, January/February 2007 Since it is a non-renewable and limited resource, world-wide supplies of oil are certain to reach their peak some day. But when? Some evidence suggests that, particularly since demand is constantly increasing, the day of peak oil may soon arrive, if it hasn't already.</p>	140
<p>43. Do Global Attitudes and Behaviors Support Sustainable Development?, Anthony A. Leiserowitz, Robert W. Kates, and Thomas M. Parris, <i>Environment</i>, November 2005 Many advocates of sustainable development recognize that a transition to global sustainability—meeting human needs and reducing hunger and poverty while maintaining the life-support systems of the planet—will require changes in human values, attitudes, and behaviors. This article reports on what is currently known about such attitudes and behaviors .</p>	143
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