

UNIVERSITY OF APPLIED SCIENCES  
RAPPERSWIL

THE UNDERCOVER ECONOMIST, BY TIM HARFORD

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**Book & Chapter Summary**

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# Contents

<b>1</b>	<b>Introduction &amp; Chapter One</b>	<b>3</b>
<b>2</b>	<b>Chapter Two</b>	<b>4</b>
<b>3</b>	<b>Chapter Three</b>	<b>5</b>
<b>4</b>	<b>Chapter Four</b>	<b>6</b>
<b>5</b>	<b>Chapter Five</b>	<b>7</b>
<b>6</b>	<b>Chapter Six &amp; Seven</b>	<b>8</b>
<b>7</b>	<b>Chapter Eight</b>	<b>9</b>
<b>8</b>	<b>Chapter Nine</b>	<b>10</b>
<b>9</b>	<b>Chapter Ten</b>	<b>11</b>

# 1 Introduction & Chapter One

- 1) What does the story of the Soviet official tell us about the free market? (p.2 / p.2)
- 2) How do you explain the high price of coffee at railway stations? (p.7-8 / p.7-8)
- 3) What is the core message of Ricardo's model of economics? (p.9-10 / p.9-10)
- 4) Explain the concept of the "Green Belt"? (p. 19)

## 2 Chapter Two

- 1) What is the real reason for the large range of products at coffee shops? (p.40 / p.34-35)
- 2) What was unfair about Café Costa's fair trade coffee? (p.37-38 / p.33)
- 3) What strategies are used by companies to target customers? (p. 40-45 / p.36 -40)
- 4) What is the "invisible cappuccino"?

# 3 Chapter Three

- 1) Why is there “truth” in prices in the free market? (p. 70-71 / p.62)
- 2) What are “marginal costs”? (p.72 / p.63-64)
- 3) What two elements (to firms and to customers) do prices represent? (p.76 / p.67)
- 4) Which problem of taxation does Tim Harford describe? ( p.78-81 / p.68-72)
- 5) What is the “head start theorem”?

## 4 Chapter Four

- 1) What are the three main reasons for the fact that the free market does not always work? (p. 90-91 / p.80)
- 2) What is Tim Harford's main objection to the current car taxation? (p. 93-94 / p. 82-83)
- 3) What are externalities and what is an externality charge? (p. 90-95 / p. 80-85 )
- 4) How did the City of London solve the disastrous traffic situation in the inner city? (p.109 – 110 /p. 98)

## 5 Chapter Five

- 1) Why is it difficult to buy a good second-hand car? (p.124-125 / p.112-113)
- 2) What are the effects of asymmetric information on the free market? (p.127-128 / p.115-116)
- 3) What are the three factors that prevent the market from working perfectly? (p.155 / p.138)

## **6 Chapter Six & Seven**

Kapitel 6 + 7 werden nicht getestet



## 7 Chapter Eight

- 1) Why do certain poor countries e.g. Cameroon stay poor? (p.215&229 / p.188&200)
- 2) Where is economic wealth said to come from? (p.208 / p. 182 )
- 3) Explain the theory of “diminishing and increasing returns” and the “big push” theory?(p.209 – 211 / p.182-184)

## 8 Chapter Nine

- 1) What is the effect of trade barriers? (p.238-241 / p. 209 -211)
- 2) What are the five most prominent features of globalisation? (p. 244 / p.214)
- 3) Harford argues that increased globalisation does not cause increased pollution. What reasons does he give? (p. 247-248 /p.217-219)
- 4) What does the development of South Korea illustrate (p.257-258 / p. 226)

## 9 Chapter Ten

- 1) What characterised Mao's economic policy? (p.268-270 /p. 235-237)
- 2) In what ways did Deng Xiaoping change industrial and agricultural policies? (p.271 - 277 / p.238-245)
- 3) How does Harford explain the extreme economic growth in China? (p.279 -282 / p.245-247)
- 4) What are the 3 main benefits China gained from opening its economy to the world? (p.283 / p. 248)
- 5) How does Harford justify the terrible conditions in sweatshops in China and other Asian countries? (p.256-257 & 288 -289 / p. 224-225 & 253-255)