

## Welcome!

Dear All

The term is in full swing and you must all be very busy preparing for the mid-term tests. Level 3 students must be very relieved to submit the first draft of their dissertation earlier this week. Please note that the deadline for final submission of dissertation has now been extended to 24 March, which will give you some additional time for your tests. Academic tutors will be in place until the end of the term.

Economics and Finance society held their first public lecture on 28 February. Dr. Ralph de Haas of the European Bank for Reconstruction and Development delivered the first public lecture on **"Running for the Exit: International Banks and Crisis Transmission"**. I would like to thank you all for attending the event.

Please note that our next event 'Life after Brunel: How to Make Use of My Degree' will be held on Monday 28 February 2-5 pm LC-004/006. Further particulars of the event are given below. Please could you e-mail [norma.bowes@brunel.ac.uk](mailto:norma.bowes@brunel.ac.uk) if you would like to attend the event.

Also note that the deadline for UG/PG essay competition on 'How does the financial crisis 2007-2010 affect the economy? What are the likely remedies?' has now been extended to 28 February 2011. UG students need to submit the essay to the UG admin office and PG students to Linda Birch. If you have any query, please don't hesitate to ask me.

I would also like to remind you of the dissertation presentation workshop to be held on Wednesday 23 March 2-6 pm in GB239. Could I request all level 3 students willing to present their dissertation to submit a proposal to me latest by 15 March. The proposal needs to include a title and an abstract with name and e-mail address of the student clearly written. We would select about 15

proposals to be presented on the day. The event will be open to all UG and PG students. Clearly this would be very useful experience for the presenters as they can put it on their cv, while this will generate ideas for level 2 and PG students who are about to start their dissertations.

Hope this term is going well for you; if you have any concern, please do not hesitate to let me know so that I can address it soon. You can also contact your student representatives so that they can discuss your concerns in the Staff-Student Liaison Meeting scheduled for 2nd and 16th March; the second meeting is intended to give our responses to student concerns.

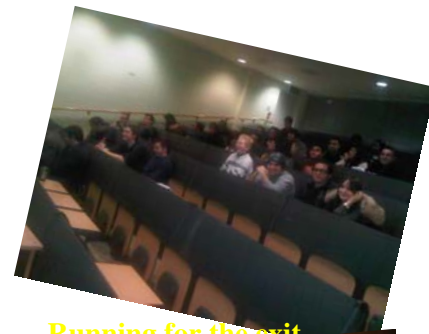
Last but not the least, have you (level 3 students only) participated in the online National Students Survey (NSS)?

If you have not already done so, could you please spare five minutes NOW to participate in the survey, which will facilitate Brunel's profile to be shared by all of us for being party to it. Thank you.

Best wishes,

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**This issue has been prepared with the help of Shivani Patel, level 2.**



Running for the exit event!



### Inside this issue:

Awards	2
Did You Know?	2
NSS is Here!	3
Jan's Column	4
Next Event!	6

# Economics and Finance Newsletter

## Brunel University wins the National Placement and Internship Awards

Brunel University has won yet another accolade at the National Placement and Internship Awards, sponsored by [ratemyplacement.co.uk](http://ratemyplacement.co.uk). The Placement and Careers Centre (PCC) picked up the award for 'University with a Forward Thinking Attitude to Work-Based Learning' for their exceptional support for students seeking work placements, part-time work and careers advice. This is the second award the PCC has won at the annual awards show, with the team also picking up the 'Best Placement Service' award in 2010. The PCC works incredibly hard to ensure that Brunel students have access to the best possible placement and career opportunities and has introduced a number of new initiatives in the last few years, including a bursary scheme for students on non-paying placements, student job-shares,

and even a smartphone app to put part-time and graduate job adverts at students' fingertips. Announcing the award, co-founder of Rate My Placement Oliver Sidwell said: "Brunel University's contemporary approach to work-based learning was described by the judges as 'amazing'. They go miles beyond the call of duty and offer an integrated service providing a one-stop shop for all students. Their extensive use of social media also demonstrates a real understanding of the student audience."

Michelle Kavan, Deputy Director (Placement), added: "Within PCC we continually strive to change, improve and innovate and I think that this award highlights this. We are also proud that our Placement Assistant, Mo Rahman, won a special commendation in the 'University Personality of the

year' category for showing outstanding support to students and employers." This award celebrates the initiatives and innovations carried out by UK universities and departments in promoting the value of work based learning to students and employers. Nominations for the award were open both to students and employers, as well as entries from the universities themselves. Winning universities are selected by the judging panel based on the case studies submitted.

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### **Did You Know?**

We hold regular staff seminars in Economics and Finance the details of which are found from:

<http://www.brunel.ac.uk/about/acad/sss/depts/economics/intseminars>

Economics and Finance Newsletters are directly available from the Brunel Economics and Finance Home page:

<http://www.brunel.ac.uk/about/acad/sss/depts/economics>

You can also get the newsletter from the Economics and Finance Society U-link page

Nominations are open for the Economics and Finance Society forthcoming election for the positions of President, Vice-President, Secretary,

Treasurer, Events Organiser, Liaison Officer and Web Officer. In order to take part in the election, you need to be a paid member of the society by Monday 14 February—so please hurry up.

If you are interested in any of these positions, please could you e-mail [economics.finance.society@gmail.com](mailto:economics.finance.society@gmail.com) to express your interest.

The CIMA business game based upon the a case study in the final CIMA exam will be held in the first week of March. The game is open to everyone; if interested, could you please register your interests at [economics.finance.society@gmail.com](mailto:economics.finance.society@gmail.com).

## NSS IS HERE!

### *What is NSS?*

This is a *National* survey of students' university experience

The NSS starts at Brunel on Monday 17 January 2011

Open to all final year undergraduates

Go to the Brunel homepage and click on NSS,

or go to [www.thestudentsurvey.com](http://www.thestudentsurvey.com) and log on (you just need *date of birth, name of institution, student id, 1 letter from first name and 4 letters from surname*).

Last year 65% of students took part – we want to go higher this year!!

### *Things to think about beforehand*

Reflect on your time at Brunel

What were the positives? Overall, was it OK?

Teaching

Learning resources

Assessment and Feedback

Academic support

Personal development

Organisation and management

### *What does the survey ask me?*

The core NSS has 22 statements related to your university experience; for each statement you choose one of 5 options to indicate how much you agree/disagree with the statement

Example NSS statement: 'Overall, I am Satisfied with the quality of the course'

The NSS takes around 5 minutes to complete

### *How is the 5-point scale interpreted?*

The midpoint is '*Neutral*' or '*No opinion*' – it represents neither agreement nor disagreement!

If, on balance, you agree with the statement – i.e. you feel it is '*OK, but could be better*', mark the box to the left of the midpoint.

If, on balance, you do not agree with the statement and feel your experience was '*poor, but could be worse*', mark the box to the right of the midpoint.

If you *clearly agree (or disagree)* then mark the box on the far left (far right).

# Will the UK Ever Move to the Right?

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*(Despite the title, this article is not about politics. Read on to find out more.)*

Ever wondered why your computer runs on Windows operating system and why the keys on your keyboard are arranged the way they are? Why some mobile phones don't work when you try to use it in the US or Japan? Why cars drive on the right in some countries and on the left in others?

These are all examples of standards. Often, there are several alternative standards and some users or countries choose one while others may choose a different one. Sometimes, multiple standards may be used in parallel to one another. For instance, you can use Windows on one computer and Linux on another. With other standards, you may not have much of a choice: it's very much in your interest to stick to the same side of the road as other road users when driving, even if you prefer to drive on the other side.

Sometimes, standards are chosen for a good reason but often their origins are unclear and probably arbitrary. For instance, it is said that the Japanese convention of keeping to the left side of the road was originally adopted so that two samurai could pass each other without their swords – worn on their left side – clashing. In North America, wagon drivers preferred to keep to the right as the driver would usually sit on one of the last two horses (if the wagon was pulled by multiple pairs of horses). Since most drivers were right handed, they preferred to sit on the left-hand-side horse which allowed them to control the horses with the whip held in the right hand. Being seated like this, they preferred to keep to the right when passing wagons going in the opposite direction so that they could make sure that the two wagons did not collide. In England, instead, horse-driven wagons and carriages had a driver's seat and therefore keeping to either side of the road offered no particular advantage.

Once adopted, standards are often maintained even if subsequent progress makes them obsolete or inefficient. A particularly poignant example of this is the ubiquitous QWERTY keyboard, as discussed in a well-known article by Paul David (*American Economic Review*, 1985). A common problem with early typewriters was that pressing two keys in close succession resulted in the keys jamming. Therefore, the keyboard layout, which originally had the keys arranged alphabetically, was modified to make this less likely. In other words, the keys were rearranged to slow the speed of typing. Subsequent typewriter designs made jamming of keys less of an issue (part of the problem with the early designs was that the paper was placed into the typewriter face down so that the typists could not actually see what they were typing and did not necessarily notice when the keys jammed), but the QWERTY layout stuck. This was despite the fact that an alternative design, the Dvorak keyboard, was later proposed, which is said to be easier to learn to use and allows typists to reach faster speeds: the world's fastest typist ever, Barbara Blackburn, for example, used to use the Dvorak keyboard.

The continued prominence of QWERTY keyboards over potentially better designed alternatives appears perplexing at first sight, even if we discount the claims of Dvorak keyboard's superiority (a subsequent article by Stan Liebowitz and Stephen Margolis, *Journal of Law and Economics*, 1990, argues that neither keyboard design offers a significant advantage over the other). The reason for persistence of inefficient standards is a combination of sunk costs and network externalities. Originally, much of the sunk costs was in the value of QWERTY typewriters that firms and individuals owned which would become worthless if everyone switched to the Dvorak keyboard. These days, keyboard layout can be changed very easily on any computer: Windows, for instance, comes with Dvorak keyboard as one of the available alternatives. However, switching is still costly – anyone used to QWERTY will experience a sharp though (hopefully) temporary fall in productivity after switching to the Dvorak keyboard. Network externalities present an additional barrier: if most computers use QWERTY while you are used to Dvorak, you will struggle whenever you use someone else's machine. The same argument also explains why many of us hate Windows and Office applications yet we continue using them.

Standards are thus path dependent: an initial choice of a standard tends to be persistent and makes subsequent changes or upgrades more difficult. This, for example, is one (though not necessarily the only) reason why Britain, once the first country to introduce a railway network, is stuck with some of the slowest trains in the developed world.

This brings me, finally, to the question posed in the title. These days, most countries drive on the right. As a result, UK drivers are more likely have accidents abroad or be involved in accidents caused by foreign drivers in the UK. It is also more difficult to move to another country in Europe if you own a car made for driving on the left – you may have to sell the car or make costly modification (replacing the headlights and mirrors). Moreover, car manufacturers are in a better position to charge higher prices in the UK market because UK consumers cannot easily import cars from abroad, while prices in the second hand market should be lower given that the option of exporting used cars abroad is limited. Hence, switching to driving on the right would bring a stream of small yet probably significant gains to UK residents and foreign ones alike. However, doing so would imply high one-off switching costs. Those costs would arise because of the need to replace road signs, rebuild intersections and roundabouts, refit buses with doors on the other side, as well as because most of the existing car stock would drop in value dramatically overnight. There would also be important non-pecuniary costs due to

## Will the UK Ever Move to the Right?

### **Continued...**

-creased frequency of accidents immediately after the change. Crucially, these costs would be borne by UK residents only, unlike the gains.

While there are probably no reliable estimates of switching costs for the UK, the Japanese government is said to have spent \$150 million in 1978 to switch back to driving on the left in Okinawa (a Japanese island which was controlled by the US government between 1945 and 1978). This would be equivalent to \$0.5 billion in today's prices (the population of Okinawa is 1.4 million at present) and the costs would be probably several times higher today because more people own cars and cars and buses tend to be more complex now than in 1978.

Few countries ever switched from one side of the road to the other voluntarily. Contrary to what most Europeans probably believe, most if not all of Europe used to drive on the left. The legend has it that the French switched after the French Revolution, to symbolize the beginning of a new era (although others suggest that the French always used to drive on the right). Thereafter, Napoleon imposed driving on the right onto the countries that he conquered or otherwise controlled: Belgium, Netherlands, Germany, Italy, Spain, Poland and Russia. Austria was an especially peculiar case: during the interwar period, some provinces chose to switch to driving on the right while other, including Vienna, the capital, continued driving on the left. Czechoslovakia similarly contemplated the switch but never implemented because of popular opposition to it. The change eventually happened in Czechoslovakia – and was completed in Austria – only because of the German occupation: instead of listening to the popular sentiment, the invading Germans simply ordered everyone to drive on the right.

Sweden, which was not invaded by Germany, held a referendum on this issue in 1955: 83% favored to keep driving on the left while less than 16% voted for the switch. The Swedish case for change was especially compelling, as the country shares a long land border with Norway (with few border posts thus making it easy for drivers to cross the border without realizing that they have done so), a border with Finland and is near Denmark, all of which drove on the right. Moreover, most cars were said to have the steering wheel on the left even before the switch so they could be driven more comfortably on the right – yet the people still overwhelmingly voted against it. The Swedish government learned a lesson from this failure of popular democracy – and dully ordered the country to switch anyway in 1967, without asking the voters a second time.

So is there any hope that the UK will ever move to the right? Unlike Sweden, the UK as an island is more isolated and therefore the rationale for the change is less compelling. The public would be vehemently opposed to any change, not surprisingly so. The costs would be large and immediate while the gains would be small and would only accumulate over time: it is very well possible, that a social planner maximizing expected utility with an infinite horizon would conclude that the switch has a negative net present value. The governments are not social planners with infinite horizons. Instead, they want to get reelected some time during the next four years. It is well possible that any government that would contemplate going Swedish on this would be brought down before the change would be effected. Unless the French finally manage to invade, I see only one possible solution: a massive subsidy from the EU to alleviate the switching costs. This would address the fact that the rest of Europe would benefit from the UK switching too: think of all the Polish, German and French immigrants living and working in the UK and, most importantly, driving their cars here. Admittedly it is not very likely.

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Economics and Finance Society Presents:

## **Life After Brunel: How To Make Use of My Degree?**

**A Networking Event with  
Employers, Entrepreneurs  
and Brunel Alumni**

**Followed by a Raffle Draw  
(Top prize £25.00)**

**Please e-mail [norma.bowes@brunel.ac.uk](mailto:norma.bowes@brunel.ac.uk)  
if you would like to attend the event**

**Monday 28 February 2011**

**2-5pm**

**LC-004/006**

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