



## Afghanistan's Persistent Opium Problem

by Arian Mossanenzadeh

According to the newest report on Afghanistan's opium market by the United Nations Office on Drugs and Crime (UNODC), harvests are predicted to be starkly similar to last year's. Such findings pose serious concerns to international security. Since the 2001 US/NATO invasion, Afghanistan's supply of the world's illicit opium market has increased from approximately 40 percent to over 80 percent. Production has soared to over 90 percent. As roughly 75 percent of the profits are accumulated after the initial "farm-gate" sale, drug lords are profiting, and with such profits, an uncertain amount lands in the hands of terrorist organizations as well. The U.S. and Afghan governments have been aiming to reduce cultivation through crop eradication. Unfortunately since the implementation of this policy, cultivation has increased.

The economic costs that the U.S. and international community as a whole face are various. First, a more "successful" harvest, leads to greater production, which floods the international markets with illicit narcotics. Second, profit levels of drug lords increase, thereby empowering the agents that the U.S. is trying to undermine. Third, because the Afghan population as a whole lacks effective substitutes that are as profitable and as easy to grow as poppies, crop eradication is perceived by them to undermine their own well-being. This action thus increases dissent against U.S. foreign policy as a whole.

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# Education and Economic Mobility

by Candice Ro

Is the American Dream just that, a dream? Since as far back as the 16th century, the American Dream has persuaded individuals that America is the land of opportunity. Most Americans today believe that through hard work and determination alone, goals can be reached and success gained. For some, that hard work means education will lead to economic mobility.

Education has always been a pillar of success in America. Education is what determines an individual's job opportunities and level of income. The question is to what degree does education lead to success? Does rising education levels also mean increasing income gaps?

As it turns out, children with college degrees are more likely to surpass their parents' income in absolute terms and more likely to reach the top quintile. Only 5 percent of those born to parents in the bottom quintile without a college degree will make it to the top quintile, compared to 19 percent for those with a college degree.

However, regardless of college education, class plays an important role in upward mobility. 54 percent of college graduates with parents in the top quintile remain in the top of the income distribution, which is nearly triple the percentage for those born to parents in the bottom quintile who make it to the top quintile.

## Economics Honors Program

by Andrew Ashby

The Economics Department offers an Honors Program for students with a strong academic record and an interest in independent research. The program provides a great way for students to enrich their undergraduate education, and can also help those preparing for graduate studies in a wide range of disciplines such as Economics, Political Science, Law, or Business. The program consists of taking three specific courses as well as writing an Honors Thesis. Interested students must apply to the program in their junior year, and should contact an Economics Department adviser for an application.

### *Timeline and Course Details*

- Spring of junior year – Econ 396 (Economic Faculty members present and discuss their research, exposing students to potential thesis topics)
- Fall of senior year – Econ 496 (Prepares students in writing their thesis by developing research techniques and pursuing topics in breadth and depth)
- Winter of senior year – Econ 497 (Students are supervised by an Economics Faculty adviser while writing their theses - they may get an extension into the Spring quarter)

### *Admission Requirements*

- Acceptance into the economics major
- Minimum cumulative UW GPA of 3.3
- Minimum cumulative GPA of 3.5 in UW Economics courses
- Minimum grade of 3.5 in Econ 300

### *Program Requirements for Departmental Honors in Economics*

- Econ 300 and Econ 301 with a minimum grade of 3.5 in each course
- One Econometrics course (Econ 424, 481, 482, or 483)
- Econ 396, 496, and 497
- At the time of graduation, Honors Students must have a minimum UW GPA of 3.3 and a minimum GPA of 3.5 in all economics courses

# Sport Fishing and the Economy of Alaska

by Jeffery Ferris

Alaska is currently at an economic crossroads. As it stands now nearly 80% of the state's revenues are derived from petroleum related industries yet, considering the global concern about the long term sustainability of oil reserves, if revenues from the states petroleum industry decline, it should be expected that Alaska's total revenues will decline as well. Furthermore, of Alaska's three congressman two, Representative Don Young and Senator Ted Stevens, are under federal investigation for bribery and unethical behavior. This is economically significant because both of these congressmen are among the most influential members of congress and have thus parlayed their political clout into earmarking vast sums of federal funding for the residents of Alaska. Therefore, their potential departure represents a significant cut in the political significance of Alaska as well as Alaska's federal funding. Hence, a tremendous amount of economic research is currently being devoted towards identifying possible industries that could lessen the impact of the current economic uncertainty by assuming a larger share of the Alaskan State economy.

Among the industries currently being considered, the tourism sector seems a likely candidate for potential future growth. More specifically, in addition to oil, Alaska has some of the largest fish stocks in the entire world and millions of vacationers travel to Alaska each year to fish. However, these same fish stocks are also tremendously valuable to commercial fisherman, thus, state and federal regulators spend resources to divide a sustainable harvest amount between these two industries in an equitable and efficient manor.

Unfortunately, for several reasons, the state and federal governments consistently underestimate the value of marginal catch for sport fishermen, and thus set needlessly restrictive catch limits for most fish stocks, which limits the potential future value of the tourist sector. Firstly, the transparency of prices for the commercial fishing sector inherently makes estimating the marginal value of biological catch (fish) quite easy, (i.e. the going rate of Alaskan Halibut in the local grocery store provides a good indication of the value of the resource to the commercial fisherman). However, although it is generally accepted by most natural resource economists that the value of

marginal biological catch is higher for sport fisherman than it is for commercial fisherman, there is no index of prices that can reliably indicate the value of a fish to a sport fisherman, so additional resources must be spent estimating this value. In addition, since regulatory policy is set by elected officials, they are effected much more by popular sentiment than by they are by economic insight, therefore since, by in large, commercial fisherman have a much easier time colluding than sport fisherman do, law makers are more likely to set policy in a way that favors this more effectively organized group of voters and campaign contributors than the disorganized and heterogeneous group of sport fisherman.

Additional regulatory inefficiencies combine to severely dampen the potential future value of the Alaska's tourist economy. Perhaps the most sought after fish stock for sport fisherman in Alaska is the halibut. Current regulatory policy dictates that no more than two fish may be kept daily by each fisherman but does not dictate how many fish may be caught. However, halibut are ground feeding fish, so if a fisherman continues to fish after he has already caught his daily allowable catch, he will pull each fish around 200 ft off the bottom of the ocean and then toss it back; very few halibut can survive this sort of trauma and most fish die during the descent. Therefore, if regulators are to set the most efficient regulatory policy for sport fishermen, it must be able to target the halibut caught in addition to the halibut kept.

It is clear that if Alaska's tourist economy is to become a more significant contributor towards Alaska's economy, catch limits must be more efficiently designed and regulators must be able to more effectively and reliably estimate the value of the fish stock to both commercial fisherman and sport fisherman. Furthermore, elected officials must be able to look beyond the issues of voter sentiment and campaign funding and consider the more important issues of economic efficiency and stability; otherwise the long-term viability of Alaska's economy may be called into question.

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However, the state actors are left in a difficult position. Clearly, mechanisms must be put in place, which allow farmers to substitute their practice in different parts of the agricultural sector. But with the market forces intact and working, the results may be inadequate. Opium cultivation may decrease, but with such a decrease, price may soar, which gives individual farmers a greater incentive to cultivate amid the risk. As the number of cultivators decreases, while the price soars, drug lords, and thus the Taliban, which has connections with al-Qaeda may continue to profit. In such a case, the costs that the U.S. and Afghan government would possibly face could outweigh the benefits.

On that note, regarding security concerns, a policy that offers effective substitutes may be a worthwhile option to consider. While profits of specific groups may be difficult to calculate, it is clear that the Afghan people who cultivate opiates for a living are severely hurt by crop eradication. Both the U.S. and Afghan government would benefit from increased measures of economic integration of opium farmers. U.S. foreign policy is focused on increasing its own security, which as it stands now, requires undermining terrorism, and thus, suppressing the Taliban (because they support al-Qaeda). By providing sustainable means for the population outside of the poppy trade, popular support or at a minimum, acquiescence in Taliban control will decrease. For the Afghan government, popular support is necessary to increase stability. The government is young in a country, which historically has lacked a strong central power. Local strongholds have usually exerted their power. Stability requires addressing their concerns as well.

In order to reach a solution, the U.S. and other state actors must decide how to allocate the funds to stop this growing problem. Inherently, all problems entail an economic cost and it is up to these actors to determine how much of their fiscal budget they will be willing to allocate to this cause. Inarguably, terrorist threats pose a heavy economic threat internationally, and actors ought to consider new options, where one policy – crop eradication – has failed.

*For more information, check UNODC Afghanistan Country Office – <http://www.unodc.org/afg/index.html>*

## Education and Economic Mobility

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23 percent of children without a college degree with parents in the top quintile remain in the top of the income distribution, while a similar percentage, 19 percent, of those with a college degree born to parents in the bottom quintile reach to top of the income distribution. As much as Americans believe in merit-based success, where an individual's hardwork and dedication determines the level of success one will attain in life, evidence shows that an individual's effort and abilities does not allow the ability to choose their own destiny. Class plays a greater role in an individual's opportunities in life, where poverty reduces the opportunities of success.

There is also a strong correlation between education and income, however, it is not without complications. Education has only modest economic impacts on the average low-income child and reinforces the differences associated with family background. Not all public schools are equal in the education they offer. This can lead to unequal opportunities for students based on their geographic location and economic status. The degree of economic mobility will continue to be moderately affected by education as long as poor children are not properly addressed in preschool, K-12, and high school, and until more poor children complete college degrees.

*For more information, check Economic Mobility Project – [http://www.economicmobility.org/reports\\_and\\_research/mobility\\_in\\_america](http://www.economicmobility.org/reports_and_research/mobility_in_america)*

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