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China on a gridlocked road towards sustainable urbanization

Lynn Shi

From a kingdom of bicycles to a rising nation on wheels, China has been at the center of the world's attention since the end of the Cultural Revolution. China's three decades of growth has resulted in an accelerated urbanization process, including exacerbating urban pollution externalities. As the nation has slowly become suffocated in the hazardous smog, this once almost-forgotten matter is now awaiting an immediate solution.

Urbanization in China took place as migration from rural areas into cities increased rapidly. To accommodate the sudden shift in population, countless new housing and commercial office towers sprang up. At the same time, the Chinese government implemented favorable public policies including encouraging education, opening factories, creating jobs and maintaining the infrastructure. This effectively incentivized the younger generation to stay and help construct functional metropolises. China's rapid economic development has significantly reduced

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50+1: The Economics of the Bundesliga and German Fußball

Irena Chen

Love them or hate them, the Green Bay Packers have one trait that makes them stand out from the rest of the NFL. Their community ownership makes them the only team so far to be held by individual stockholder and fans, rather than having one or a few entities as owners. They may be an outlier in American sports, , but Germany's top tier professional soccer league, the Bundesliga, is not a stranger to this concept. The 50+1 rule in German soccer stipulates that 51% of the shares in a team must be held by individual club members. Essentially, private and corporate ownership can still invest in a team, but are unable to have full control of the organization. This does not necessarily ensure that clubs will not be mismanaged, but it does provide fans a say in their team's management, as well as discourage financial irresponsibility. Financial stability has become almost a given in the Bundesliga nowadays especially when compared to other European leagues. This year marks the ninth straight year that all teams in the league have collectively made a profit. Yet, fans can still enjoy low ticket prices in the Bundesliga. For example, a Bayern Munich season ticket can be bought for around €140, whereas the cheapest Manchester United season ticket for the 2014-2015 season is around €700. Fan ownership is one way the league is able to achieve this balance. Another is that player wages make up a significantly lower percentage of clubs' expenditures - 38% compared to about 67% in the English Premier League.

This leads to one of the limitations of the 50+1 rule. Keeping wage costs down curtails clubs' ability to spend on new signings. In England,

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Economics Advising Office's blog : http://uwecon.wordpress.com

Continued: China's urbanization

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the country's poverty rate: the Poverty and Inequality Database recorded an unbelievable drop from 84.02% in 1981 to 13.06% in 2008. The accumulation of wealth then gave rise to an increasing demand for private transportation. The days when the majority of people would ride bikes for work or recreation are long gone. Vehicles soon became a symbol of fashion and efficiency. The public positivity towards economic growth was overwhelming - who would not be fascinated by such a progressive nation after all?

However, lingering externalities gradually became apparent with this urbanization. Take Fine Particles (PM 2.5) as an example: PM 2.5 are an air pollutant which are small enough to penetrate deep into the lungs and enter the bloodstream. The World Health Organization (WHO)'s recommended level of PM 2.5 is 25 micrograms/cubic meter. It was reported in February 2014 that the PM 2.5 level in Beijing had been above 520 micrograms/cubic meter – more than 20 times the recommended level!

The potential effects of environmental pollution are currently spreading relentlessly into all aspects of daily life. If the current levels of smog were constant year-round, agricultural products would be affected, since smog blocks sunlight, and thus disrupts photosynthesis. Furthermore, spikes in cases of miscarriage and pregnancy loss have been discovered among the vast swathes of north and eastern China, where smog levels are highest.

China is currently facing a dilemma regarding urban pollution. The existing pollution externalities have had a negative impact on not only China but also neighboring regions including Japan, the Korean peninsula and other border-sharing countries. As China plays an increasingly significant role in the international community, the central government may feel obligated to build a positive and pioneering image to expand its impact in the world. As a result, there are plenty of possible incentives for the Chinese government to make an effort to address these issues.

Economic growth has always been the utmost priority of the Chinese government. However, would the risk of disrupting the current desired economic development to pursue building a more environmental-friendly nation be worth it in the long run? By utilizing information technology such as Weibo (a micro-blogging platform), the central government has been striving to make environmental testing information more transparent and accessible. However, it remains to be seen if true win-win solutions can be found and put into practice.

Thank You EUB Seniors!

As the academic year comes to a close, we want to thank the contributions of the seniors on the Economics Undergraduate Board (EUB). The continued support of the seniors in organizing and facilitating EUB events, while serving as the liaison between students and faculty has been appreciated. Senior experience, mentorship and guidance has helped increase the impacts of the EUB as a valued departmental resource. We wish the seniors the best in their future endeavors in graduate school and the workforce.

- Mourya Mamidala

Remember the Date!

Economics Department Graduation Celebration: *June 10th at 3:00 p.m., HUB Ballroom.*

University of Washington Commencement: *June 13th at 12:30 p.m..*

Case Study: Grade Inflation at the University of Washington

Nate Coleman

The issue of grade inflation was recently brought to national attention when it became public knowledge that the most common grade awarded at Harvard was an A, while the median grade given is an A-.

Why is this an issue? Grade inflation can reduce the effectiveness of grades as a signal of a student's capabilities. If everyone were to receive high marks, then there would be little way for a prospective graduate program or employer to determine whom, from a pool of applicants is actually the best choice for their program or position. Schools have tried many ways to combat this problem. About ten years ago, Princeton University took measures to battle grade inflation by imposing restrictions, such as capping the percentage of students that could be awarded an A at 35% of the class.

Grade inflation can be easily understood by applying what we know about price inflation. An example of this would be a standard honey crisp apple at Safeway: Today, the price of that apple is \$2.00, and for journalistic convenience, let's say the price of that apple tomorrow will be \$3.00. There is no reason to believe that the honey crisp apple will be any more delicious tomorrow, especially not 50% more delicious. Therefore, this increase in price must be due to inflation. The following example can further help us understand grade inflation. Suppose we have a college student in 1993. In his ECON 200 course, this student earns 80 out of the total points in the class (the apple). His professor assigns him at 2.7 (the "price"). Upset about his grade, the student travels in his time machine to 2014 and re-takes ECON 200, again receiving 80 out of a total 100 points. This time, however, his professor awards him a 3.1. This is what is meant by grade inflation – for the same amount of work our hypothetical student puts in, he's receives a higher grade in 2014 than he would in 1993.

This leads to one more important question: is grade inflation a problem in the Economics Department at the University of Washington? In order to investigate this, we can examine data obtained from the Registrar's Office, part of which contains a sample of grades awarded in economics courses since 1993. First, we examined the grades from ECON 200, as the grade received in the course can have a significant impact on one's college career. From 1993-2003, the average percentage of students receiving a grade of 3.8 or above was about 13.4%. In the last decade, from 2004-2014, 15.6% of grades awarded were a 3.8 or above. So, over time, the number of high grades awarded in ECON 200 has increased slightly, but it seems like grade inflation in ECON 200 is not a significant problem.

To further look for evidence of grade inflation, it is necessary to examine upper-division course grades as well. An example of this would be Advanced Microeconomics (ECON 400). Between 1993-2003, 22.3% of the grades awarded were a 3.8 or above, and between 2004-2014, that number dropped to 19.3%. So it was actually more common to see a high grade awarded between the years 1993-2003, than in the following decade. This finding does not point toward a pattern of grade inflation in our department.

Although these findings should not wholly convince you that grade inflation is not an issue in our department, it should reveal that our department is doing a good job of regulating grade distribution over time in key courses. The courses in the department are not homogenous, nor are they constant over time; instructors, materials, exams and even students evolve. So small changes in the grade distribution is expected, but as long as 90% of students don't start receiving 4.0's in ECON 200 and grade hyperinflation runs rampart, there is little reason to worry about the actual value of the grades being assigned.

The EUB would like to congratulate Josh Kim on being awarded the 2015 College of Arts and Sciences Dean's Medal (Social Sciences). Recipients of the Dean's Medal must be nominated by the department and show outstanding academic distinction and promise during their undergraduate time, as well as have excellent faculty recommendations. Josh has been a committed EUB member in organizing and facilitating department events and communications and we extend our heartfelt congratulations and best wishes to him in his future endeavors.

Continued: Bundesliga

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Manchester United outspent the rest of the league by far with a total incoming summer transfer fee receipt of €186 million. Similar big name clubs like Liverpool, Chelsea, Arsenal and Manchester City followed suit with incoming transfers totaling roughly €136 mil, €107 million, €101 million and €81 million respectively. In contrast, the 2014 summer transfer window in Germany had Bayern Munich bring in Mehmed Benatia for a "mere" €26 million. What might be more interesting is seeing how traditional mid-table clubs in the respective leagues fared with regards to summer transfers. Southampton, West Ham, Tottenham and Newcastle in the EPL all spent within the €30-40 mil range in incoming fees, while clubs like Mainz, Hoffenheim, Hannover and Hertha Berlin in Bundesliga all spent well under €20 million.

Still, quantity does not necessarily mean quality and perhaps one of the reasons German clubs are not so concerned with spending power is that many German stars choose to stay in the domestic league, rather than go abroad. 16 out of the 23 players on Germany's 2014 World Cup winning roster played in the Bundesliga, indicating that it is possible to enjoy high quality of play as well as low ticket prices.

Regardless, as popular as 50+1 is among German sports fans and league officials, there have been criticisms of this rule. Over the past several years, Martin Kind, the president of Hannover 96, has campaigned for a revision to be made that would allow a company or individual to take over ownership of a club if they had already been supporting the club for at least twenty years. This past December, he got what he wanted. In Summer 2015, TSG Hoffenheim is set to become the third club in the league that can skirt by the 50+1 rule. (Kind will have to wait until 2018 before he can take ownership of his own club). A similar argument against the 50+1 rule points to clubs like Manchester City and Chelsea, whose wealthy investors helped turn them into perennial league title competitors. In the Bundesliga, Bayern Munich has consistently remained the dominant club, but at times, the league seems to lack a truly competitive second or even third team to consistently challenge Bayern. Clubs like Borussia Dortmund have done well over the past couple of years, but have shown a sudden drop in quality in other seasons. Another fairly recent example would be that of Werder Bremen, a club that was also touted as a challenger to Bayern Munich in the late 1990s to early 2000s, but have since faded into battling other mid table teams. Just this past month, German newspaper Der Spiegel ran an opinion piece arguing for the abolishment of 50+1 altogether, after the latest amendment to the rule. The article notes that the "traditional clubs" in the league have struggled to keep pace with the changing landscape of the sport. "[These clubs] could also benefit from corporate money," the article argues, "and not just Leverkusen, Wolfsburg and Hoffenheim anymore."

Having any kind of fan majority ownership in sports is an extraordinary feature, so it is understandable why many Bundesliga fans, and even owners, are unenthusiastic about possibly doing away with it. After all, sports, like most things, cannot be quantified neatly in terms of profits, wages, transfer fees and ticket sales. The passion and atmosphere created by supporters are intangible qualities and the fear that these might be cheapened by outside corporate interests. The future of the 50+1 rule, then, might very well be tied to a larger question: Is sports just another area of business, or is it something more?

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