



# The Bohling Economist

## February, 2012

THE OFFICIAL JOURNAL OF THE BLOOMSBURG UNIVERSITY ECONOMICS CLUB

FEATURED IN THIS ISSUE

## New Semester, New Beginning

"The great affair, we always find, is to get money." *Adam Smith*

### Where We Left Off

Last semester, the BU Economics Club newsletter was in the capable hands of Dave Stanwick; he was monumental in not only getting the newsletter started, but also in making it the praiseworthy work it has become. He was adamant about directing it more in the direction of a "journal," and with this fresh semester quickly beginning, the new co-editors would like to take Dave's vision and make it a reality.

### From Newsletter to Journal

The new Journal retains some aspects of the original newsletter, while adding many new features and articles. There are articles on current political and economic issues written by Economics Club members, and a new section of "featured articles" written by students throughout the BU economics society. Furthermore, the transition from newsletter to journal has led to the renaming of the publication to "The Bohling

Economist," in honor of Dr. Peter Bohling, whose influence and effect on not only economics students, but the Bloomsburg community at large, is immeasurable.

### What this Means for You, the Reader

Up-to-date statistics, political and economic commentary, featured articles and research, and current announcements and events for the BU Economics Club are all a part of this new Journal. We hope that the new layout is easy to navigate, while the same look and feel continues to be professional.

### In This Issue

We encourage you to take a few minutes and see what this new Journal has to offer. To the right, the "Featured in this Issue" can help direct you to articles or information of interest, or you can simply traverse through what this new publication presents. Enjoy!

Jarrid & Antonio

### Economic Statistics & Indicators

A compilation of international, national, and state economic data ....Page 2

### International Top Story

*Emily Gavigan* writes on the issues arising in the Apple/Foxconn allegations.... Page 3

### National Top Story

The mortgage deal: what exactly is it? By *Jarrid Dekovitch*....Page 4

### State Top Story

*Jesus Diaz* breaks down the pros and cons of Marcellus Shale drilling ....Page 4

### International Politics

The Arab Spring and a few of its implications, by *Amro Elansari* ....Page 5

### National Politics

A brief analysis of Super-Pacs and what they are, written by *Antonio Campanelli* ....Page 6

### State Politics

*Antonio Campanelli* writes again, this time looking at Governor Corbett's proposed budget cuts ....Page 6

### Featured Article: Urban Development

(A Look into the Economics of Sprawl, Infrastructure, and Green Space), By *Ted J. Mahoney* ....Page 8

### Events & Announcements

Everything you need to know about what is going on in Economics Club, and beyond ....Page 11

KEY STATISTICS



**Unemployment Rate Falls to 8.3%**

According to the Bureau of Labor Statistics, the unemployment rate for January 2012 was 8.3%, a drop of 0.2% from the previous month.



**U.S. Trade Deficit Increases**

The trade deficit increased to \$48.8 billion in December 2011 from \$47.1 billion (revised) in November, as imports increased more than exports. (Census.gov)

COMMODITY STATISTICS

**\$106.01**

Price of oil per barrel, as of February 22, 2012 (Money.cnn.com)



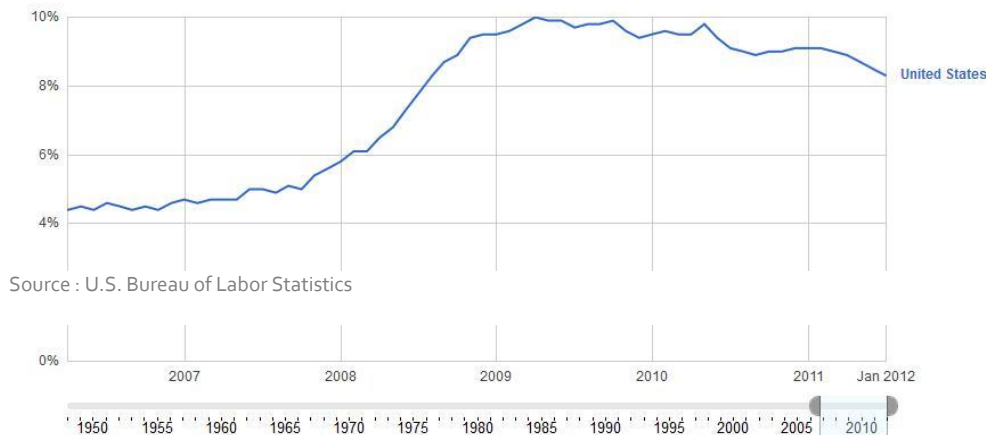
**\$1,758.50**

Price of gold per ounce, as of February 22, 2012 (Money.cnn.com)



**PA Job Growth:** In December 2011, the Bureau of Labor Statistics estimated that 6,500 new jobs were added in Pennsylvania. Still, since a peak in total employment in April 2008, PA is down approximately 126,200 jobs. (bls.gov)

Statistics and Economic Indicators



**U.S. GDP Growth Rate**

U.S. GDP increased at an annual rate of 2.8 percent in the fourth quarter of 2011 (Forbes)

**U.S. Inflation Rate**

The inflation rate decreased slightly to 2.93% in January 2012, compared to 2.96% in December (Inflationrate.com).

**U.S. Budget Deficit**

The president's budget plan predicts a deficit of \$1.3 trillion for 2012.

**U.S. Stock Market**

- **Dow Jones Industrial Average-** 12,966.22 (+6.8% Year-to-Date)
- **Nasdaq Composite Index-** 2,942.77 (+13.04% Year-to-Date)
- **S&P 500 Index-** 1,362.11 (+8.23% Year-to-Date)

**Pennsylvania Unemployment Rate**

The **PA unemployment rate** was 7.6% in December 2011, down from 7.9% in November (U.S. Bureau of Labor Statistics)

**Tuition rates**

- Public four-year colleges charge, on average, \$8,244 in tuition and fees for in-state students. (out-of-state \$12,526)
- Private nonprofit four-year colleges charge, on average, \$28,500 per year in tuition and fees.
- Public two-year colleges charge, on average, \$2,963 per year in tuition and fees.

The average student has \$29,572 in **student debt** upon 2011 graduation, up 6% from 2010. (Collegeboard.com)



WALT HANDELSMAN: MINE!!!

## International Top Story: iPhone/Foxconn Allegations

by Emily Gavigan

iPhones are the most popular gadget out in the world to have today. Everyone is going out and purchasing these small, but very powerful electronics. Apple has just recently reached a high stock price of 500 dollars per share for the first time ever. This increase has contributed to the fact that Apple's stocks have risen close to 600 percent only over the past three years. Both of these record highs are great for the reputation of Apple. However, with the good also comes the bad.

Just recently Apple's largest supplier, Foxconn, has become under investigation for atrocious working conditions. According to recent insight, the one million workers who are making our iPhones and iPads are treated as if they are machines. Workers have been forced to work long excessive hours with "military style" training. Workers already work one hundred seventy four hours a month and their company expects them to have eighty to one hundred hours of overtime, this is more than three times China's legal limit. However, it is almost

necessary for these workers to work overtime because they get as little as 200 dollars in US money a month. It is too hard for them to live on such little pay that they have little to no choice to take the overtime hours. Managers also frequently ask their employees to skip lunch breaks in order to train their new employees. When it is said



that the working conditions are like the "military," they mean exactly how it sounds. When something wrong occurs, a supervisor will ask a group of employees to stand still as soldiers for hours. Mistakes in work result in harsh punishments and some workers are forced to write confession letters to read out loud to everyone.

Apple has previously been under investigation for a series of suicides that

occurred with Foxconn workers. It has been reported that at least ten employees have committed suicide in the year 2010, including a nineteen year old worker. This has urged labor groups to go after the company for making their employees go through this. Clearly, the exhaustingly long hours of work and unfair treatment have gone too far.

With all of this going on, Apple has asked the Fair Labor Association (FLA) to step in and audit a lot of their suppliers, but mainly Foxconn. The FLA will be conducting interviews amongst thousands of employees and inspect the manufacturing areas and look to see what really takes place. However, even though these audits are going on, workers are still stating that the factory has not improved their working conditions. Foxconn has just recently doubled the pay of the workers to show that they "care" about them. Foxconn doesn't need to just raise the pay of their workers; they need to completely turn around their company towards a more positive working environment. The FLA is going to continue its investigations at Foxconn in hope of getting rid of these awful working conditions and moving forward with a better reputation for Apple. Keep an eye out for new reports to see what really happens at Foxconn.

# National Top Story: The 2012 Mortgage Deal

by Jarrid Dekovitch

As many readers may know, the financial crisis that began in the latter part of 2007 into 2008 has been largely intertwined with



the mortgage and housing industries. Subprime lending was at the heart of the crisis, and declining house prices and foreclosures have been at the forefront since the beginning of the recession. Housing prices have, on average, declined by nearly 33% since 2006, and are continuing to fall. However, last week the Obama administration unveiled the largest “mortgage deal,” as it’s been called, since the beginning of the recession. This deal is intended to inject \$25 billion into the mortgage sector in an attempt to alleviate those who are not current on their mortgage payments, or those who have “underwater” mortgages. Underwater mortgages are mortgages on houses whose value is less than that of the actual mortgage, thus meaning that the borrower owes more than the house is actually worth. This injection of funding is actually to the largest lenders; however, it has stipulations requiring how the money is to be used, and what actually the lenders cannot commit in the mortgage sector any longer. Some of these include: not foreclosing on borrowers if they are looking for a loan modification; borrowers allowed to know why they have been denied loan modification, if that is the case; and improvements in the foreclosure process, among other changes. However, this deal is intended to hopefully halt the declining value in home prices, and slow the foreclosure rate and help stabilize the mortgage industry.

However, some estimates state that homeowners owe upwards of \$700 billion more than what their homes are worth, in total. With this being such a large difference, some economists feel that this deal may not have much effect or provide much relief for homeowners who are distressed. One economist, reporting in an article from *USA Today*, has predicted that this deal may even decrease housing values by a further 4% this year. Still, the deal was just finalized last week, and as time unfolds, we will see how the effects of it play out.

## State Top Story: Marcellus Shale

by Jesus Diaz

More than 350 million years ago, much of Pennsylvania was covered by a large ocean. Its waters teemed with microscopic plankton, tiny plants and animals that provided food for prehistoric fish and other creatures. As plankton sank to the sea floor, they were covered with sediment (sand and soil) and began to decay. Compressed under the weight of the water and sediments above, the decaying plankton was transformed into natural gas, filling the many cracks and fractures that naturally occurred in the shale rock. The Marcellus Shale natural gas deposits are the remnants of this long forgotten ocean floor. Today, that shale formation lies in a 50 to 200 foot thick band that is between 4,500 and 8,000 feet (about 1 mile) beneath the surface of the land. The formation spans 95,000 sq. miles across parts of six states including: Pennsylvania, New York, West Virginia, and Maryland.

Pennsylvania is having an energy/jobs revolution right now with natural gas development from the Marcellus shale play. Gas drilling supports 300,000 jobs in the state with an average annual wage of \$74,000. More jobs are forecast, with a predicted 212,000 additional positions generated by Marcellus activity. The chief obstacle to the broader economic and energy benefits of natural gas is opponents of a clean-burning, abundant fuel. The shale gas revolution means the United States could be sitting on

top of a 100-year supply that's key to a more secure energy future.

### Pros and Cons

Extracting natural gas from the Marcellus Shale can have some positive impacts on our economy and environment.

- Natural gas is a “clean” energy source. When natural gas is burned, it emits only half the amount of CO<sub>2</sub> (carbon dioxide) compared to coal. If natural gas from the Marcellus Shale replaces some of the coal and oil used for energy in the U.S., emissions of greenhouse gases (CO<sub>2</sub>) and some of the chemicals that contribute to acid rain when coal is burned (SO<sub>2</sub>) can be reduced.
- By switching to natural gas for power generation, we can also cut down on some of the small particles, such as sulfur and nitrogen oxides, that are emitted into the atmosphere when coal is burned. Health problems, such as asthma, that are made worse by small particulate matter floating in the air, can be greatly reduced.
- In areas where energy development occurs, towns usually experience an increase in economic activity. Landowners receiving payments from natural gas royalties and gas company employees may spend their money at local stores, restaurants, and hotels. This can help local shop owners and also increase state and local tax revenue which is used to pay for things like better schools and roads.
- Development of the Marcellus shale may reduce the cost of energy. This cheaper source of energy could lower your family's monthly home heating and electric bills.
- Some owners of marginally profitable farms have been able to make ends meet and keep their land after selling their gas drilling rights.

Extracting natural gas from the Marcellus Shale can cause potential harm to our economy and environment.

- Runoff and erosion at drilling sites may increase sediment and nutrient loads in streams and rivers. This, in turn, can affect habitat quality for plants and animals that live downstream.
- Biodiversity may be lost if aquatic plants and animals cannot tolerate changing water conditions. When large volumes of water are pumped from a stream or river, water chemistry can change significantly with a drop in water level. Temperatures may rise and oxygen levels may drop, affecting aquatic species that don't have a wide tolerance. Biodiversity may also be reduced if invasive species, such as the zebra mussel or golden algae, are introduced into a waterbody during the drilling process.
- During the drilling process, wells for drinking water may become polluted with a variety of contaminants, such as methane gas. Gas wells require miles of roads and pipelines to move the natural gas from the drilling site to the market. Construction of these transportation corridors can break up the natural landscape and impact wildlife habitat.
- Drilling operations may detract from hiking, hunting, and other recreational activities in the forests and rolling foothills of the Appalachian region. The drilling rigs tower over the landscape, standing out against the skyline during the initial fracturing process.
- When the wells stop producing, economic activity may gradually decline over time. Jobs will likely be lost and retailers that relied on local dollars may lose much of their business profits.
- Small towns may grow so quickly that they lose their community character. Chain stores may replace small businesses and open spaces may be turned into high

density housing developments to support the workforce.

These pros and cons raise a few questions in our minds. Like what effects will natural gas drilling have on the people of the Susquehanna River Basin? What about the natural resources? How do we decide how to manage this emerging environmental and economic issue?

## International Politics: The Arab Spring

by Amro Elansari

The Arab Spring we all know of today started in December 2010. A local street vendor had his capital confiscated by a police officer. The officer gave the vendor a fine of 10 dinar, equivalent to 7 USD, which is also equivalent to a whole day's wage. When he did not pay the fine, the police officer made a remark about his dead father. The man went to the police station to claim his vendor cart and was further insulted. At about 11:30, the man came back to the station doused in gasoline and set himself on fire, literally igniting the "Arab Revolution" into existence. The purpose of this article is to analyze the reasons as to why the people involved in the "Arab Spring" have revolted. By understanding why the Arab people have revolted, we can come up with a plan to remedy the situation.

Egypt was granted its independence from Great Britain in 1922. Most of the surrounding Arabic countries we know today were established after that point. This means the sample average of how long the Arabic countries have been independent is less than 100 years. Most of the countries created were placed under an authoritarian system. For example, in Egypt, the people were under the rule of Farook's monarchy.

As time went on, the countries made mistakes and evolved by learning from them. Leadership changed from time to time, but the feeling of authoritarian rule stayed the same. Each leader, as time went on, kept more and more money in their reserves. As the leaders became settled into a lifestyle of superiority, they began to see themselves as enabled rulers of their state, thus entitled to the wealth of their state. This negative perspective generated negative economic consequences.

We know the productivity of a country is measured in GDP. GDP, when broken down, is equal to the consumption sector (C), the investment sector (I), and the government sector (G) in a theoretical closed economy (we assume a closed economy so we can just focus on what is going on in a particular country). When the money is flowing freely, people can spend their income on consumer goods (food, water, etc). If money continues to flow, the people continue to earn income and spend it. The consumption sector of GDP represents the average people. What has happened is that G – government - thought of itself as entitled to the wealth of the nation. Proportionately, the money went away from flowing to the consumer sector (C) and was stockpiled by the leaders (G) in foreign banks. Important to note is that the average wage is very low, so the income potential of the people is very low to begin with.



This corruption is seen by investors and decreases the incentive to invest in a country. What this results in is the decrease in (I) investment, which to an extent can represent the jobs of the people. After this decrease, there is a clot in the flow of (C), a further decrease in (I), and the stock piling of money in (G). The greedy government (G) lives the life of a king: the number of jobs in the market decreases (because manufacturers leave), and the people have no money to consume even the most basic of goods even when they work to their full potential.

It is a given that the people involved in the "Arab Spring" want to be heard and participate in government. But what the people really want is an improvement in their lives. The economies in each country have been greatly exploited by the governments in place, resulting in a decrease in the GDP per capita; thus the income of the average person – and the quality of life the person is able to live – has decreased. After years of exploitation, the people have had enough. By utilizing information technologies, the people were able to unite themselves and contest their government's authority. Some

efforts were more successful than others, but each country is at its own stage in this battle.

This article explored the reasons for the "Arab Spring" in 2011. The reasons were a mixture of politics, economics, and the outcome of certain events. What we see in every country generally is people looking for better living conditions in which they are free to express themselves and participate. Now that we know what the Arab people want and why they are unhappy, we can begin working on ways to solve the current predicament. Ideas for how to help the Arabic economies and improve the quality of the Middle East can be discussed in the next publication.

## National Politics: Super-Pacs

by Antonio Campanelli

Political action committees, or PACs, are organizations that campaign for, or against political candidates. PACs have been around for decades, for as long as we've attempted to have campaign finance reform, we've had political action committees. Historically, which ever candidate running for the presidency had the wealthiest people on his side, had the greatest chance of winning the presidential candidacy. Theodore Roosevelt attempted to change this in 1905 when he called for campaign finance reform. He intended to limit the amount that wealthy people or groups could donate to a candidate. Little did Roosevelt know, where there is a will, there is a way. And over 100 years later, Rich folks are reaching deeper into their pockets than ever to try and influence political elections.

In 1971, Congress passed the Federal Election Campaign Act, attempting to further reform the rules under which a PAC could operate. The following year was the 1972 presidential election and nothing changed. A couple years later in 1974, Congress attempted to try again, and set limits on contributions to PACs. They also established the Federal Election Committee. Some of the brief rules established were that an individual could not donate more than \$5,000 a year to a federal PAC. It also had stricter rules and regulation towards corporations donating large sums of money directly to a political action group. By the turn of the century, it was more obvious

than ever that campaign finance reform was not working. "527 Organizations" became the new way around reform. And George W. Bush received millions of dollars in advertisements and support from private individuals through these organizations in his 2000 and 2004 campaigns that led to successful elections. Nothing had changed; people simply just find new ways every year to give millions of dollars to the candidate of their choice.

Today, the new norms are referred to as Super PACs. These new political committees rose during the 2010 election and are known as "independent-expenditure only committees". They can raise unlimited amounts of money from individuals, unions, corporations or whoever wishes to donate. One loosely enforced rule, is that Super PACs are supposedly not allowed to coordinate with candidates or parties because they are supposed to be independent. However, a candidate may talk to his or her associated Super PAC through the media, and the PAC can listen. Obviously campaign finance reform has not come a long way over the past four decades.



Super PACs are often criticized and even made fun of today in our media. Satirists such as Stephen Colbert have recently had a laugh at these groups. "Americans for a Better Tomorrow, Tomorrow" is Colbert's Super PAC that he is "independently" not affiliated with. The political comedy star obviously has a great sense of humor, as he uses the media, his television show on Comedy Central, to speak indirectly to his Super PAC that he is "definitely not affiliated with". The Super PAC is currently controlled by long time friend of Colbert, comedian Jon Stewart, and it has recently been renamed "The Definitely Not Coordinating With Stephen Colbert Super PAC". Colbert has said that the money raised is not only for

political ads, not also for "normal administrative expenses, including luxury hotel stays, private jet travel and PAC mementos from Saks Fifth Avenue." While it is clearly a funny joke, this humor does a great job of exploiting the reality of the current PACs, and continues to show why campaign reform will never truly work as it was intended to.

For as much negative attention as these super political action committees receive, some people believe that they are good for democracy. Some will argue that they increase transparency of donated money. Generally we know more about Super PAC donators than we have in the past compared to other kind of campaign fundraising. We have an idea what billionaires are reaching into their pockets for these "independent" committees. Many people also believe that Super PACs help level the playing field. While Mitt Romney has received multiple times the amount of money that Santorum, Gingrich and Paul have received in our current GOP race, the money received through these political action committees have allowed all four candidates to continue to stay in the race. This may not have been a reality if it were not for political action committees. People also believe that Super PACs inform the voters through their ads. As much as I'd like to support this thought, Super PAC advertisements are generally negative attack advertisements that attack a political candidate for something he or she has supported or said in the past, and do not generally inform voters of anything necessary to apply to their decision. Regardless, when there is so much negativity towards these political action committees, there are a few positives that we can embrace.

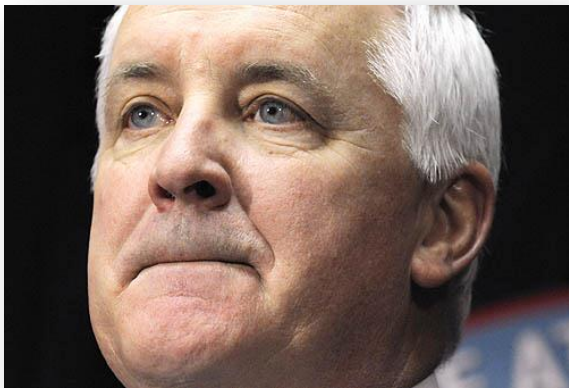
Super PACs are just the latest in attempted campaign finance reform. If it is Super PACs today, it might be Mega PACs in 5 years, or Independent PACs in 15 years. Money will always find its way from billionaire's pockets to political campaigns. It has always found a way to do so, and it probably always will.



# State Politics: Corbett Budget Cuts

by Antonio Campanelli

Many PA residents have probably already heard of some of the proposed budget cuts, however, what exactly is on the chopping block? This article looks at a handful of the largest sectors being cut in Governor Corbett's proposed budget:



## State Police

Total funding for State Police is to increase 1.9%. The proposed budget would avoid cuts to personnel and stations. The budget also proposed that vehicle fines given by state police in municipalities that do not have a local police force are to be held by the state. Currently the money is given to municipalities. This revenue would be used towards state communication upgrades.

## The Environment

The department of Environmental Protection would lose about \$71 million in the proposed budget. This is mostly from the discontinuation of federal stimulus funds. The agency would lose \$10.5 million in aid from the state. Environmental program management and environmental protection operations would be cut by about \$3 million.

Regional water commissions, such as the Chesapeake Bay Commission and Susquehanna River Basin Commissions will suffer cuts and State Parks operations are to be cut by over \$1 million. Oversight of Marcellus Shale drilling is to be largely paid for by permit fees.

## Welfare

Welfare spending is to remain flat at \$10.5 billion, however safety net programs such as services for people with disabilities and programs for the homeless would see a 20% cut in funding. Funding to nursing homes is to remain stagnant, while funding towards home and community-based services for the elderly is to slightly decrease.

## Public Schools

Total school funding would increase to \$10.5 billion, increasing by 3%. Most of this money would go towards school employees' pensions from the state. Primary state funding sources are to remain essentially flat. Governor Corbett is proposing to cut aid for accountability block grants that districts use to enhance educational programs that allows high-school students to earn college credit in dual-enrollment programs.

## Public Colleges

Higher education is to be cut 18%, \$1.4 billion. The proposed budget will decrease the state funding in the 14 schools of the Pennsylvania State System of Higher Education, including Bloomsburg. Three state-related schools, Penn State, Pittsburgh and Temple, will see a 30% decrease in funding. Community colleges are going to be

hit with a 3% reduction and the state grant program is proposed to be cut by 5%.

## Harrisburg

Under the proposed budget, the state would give five times the money it gave to Harrisburg this year for fire protection of the capitol and other state buildings. City officials have asked for more adequate fire protection, and Corbett has acknowledged the situation. If approved, the city would receive \$2.5 million dollars, up from about \$500,000 this year. The state fire protection funding has decreased over the past five years.

## Health Care

\$319 million would be saved by slashing cash assistance to citizens who rely on short-term disability. Funding for the Children's Health Insurance Program would rise by 4%. Medicaid related expenses in hospitals would see funding decreased 10%. The Pennsylvania Health Care Cost Containment Council and the Patient Safety Authority is to be merged with the state Department of Health, which would receive a 4.6% decrease.

## Transportation

Under the proposed budget, Penn Dot would lose 20% of its state aid. Aid for rail freight assistance would be cut under the budget. This would be tough news for commuters, and the states deteriorating bridges and roads need some serious work.

It will be interesting to see what happens to Governor Corbett's proposed budget. One thing is for sure, however: it will definitely cause a stir in the public opinion, and will not go without some backlash.



# Featured Article: URBAN DEVELOPMENT

(A Look into the Economics of Sprawl, Infrastructure, and Green Space)

by Ted J. Mahoney

## URBAN SPRAWL

Urban Sprawl has many different definitions based on people's own personal views. Some consider urban sprawl to be low-density residential developments, retail areas consisting of strip-malls and office buildings, or it can be individual houses that dot previously rural areas, etc. Again, numerous points of views exist regarding what urban sprawl is. In my opinion however, urban sprawl is any use or layout that fails to adequately address social and economic concerns as well as fails to ensure that natural resources are used in the best and most efficient manner.

A common theme of sprawl is a lack of "walkability". Walkability is a measure of ease to which residents can walk to places in their communities. Nowadays, especially in sprawling areas developed after the end of WWII, motorized vehicles are a necessity if one wants to go anywhere. Because of poor planning and infrastructure practices people no longer find it convenient to walk to work, the grocery store, school, or virtually any place the public finds themselves needing to go. In fact, the distances between sprawling residential areas and city/economic centers can be several miles. To get there on foot would require a lot of time, patience, and the willingness to risk life and limb. Since virtually no sidewalks, pedestrian overpasses/underpasses exist, anyone trying to get anywhere on foot would be competing with vehicle traffic which is indeed dangerous. This lack of walkability forces people to invest in motorized forms of transportation which in turn results in more sprawl and less walkability.

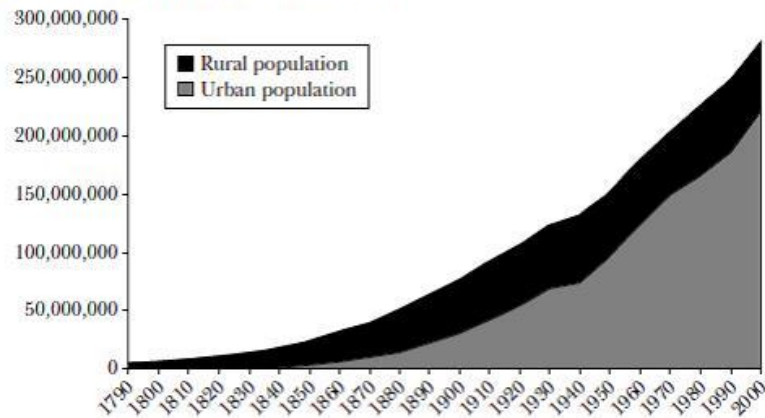
How did this happen? World War II provided the main catalyst for economic expansion and sprawl. Specifically, the National Highway Defense Act (NHDA) and Veterans Assistance (VA) programs led the way.

The NHDA sponsored and fully funded the construction of interstate highways. This made once formally hard to reach areas much more accessible. People were now able to travel far and wide with relative ease.

The VA programs enabled military veterans to purchase homes at very attractive interest

in fact it was termed "white flight". The term "white" was used because a large majority of

*Figure 1*  
**Rural and Urban Population: 1790–2000**



rates, little money down, and overall very attractive terms. In conjunction with this type of program, many veterans returning from combat tours had plenty of cash to spend. The reason for this is because although they were getting paid, they had no real way of spending any of it since many were in combat zones. So their monetary wealth increased over time.

Because of the NHDA sponsored road construction, a significant number of military veterans flush with money, and government assistance programs sprawl was inevitable. Prior to this time period only wealthy individuals could afford to live outside of city centers because of issues regarding transportation, sanitary controls, and money. Those who were not wealthy were forced to stay within the city centers primarily because of employment and housing reasons. Only the rich could afford to travel into and out of the city via railcar. Doing so was too expensive a prospect for the average citizen. Still, many people desired to live outside of the city because most cities were filthy, congested, polluted, and overall unhealthy places to be.

With the newly built interstate system and extraordinary economic growth resulting from a massive trade surplus coupled with VA programs, those who could flee the cities did so and they did it at a rapid pace. So fast

those fleeing the city were white. Minorities also fled the cities, but not as rapidly because of inequality and inability to do so. The results of such inequality can still be seen in many cities today and are frequently referred to as "slums". That however is a topic for another time.

**WHO'S AFFECTED:** Everyone is affected by urban sprawl whether they realize it or not. The cost of transportation to get where they need to go increases, pollution increase, and cost to maintain and construct roadways and other infrastructure increase, health is negatively impacted, and potential global warming issues result because of deforestation, etc. The list goes on and on regarding the negative impacts of sprawl. The point is that everyone is affected by it and it should be taken seriously by those who have control over the fate of the world environment and the future of society in general.

**POSITIVE IMPACTS:** The positive impacts of urban sprawl are few. Prior to the white-flight of the 1950's most people were restricted to city centers and often forced to live in less than ideal conditions, some of which may have been considered squalor living arrangements at best. This type of living environment led to frequent and rapid outbreaks of infectious diseases, crime, and corruption. Once people were able to escape



such environments, they did. Since then people are more spread out and no longer relegated to living in a one room home with 10 – 12 other people.

Another positive impact of sprawl is that people were able to move away from pollution centers such as factories, coal burning power plants, etc. This led to overall healthier people and living conditions. Current zoning practices and legislative requirements also seek to minimize conflicting land uses and uses that could adversely affect the health of people and the environment. Though progress is being made in this area, there is still a long way to go for truly mutually beneficial and efficient uses of our planet's resources.

**NEGATIVE IMPACTS:** The negative impacts of sprawl are numerous and too extensive to cover in entirety in this report. Some negative impacts of sprawl include increased pollution, vehicle congestion, accidents and deaths, global warming, deforestation, erosion of critical soils, increased infrastructure costs, increased taxes, less walkability, obesity, sedentary lifestyles, increased fossil fuel consumption, inefficient transportation of goods and services, wasted time sitting in traffic and traveling to places for goods, services, and employment, etc. The list goes on and on.

There is yet another, serious and negative impact resulting from urban sprawl aside from those previously mentioned. For city centers this impact is the erosion of their economic bases. This can be seen most dramatically in those cities that were in existence prior to the start of white-flight. Once those who had the money and the means to relocate elsewhere, they moved out of the crowded and undesirable cities for lives in the cleaner countryside. Those who remained behind were for the most part, less educated, less well-off, or had more difficulties to make ends meet. The fleeing masses left those cities with a sort of welfare crises. Once "acceptable" areas of cities quickly became home to the destitute and urban slums. Prior to the start of truly expansive urban sprawl the cost of living in the city was prohibitively expensive for many of those typically classified as being at the bottom of the socio-economic groups. Afterwards, because so many were leaving the city for a better life in the countryside, rental vacancies increased which caused rent rates to drop as well. This allowed for those less fortunate to find a place to live inside the city. The rents, although less, we still

nonetheless prohibitively restrictive and consume a large majority of this group's income. The cost of living actually strips them of the ability to purchase a vehicle and/or move outside the city as well. Cities are also where most of the jobs exist. Moving out of the city, for those less fortunate and who had the ability to do so would simply be trading the savings in the cost of living for the cost of transportation back and forth to work. Most cities are not well suited for vehicles to begin with.

**ECONOMIC TRADEOFFS:** As mentioned above, people experience various direct monetary impacts because of urban sprawl. The list of economic tradeoffs is extensive. Let's briefly explore some of them.

[Isolation – Walkability, Vehicle Dependence, Disbursed Resources/Goods] – Those who wish to live in the "suburbs" or areas considered as sprawl and who live in relative isolation compared to city dwellers trade the ability to walk to places for it. The lack of walkability necessitates vehicle dependence because should they desire to get anywhere, they will need to get there by some mode of personal transportation since very little, if anything will be within walking distance. Vehicle dependence could still be the result if people are separated from places like shops and work by an interstate highway or roadway. People could choose to make an attempt to cross such roads on foot, but they would be taking their lives in their own hands; in fact, most states have laws that strictly prohibit people from doing so. The result is that in order to get to a store that is literally directly across the road (aka: Interstate) from where they live, they will need to get into a vehicle and drive two to three miles round trip to get there.

Getting the goods and food they need and going to and coming back from work or school becomes a challenge in of itself because of the separation between sprawling communities and those places. Not only will residents incur cost associated with driving to get what they need, the prices of goods and various products will also have to be necessarily increased to cover the cost of transportation to get the goods to be sold.

[Mobility – Travel Time, Pollution, Fuel Cost, Maintenance Costs] – Time is not only money, but very important to most people as well. The distance people travel to and from work alone can easily add up to an average of +15 hours/week, especially for those traveling to/from major urban centers. The

drive itself basically becomes a part-time job, a job that commuters pay for! The cost of fuel is continuously increasing which directly impacts the commuter's wealth. The need to maintain their vehicles, purchasing new tires, changing the oil, and normal wear and tear can add up to a significant amount over the course of a year. This amount is unrealized by most people because the cost is not taken out of their pockets all at once. Since the true cost is spread out over a long time span, it is easy for most to overlook it or simply accept it as the price of enjoyment and better quality of life.

It can be reasonably assumed that most people acknowledge and are well aware of the pollution problems created by so much mobility (or lack thereof because of congestion). Most may not fully realize the total effect of such pollution or how their actions contribute to the problem. People can be seen leaving their vehicles running/idling in the winter time so that it can be warm when they go to get in it, leaving them running while they make a purchase from a "convenient" store, etc. The most wasteful thing however that almost certainly contributes to wasteful and completely unbeneficial consumption of fossil fuels is that of vehicle congestion and poorly designed roadways. With the number of vehicles on the road congestion is inevitable. With poorly designed or older roadways, congestion becomes a serious burden on society. Capital is literally lost in the air via burning fuel in the process of getting nowhere quick.

[Air Quality – Air Pollution] – The air quality and pollution issue was touched on in the previous paragraph relating to the tradeoff between mobility and several other factors. This segment focuses more on the tradeoff of the presumably better air quality found outside the city.

Living outside the city for better air quality is almost an oxymoronic way of thinking. Why? It's because those who enjoy the better air quality of the countryside, necessarily pollute that same air via commuting to/from the city, work, and various other places they need to go. The lack of walkability in such areas is so restricted that even the task of purchasing something as simple as a gallon of milk requires driving somewhere to get it. As sprawl increase, so too will air pollution as a result.

This thought process of having better air quality by living far outside of the city, yet commuting to and from places, is flawed and is far from being a mutually beneficial practice for anyone either now or in the future.

## INFRASTRUCTURE

**POSITIVE IMPACTS:** The positive impacts of our infrastructure include things like quicker, more efficient transportation of people and goods, access to more areas, better sanitary conditions, reduced cases of health ailments and disease, and an easier way of life in general.

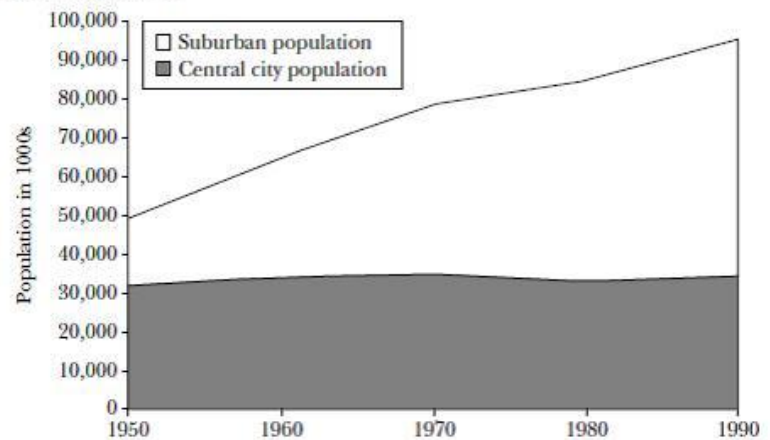
Roads make the transportation of goods, services, and people easier; access to more areas enables people to go places where they may not have been able to do otherwise; water and sanitary sewer systems provide for clean drinking water and the proper disposal waste; the separation of living environments also reduces the speed at which communicable diseases spread; and the ease to which we have access to goods, services, clean water, electricity, etc. makes life in general better and easier.

**NEGATIVE IMPACTS:** These include items such as reduced green space, destruction of fertile fields and farmland, increased traffic accidents and motor vehicle deaths, increased pollution, increased road congestion, and increased resource waste through unproductive time traveling to/from work and fuel consumption waiting in traffic.

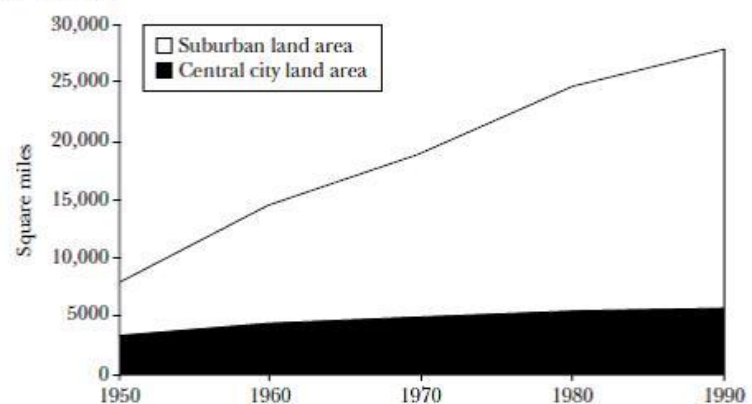
In order to construct infrastructure such as roads, pipelines, and power lines, fertile farmland, forest, and other environmental resources will unfortunately be destroyed. The tradeoff of having these things is the loss of scenic beauty, poorer air quality, reduced carrying capacity of the environment, and possible negative health affects for those living near or spending a lot of time near such infrastructure.

Urban sprawl is the primary cause for all of the negative impacts of infrastructure. Since people are so spread out, so too does the basic infrastructure need to be. With an increase urban sprawl comes all of these negative impacts. One way to reduce some of the negative impacts of sprawl would be to provide forms of mass transit for those living outside city limits. Unfortunately, things like mass transit need high customer volume to stay operational and have a chance at profitability. With the wide spread nature of urban sprawl, such volume is impossible.

**Figure 2**  
**Urban Area Population**



**Figure 3**  
**Urban Land Area**



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- Walsh, T. J. (2004). Urban Sprawl. *Journal of Economic Perspectives*, 20.

## BU Economics Club: EVENTS & ANNOUNCEMENTS

Like the "Bloomsburg University Economics Club" page on Facebook today! You can also follow the BU Economics Club on Twitter, @BUEconomics.

On **Monday, March 5<sup>th</sup>**, in **Bakeless 101**, someone from the **career center** will be presenting at our general meeting from 6-6:45 pm.

On **Monday, March 5<sup>th</sup>**, in **CEH 201** we are showing "**Beer Wars**" from 7-9pm.

On **Wednesday, March 7<sup>th</sup>**, Radwan Ziadeh will be a guest speaker. Ziadeh, of Syria, will present "**Arab Spring and the Road to Democracy**" at 6:30 p.m. in **Carver Hall's Gross Auditorium**.

The Economics Club will be doing a **fundraiser**, and we will be **selling bottle openers**. The dates for the fundraiser and pricing are TBA.



**Resources**

CNNMoney

USAToday

Bureau of Labor Statistics, [bls.gov](http://bls.gov)

Census.gov

Collegeboard.com

CNN.com

Forbes.com

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<http://msit.bloomu.edu/das97181/home/photos.html>

**Do you have a project or an article you would like published?**

The Economics Club welcomes and encourages you to submit research projects to be published. If you have any interest in seeing your work published, email Jarrid Dekovitch at:

[Jjd13162@huskies.bloomu.edu](mailto:Jjd13162@huskies.bloomu.edu)

# The Bohling Economist

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