

# The New York Times

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# 1 Market Defies Fear of Real Estate Bubble in China

THE spacious duplex comes with crocodile-skin bedposts, hand-carved bronze doors inlaid with Swarovski crystals – and a \$45 million price tag.



*fig 1: The interior of a duplex show apartment at the Tomson Riviera, a luxury apartment complex located in Pudong, Shanghai.*

It is still on the market, but Charles Tong, the developer of Tomson Riviera, a luxury riverfront complex in the heart of the financial district here, says he is having no trouble finding takers for similarly priced units.

“We’re selling three to four apartments every month,” said Mr. Tong, seated in a white Versace easy chair. “Now, people here want something more luxurious; they’d like a new lifestyle.”

Everyone agrees China is in the middle of a spectacular real estate boom. The question is whether it is in the middle of a rapidly growing real estate bubble.

When other recent booms collapsed – in the United States, for instance – they depressed entire economies. In China’s case, a bursting bubble could affect much of the world. China is the fastest-growing large economy and, so far, a main engine pulling the world out of recession.

Beijing is clearly concerned. Authorities have recently moved to rein in the easy credit that has helped finance China’s hyperdevelopment, including making it more difficult for home buyers to take out a second mortgage.

Last year, a record \$560 billion of residential property was sold in China, an increase of 80 percent from the year before, according to government statistics that are widely considered reliable. And with prices soaring, developers are scrambling to build more mansions, villas and high-rise apartments with names like Rich Gate, Park Avenue and Palais de Fortune.

Signs of exuberance are everywhere. An investor in Shanghai recently bought 54 apartments in a single day; a villa sold for \$30 million last year; and in December a consortium of developers paid more than \$3.5 billion for a huge tract of land in

Guangzhou, one of the highest prices paid for any property, anywhere. In the city of Tianjin, in north China, developers have created a \$3 billion “floating city,” a series of islands built on a natural reservoir, featuring villas, shopping malls, a water amusement park and what they say will be the world’s largest indoor ski resort.

“This is wild,” said Andy Xie, a former Morgan Stanley economist who is now an independent analyst. “By all the traditional measures, like rental yield, this is a bubble.”

Speculators are snapping up properties on the expectation that prices will continue to rise, as prices have nearly every year for more than a decade. And powerful developers are working with local governments to transform old cities into urban dreamscapes.

But Shanghai, China’s wealthiest and most dazzling city, is the epicenter of the boom. Prices here have risen more than 150 percent since 2003, pushing the price of a typical 1,100-square-foot apartment up to \$200,000, according to real estate experts. (Shanghai residents typically earn less than \$5,000 a year.)

A buying frenzy has gripped the city, leading to billion-dollar land auctions and long waiting lists.

“The speed you buy a house here is faster than you buy vegetables,” said Andy Xiang, an advertising executive who recently put down a large cash down payment to get the right to pay \$1.3 million for an apartment in the city’s exclusive Xintiandi area.

Few residences, though, are as upscale as Tomson Riviera, which consists of four golden-hued towers overlooking the Huangpu River, with a central garden mapped out in the shape of a dragon. The apartment complex’s entrance has original artworks by Salvador Dalí and well-known Chinese artists. The apartments, a few of which have been decorated by Armani and Fendi, as well as Versace, lease for \$7,000 to \$17,000 a month – to high-level executives from companies like General Motors.

Those who buy an apartment here tend to be extremely wealthy, like Liu Yiqian, an eccentric Shanghai entrepreneur whom Forbes magazine says is worth about \$540 million.

Mr. Liu, 47, got his start driving a taxicab in Shanghai but eventually made a fortune investing in the stock market. In an interview this week, he acknowledged owning hundreds of apartments in Shanghai (he said he could not remember exactly how

many), including a 6,000-square-foot apartment in Tomson Riviera, which he bought in 2008 for about \$11.5 million.

“I invest in properties,” Mr. Liu said, noting that he also collects art, antiques and jade. “I think in Shanghai in five to seven years the real estate prices will be even higher.”

As they try to modulate the market, local and central governments here are walking a thin line. Land sales were a major source of government revenue, raising about \$234 billion last year, an amount equal to over a third of the cost of China’s half-trillion-dollar stimulus program.

Whether the country is in the middle of a bubble has become the subject of a debate. Some economists, like Nicholas R. Lardy at the Peterson Institute for International Economics in Washington, say the housing boom is being propelled by a huge urbanization push that is creating premium-priced houses.

Other analysts say prices are being propped up by greedy developers and government policies that are making housing increasingly unaffordable for the masses migrating to big cities.

Despite the fear of a bubble here, Mr. Tong said his prices were just right, particularly because of so much hidden wealth in China. The publicly listed company is controlled by his family.

“I have a friend,” he said. “She makes maternity clothes. Her company has 20 percent of the world’s market share, and they’re not even a listed company.”

Still, Tomson’s prices are soaring. The most recent apartment sold for about \$2,300 a square foot. The average luxury apartment in Manhattan sold for just under \$1,900 a square foot in the fourth quarter of 2009, according to Prudential Douglas Elliman real estate.

Indeed, for the price of a Tomson apartment in Shanghai, a buyer could easily purchase a 6,000-square-foot home in Los Angeles built by Frank Lloyd Wright and now for sale (\$10.5 million), or a 52-acre site with a 22-room residence in New Canaan, Conn. (\$24 million).

But a sales agent at Tomson Riviera says this is the future financial capital of the world, not the dying one.

“Look at this bronze door,” said Wang Yaodong. “That costs \$50,000! Look at these Gaggenau appliances. They were made in Germany.” The glasses were imported from Belgium, the Jacuzzi from Italy. And don’t worry about losing your key, he said, “This lock can read the palm of your hand.”

## 2 For Sochi Olympics and Beyond: Choose Sites Wisely

**W**AIT out the post-Olympic rush for the exits, and it is striking how quickly the normal rhythms and routines take over.



In Vancouver this week, less than 48 hours after the closing ceremony, the only thing I came across during a long walk that was wearing bright red and a huge maple leaf was a seaplane coming in for a landing in the harbor.

The mood was melancholy, or maybe that was my own. Once you’ve seen a place transformed by euphoria and shared experience (and a lot of shared bar tabs), it can bring you down hard to watch it revert to calm and the customary facades, to a more individualistic way of getting through the day.

The party here is not quite over. The Paralympic Winter Games start March 12. But the big bash has ended, the one that required nearly a decade to plan and about two weeks to experience; the one that cost billions and allowed Vancouver to raise its profile – for worse, then better – on a daily basis.

Though bills are now due, the collective memories are still there, in heads and hearts. Before they fade, this is the time to think about where the Winter Olympics go from here.

A few reminders to future host cities and the International Olympic Committee members who choose them:

Weather matters: Winter sports – at least the outdoor species – are already vulnerable enough to postponements without having to deal with rain or springtime temperatures. Global weirding means the number of places with truly dependable Winter Olympic weather will probably shrink, not increase.

In defense of Cypress Mountain, where snow had to be trucked in, Vancouver did have its warmest January in more than 100 years of record keeping. But the drizzle and

slush were not restricted to the northern suburbs. Whistler, the real mountain venue, also had plenty of mild-temperature issues, particularly at lower altitudes, which was not a surprise to those who have attended World Cup events there in the past.

Watching a halfpipe competition or slalom run take place in the rain is a buzz killer, just as it was in Nagano, Japan, in 1998. Above all, the athletes deserve better at the biggest event of their careers.

It was encouraging – even if it came a bit late – to hear Jacques Rogge, the International Olympic Committee president, confirm on Sunday that evaluation committees will be asked to take a closer look at weather data when they examine future candidates. But it needs to be a determining factor. Meanwhile, here's hoping the Olympians get more snow than rain in 2014 in and around Sochi, Russia, a city on the Black Sea much better known as a summer resort.

Winter sports culture matters: Crowds were generally enthusiastic at these Olympics, even if Canadians had plenty to learn about biathlon and ski jumping. But the memory of the flat atmosphere and sparse crowds in the mountain venues near (but not that near) Turin, Italy, in 2006 remains strong.

The Winter Olympics lack the universality of the summer version. With the current dates in February, no Southern Hemisphere nation could realistically stage them. There are far fewer countries whose athletes make an impact and far fewer countries where winter sports are genuinely popular.

At the 2008 Summer Olympics in Beijing, 55 nations won gold medals and 87 won medals. In Vancouver, 19 nations won gold medals and just 25 won medals, one fewer than in Turin.

The temptation for the I.O.C. is to try to use the Winter Games as a developmental lever, which was part of the thinking behind awarding them to Sochi. Russia, despite its famously harsh winters, lacks quality Alpine ski resorts and other elite winter sports facilities.

But this promotional philosophy should be used sparingly. The Winter Games are best when the public understands or connects deeply with the events, as it did in Lillehammer, Norway, in 1994 or, with different priorities, in Salt Lake City, Utah, in 2002. The principle of continental rotation that applies to the Summer Games should not be the rule in the winter. The I.O.C. should put more emphasis on the best venue,

even if it means repeats. And it should let its winter federations, like the International Ski Federation and International Biathlon Union, do the global missionary work by moving around their world championships instead.

The Olympics are too important – both to the athletes and their public – to be a testing ground.

Green matters: The Olympics, despite the challenges posed by their growth, have made progress in being environmentally friendly. But there are big frustrations surfacing with the construction-heavy Sochi Games. One of the biggest issues in modern Winter Games remains the sliding tracks. The one in Cesana Pariol, built on pristine land for the Turin Games, is already in danger of being closed down because of funding problems (the nearby ski jumps are also little used). There must be a better way than to build expensive, environmentally invasive facilities in places with no culture of sliding sports.

Building an Olympic track makes sense in countries without one like Japan or Norway. But Italy already had a track built for the Olympics in Cortina d'Ampezzo. Canada already had one in Calgary, Alberta, built for the 1988 Games. The new track in Whistler now has a questionable future after the death of Nodar Kumaritashvili in training and concerns about its speed.

Better to use existing sites than risk another white elephant, or maybe it's better to hire specialists from Tyrol who rebuild the naturally refrigerated track in St. Moritz, Switzerland, each winter.

Unity matters The Winter Olympics have become all about increasingly distant clusters, with ice sports in the city and snow sports and sliding sports in the mountains. Even with much reduced traffic, it was about two hours and sometimes more between Vancouver and the Whistler venues – dissuasive for spectators and for athletes.

The dual concept makes sense if you buy into the theory that you need increasingly substantial host cities to support the Olympic supporting cast. But something precious is lost, and this is far from the Olympic ideal of assembling the youth of the world every four years if all they do is assemble for the opening and closing ceremonies and otherwise remain in their separate Olympic villages.

Sochi, in theory, should be less far-flung, with the resort of Krasnaya Polyana, site of the snow sports, lying about 80 kilometers, or 50 miles, from the city. Two of the

candidates for the 2018 Games – Munich and Pyeongchang, South Korea – are also emphasizing compact plans. Pyeongchang’s organizers claim that all venues would be within 30 minutes of each other.

That’s the kind of clustering the Winter Olympics needs.

### 3 Ads Posted on Facebook Strike Some as Off-Key

**F**ACEBOOK, the world’s biggest social network, is selling more ad spots to big companies like Wal-Mart Stores, Procter & Gamble and PepsiCo.



But the site’s pages are also home to countless ads from smaller companies that can be funny, weird or just plain creepy – those suggesting you are, say, eligible to get a free iPad because you are exactly 26 years old, or entreaties to see what your offspring would look like if you had a child with a celebrity.

Odd Web ads, like the dancing women promoting mortgage brokers, are not new. But on social networks like Facebook, where people go to communicate with one another, advertisers seem to be trying especially hard to intrude on the conversation.

The so-called self-service ads on the site, from the likes of video game start-ups, herbal supplement makers, sweepstakes companies and wedding photographers, are shown on the right side of most pages. Many advertisers who use the self-service system are tempted to go as far as possible in making ads that attract attention and appear relevant, aided by the information that people give to Facebook.

“When it works, it’s amazingly impactful, but when it doesn’t work, it’s not only creepy but off-putting,” said Tim Hanlon, a principal at the consulting firm Riverview Lane Associates of Chicago. “What a marketer might think is endearing, by knowing a little bit about you, actually crosses the line pretty easily.”

One campaign that flooded the site in recent weeks, before Facebook cracked down on it, tries to take advantage of consumer interest in Apple’s iPad. “Are you a fan of Eddie Izzard? We need 100 music and movie lovers to test and KEEP the new Apple iPad,” one version of the ad says. Louis Allred Jr., 29, a Facebook user in Los Angeles who saw the ad, said he figured it was shown to him because he or a friend had expressed enthusiasm for Mr. Izzard, a British comedian, on their profiles.



“It doesn’t seem like they are using the information in sensible ways,” Mr. Allred said.

Mr. Allred was also skeptical about the test-an-iPad offer. The ad sends people to Prize-Rewards.net, a site that appears to be based in Vancouver, Canada, and tries to get people to pursue rewards by signing up for memberships in services like Netflix. Efforts to reach the company were unsuccessful.

Dan Rose, vice president for business development at Facebook, compared the company’s self-service ad platform to the early versions of Google’s highly profitable AdWords system. He predicted that the quality of the promotional messages on the site would improve as more companies began to use it.

“A year ago, we had lower-quality ads, and a year from now we will have higher-quality ads,” Mr. Rose said. “It’s early, but we have made a lot of progress.”

The self-service ad system offers any person or company the opportunity to quickly design an ad and aim it toward finely segmented groups of Facebook’s 400 million members, based on gender, age, location and preferences like favorite movies and activities.

For example, a promoter can advertise tickets to a band’s concert to the select group of Facebook users who live in the area and have mentioned that band on their profile page or status updates. Or a wedding photographer can show ads only to people in a certain city who have switched their relationship status to “engaged.”

“I’ve had good success with it on a limited budget,” said Carter Rose, a wedding photographer in Dallas who has paid \$1,700 for Facebook ads over the last few months and as a result booked three weddings at \$3,500 each.

Many advertisers view a site like Facebook as a good place for playful messages. Cordarounds, a San Francisco pants company, talks about “pigeon matadors” and “trouser-bots” that make pants in a “zero-G environment” to capture attention for its products on Facebook.

“It’s a conversational medium. If you can be the originator of that conversation, you are fitting in,” said Chris Lindland, the company’s chief executive, who uses Facebook to advertise solely to young men in the 20 largest urban areas.

From the perspective of many users, the tailored ads can often seem, at best, presumptuous.

Women who change their status to “engaged” on Facebook to share the news with their friends, for example, report seeing a flood of advertisements for services and products like wedding photographers, skin treatments and weight-loss regimens.

Then there are the nonsensical ads, which highlight the fact that Facebook does not have employees to review each ad, but relies largely on member feedback to flag inappropriate messages. That allows ads to slip through that run afoul of the company’s policies. “Laws now allow U.S. residents to reduce their credit card debt by more than 50 percent,” reads one ad for a debt-relief Web site, which is accompanied by a surreal image of four tiny babies lying in the palm of a hand.

“It caught my eye, but it sure didn’t win my trust,” said Paige Kobert, 32, an advertising employee from San Francisco who saw the ad recently. “It just seemed like a scam.”

A Facebook spokesman, Brandon McCormick, said ads like that one and the Eddie Izzard iPad ad violated a Facebook policy that requires the text and photo in the ad to be related to what is being advertised.

Mr. McCormick said that in the last few weeks, Facebook had begun enforcing that provision after users complained about the flood of ads aimed at alumni from a certain university or people of a certain age (“Hey, 32-Year-Olds”), with messages that had nothing to do with those characteristics.

Such ads are the equivalent of a direct mail “special offer for John Smith” that turns out to be not so special.

Facebook users seem most perplexed when they are left wondering why they have received a customized ad.

Jess Walker, 22, from central Florida, was recently presented an ad for Plan B, the morning-after pill.

“What do I have on my Facebook page that would lead them to believe I would need that?” she asked, adding that she did not want her sexual behavior called into question.

Ms. Walker noted that Facebook allowed her to delete the ad from the page she was viewing. – which would then make Facebook less likely to allow that particular ad to be sent to other people.

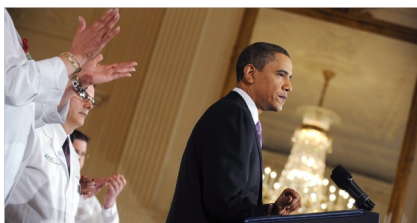
Mr. Rose from Facebook said the ads on the site were becoming more professional and straightforward as the company updated its policies and enforced them.

“When you have got the platform that we have, you are naturally going to attract people who are going to game it,” Mr. Rose said.

## 4 Obama Calls for ‘Up or Down Vote’ on Health Care Bill

**P**RESIDENT Obama, beginning his final push for a health care overhaul, called Wednesday for Congress to allow an “up or down vote” on the measure, and sketched out an ambitious – and, some Democrats said, unrealistic – timetable for his party to pass a bill on its own within weeks.

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05



*fig 2: President Obama called on Wednesday for an “up or down vote” on health care overhaul.*

“I believe the United States Congress owes the American people a final vote on health care reform,” Mr. Obama said during a 20-minute speech in the East Room of the White House. He said there was no point in starting over, as Republicans are demanding, and called on nervous Democrats to stick with him, declaring there was no reason “for those of us who were sent here to lead to just walk away.”

The speech, less than a week after Mr. Obama held a high-profile televised health care forum, will usher in what White House officials say will be their last campaign to bring Washington’s long and contentious health care debate to a close – with a bill-signing ceremony at the end.

On Thursday, Health and Human Services Secretary Kathleen Sebelius will meet at the White House with insurance industry executives to spotlight unpopular rate increases; next week, Mr. Obama will travel to Missouri and Pennsylvania to stump for the health care bill.

In his remarks, the president refrained from using the word “reconciliation,” the parliamentary tactic that Democrats are expected to employ to avoid a Republican filibuster and win passage with a simple majority. But he made clear that was his intent,

and reminded Americans that despite current Republican objections, other major bills had been passed using the same tactic.

“Reform has already passed the House with a majority. It has already passed the Senate with a supermajority of 60 votes,” Mr. Obama said. “And now it deserves the same kind of up or down vote that was cast on welfare reform, that was cast on the Children’s Health Insurance Program, that was used for Cobra health coverage for the unemployed and, by the way, for both Bush tax cuts – all of which had to pass Congress with nothing more than a simple majority.”

Republicans were furious.

“They’re making a vigorous effort to try to jam this down the throats of the American people, who don’t want it,” the Senate Republican leader, Mitch McConnell of Kentucky, told reporters after Mr. Obama’s remarks. “We think that’s a policy mistake, and we think resorting to these kind of tactics, to thumb your noses at the American people, is something that ought to be resisted.”

On Capitol Hill, the strategy could prove a heavy lift for the House speaker, Nancy Pelosi, and the Senate majority leader, Harry Reid, who are now under intense pressure from the White House to translate Mr. Obama’s wishes for a final bill into legislative language. Both leaders issued statements Wednesday praising Mr. Obama and vowing to press ahead. But, noticeably, neither publicly committed to Mr. Obama’s timetable.

Privately, Senate leadership aides said Mr. Obama’s deadline could be difficult to meet. The tentative plan is for the House to adopt the bill passed by the Senate, and for both chambers to use reconciliation to pass a package of changes that would bridge gaps between the initial House and Senate versions.

But the final language must still be sent to the nonpartisan Congressional Budget Office for evaluation, a process that takes time. Many aspects of the legislation remain unresolved, and rank-and-file Democrats in the House remain deeply uneasy over both the substance of the bill and the process by which it would be adopted.

Ms. Pelosi does not yet have the votes she needs to pass the legislation. She faces complex negotiations with both the moderate and liberal wings of her party to come up with a package that can pass the House without deviating so much from the existing Senate version that Mr. Reid would have trouble assembling a majority for the final vote in the Senate.

“I am not inclined to support the Senate version,” said Representative Shelley Berkley, Democrat of Nevada, who voted for the House bill in November. “I would like something more concrete than a promise. The Senate cannot promise its way out of a brown paper bag.”

As Democrats prepared for a final showdown with Republicans, other potential stumbling blocks emerged. House Democrats from New York met Wednesday with Ms. Pelosi to discuss their concern that the emerging bill would shortchange their state on Medicaid and other issues.

“I am very, very disappointed and unhappy,” said Representative Eliot L. Engel, Democrat of New York. “The White House is taking us for granted, and they shouldn’t.”

Supporters of abortion rights, in and out of Congress, said Wednesday that they were alarmed at the prospect that lawmakers might impose new restrictions on insurance coverage of abortion in the push to enact sweeping health legislation. Representative Jan Schakowsky, Democrat of Illinois, said language restricting insurers’ ability to cover abortions “remains in the president’s proposal, and we are very concerned about that.”

Friday will mark one year since Mr. Obama laid out his plans for a health care overhaul with a high-profile forum at the White House, where he engaged in a lively debate with lawmakers of both parties and executives from the insurance, hospital and pharmaceutical industries. On Wednesday, the scene at the White House was far different.

Mr. Obama spoke, without taking questions, to a group of sympathetic medical professionals, many of them clad in white lab coats to provide a TV-friendly image. After 12 months of legislative hearings, town hall meetings, speeches, polls and debates, Mr. Obama was in the position of selling not only the public, but his own party, on his top domestic priority.

“The American people want to know if it’s still possible for Washington to look out for their interests and their future,” Mr. Obama said. “They are waiting for us to act. They are waiting for us to lead. And as long as I hold this office, I intend to provide that leadership. I don’t know how this plays politically, but I know it’s right.”

Seeking to reassure wavering Democrats that he would back them up, he pledged to do “everything in my power to make the case for reform.”

Moments after he finished speaking, the White House announced plans for him to visit Pennsylvania and Missouri – states that are home to vulnerable Democrats like Representative Jason Altmire of Pennsylvania and Representative Ike Skelton of Missouri, who were among 39 Democrats to vote against the health measure when it passed the House last year. If Mr. Obama is to sign his legislation into law, he is going to have to convert some of those no votes into yeses; traveling to a lawmaker's home state could be one way to do that.

Senior advisers to Mr. Obama are betting that the politics of health care will eventually turn in the party's favor, if the president can actually sign a bill into law. The legislation includes popular restrictions on the insurance industry; some, like a provision barring insurers from discriminating against children on the basis of pre-existing conditions, would take effect quickly – a point noted by Mr. Obama's press secretary, Robert Gibbs.

"The president has always subscribed to the notion that the politics will catch up," Mr. Gibbs said.

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