

## It's been a whole year. Are we having fun yet?

Believe it or not, *The Milken Institute Review* is celebrating its first anniversary – and with what I hope is the best issue yet. Settle back, toast us in bubbly and prepare for enlightenment. Or whatever.

**Richard Medley** and **Matthew Saal** of Medley Global Advisors in New York do a postmortem on the WTO meeting in Seattle. Yes, it was a royal screw-up. No, it won't set back trade liberalization very much – merely change the arena in which it will take place.

The era of the great multilateral negotiation is coming to an end, they say. But, in sharp contrast to Jagdish Bhagwati's view in the last issue of *MIR*, Medley and Saal believe that globalization provides all the incentives needed to sustain the trend toward ever greater trade liberalization. "Letting trade policy be driven by economic need rather than political intentions," they say, "may not be such a bad thing."

**Irwin Stelzer**, director of regulatory studies at The Hudson Institute, takes aim at the CEOs who've followed the merger bandwagon as a means of disguising their own mediocrity. "Very often," Stelzer writes, "the goal of a merger is the unsurprising and not entirely laudable one of job retention. Having failed to improve a company's performance, an imperiled executive can put together a headline-grabbing deal that shows the time spent on the golf course was not in vain."

But Stelzer, who moonlights as a columnist for *The London Times*, offers consolation. "Most mergers create little threat to competi-

tion," he says: "if the much-abused term 'globalization' means anything, it is that most companies face vigorous competition from overseas rivals."

**Kevin Murphy** and **Robert Topel** of the University of Chicago's Business School offer one of those rare economic insights that can move public policy. Economists routinely work with "value of life" calculations – estimates from individual behavior that suggest how much life is worth in dollars and cents. Murphy and Topel use those estimates to measure the value of extending life through medical intervention.

Their numbers are breathtaking. They conclude that "improvements in life expectancy alone – i.e., ignoring the benefits of improved quality of life associated with decreased morbidity – added approximately \$2.8 trillion per year to national wealth between 1970 and 1990."

**Nick Eberstadt** of The American Enterprise Institute, a sometime demographer specializing in irony, reports on the latest twist in population growth. Not merely has the population bomb been defused, he says, there's reason to believe that the global population will soon begin to fall. The trend toward low birth rates has spread far beyond Europe, where it began. Even very poor countries such as

Kenya, long viewed as hopeless cases by Malthusians, are experiencing very rapid declines in fertility.

Is that good news or bad news? “Long-term population decline under conditions of steady health improvement,” Eberstadt argues, “is not a disastrous demographic phenomenon – any more than were the 20th century’s dual explosions of population and health. But an orderly global depopulation would require strange new adjustments – some of them wrenching – in both economies and societies.”

**Steve Cohen, Brad DeLong** and **John Zysman** of the University of California at Berkeley take a shot at answering the question of the hour: are the good times brought on with the New Economy here to stay?

For insight, they look back to earlier episodes of technological discontinuity. And their bottom line is surprisingly upbeat. “We think there is a very good chance,” they write, “that 100 years from now, people will look back at the current wave of innovation” and conclude that it fundamentally changed our economic prospects.

**Tim Taylor**, of the University of Minnesota’s Humphrey School of Public Affairs, takes a hard look at President Clinton’s economic record as the administration enters its eighth year. He is not about to give Bill much credit for the uninterrupted boom and serendipitously low unemployment rate. Running the economy “is like pointing out that you can steer a Flexible Flyer careering downhill,” he writes. “In the end, gravity has more to do with where you end up.

“Clinton has played the game competently,” he concludes, “but nothing in Clinton’s economic record reaches beyond competence, which is why his economic record is only a notch or two better than ordinary.”

**Al Fishlow**, an investment banker at Violy,

Byorum in New York who looked after Latin American economies for the State Department in the Carter years, brings us up to date on the state of global economic play. The financial crisis is over, he proclaims, and the existing financial architecture did a creditable job of preventing a slide into depression. “Nostalgic for the years of living dangerously?” he asks. “Be thankful we have the chance to worry about lesser matters.”

The book excerpt is from *Government’s End*, an update of **Jon Rauch**’s earlier work, *Demosclerosis*. But this hardly constitutes sloppy seconds. Rauch, a distinguished Washington-based journalist, expands on his original thesis that interest group influence undermines economic growth and efficient government. How, he asks rhetorically, can we live – even thrive – in a polity so compromised?

By accepting the tendency of mature political systems to collect barnacles, and by fighting one modest step at a time to keep the ship of state moving forward.

“The end of government is a sad time if you happen to be a liberal idealist or a conservative revolutionary, for whom nothing less than a new dawn will do,” Rauch writes. “For the rest of us, it is a time of maturely diminished expectations combined with maturely persistent ministrations.”

There’s much, much more, of course: Milken Institute views by **Ross DeVol** on the impact of biotech on regional economic growth and **Hilton Root** on the political economy of growth in emerging market countries; a charticle on the puzzle of translating national income statistics into numbers that allow international comparisons of living standards; and Ekinomix – cartoonist **Mark Alan Stamaty**’s edgy take on how the world works.

Write to praise, to pummel or just to palaver (ppassell@milken-inst.org).

— Peter Passell