

**Many of you** have written to ask whether we had considered outsourcing production of the *Review*. In fact, we're already saving beaucoup bucks by copy-editing and printing in Belarus, at Minsk's old Red Star Tractor Works. The only downsides have been the occasional cultural confusion – they keep asking what an “invisible hand” has to do with economics – along with a not altogether unpleasant odor of borscht on the binding.

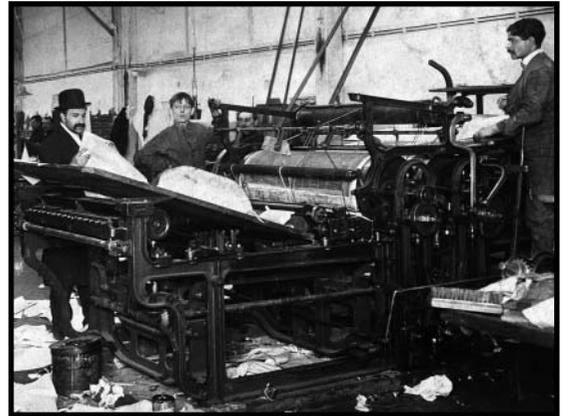
But hold the sour cream – at least long enough to peruse this dandy issue.

Scott Wallsten (AEI-Brookings Joint Center) and Katrina Kosec (American Enterprise Institute) measure the costs and benefits of the war in Iraq.

“In 2002,” they remind, “Lawrence Lindsey, then the director of President Bush’s National Economic Council, broke with the administration’s message by predicting that a war in Iraq could cost \$100 billion to \$200 billion. Lindsey soon left the administration – a departure almost certainly speeded by the discomfort he had caused among administration hawks. But with the Iraq war now in its fourth year, the \$100-to-200 billion range looks far too low. Taking into account many (but not all) costs, our tally is closer to a half-trillion dollars, with another half-trillion likely still to come.”

John Beshears (Harvard), James J. Choi (Yale), David Laibson and Brigitte Madrian (Harvard) explain how a little friendly spin could induce shop-til-we-drop Americans to prepare better for retirement.

“For better or worse,” they note, “the trend



toward asking workers to take more initiative and bear more risk in planning retirement is probably unstoppable. But the consequences of this shift are far from clear. At very least, employers that are shedding the risk and the government that is implicitly encouraging the switch owe Americans a gentle push in the right direction.”

Al Fishlow, the director of Columbia University’s Institute of Latin American Studies, steps back for some perspective on Latin America’s recent lurch to the political left.

“Today’s political environment,” he writes, “only superficially resembles the atmosphere of the 1970s and 1980s, when fire-breathing

## EDITOR'S NOTE

politicians from Chile to Peru to Nicaragua promised socialist revolution and delivered only inflation and economic paralysis. But in searching for an explanation of what is actually happening in Latin America now, the past is still a good place to start because that legacy helps to clarify why the New Left has largely avoided that well-trod path.”

In excerpts from their panel discussion at this year's Milken Institute Global Conference, Institute chairman **Michael Milken** mixes it up with Nobel economics laureates **Gary Becker**, **Daniel Kahneman** and **Myron Scholes**. Subjects range from climate change to energy independence to health insurance to the U.S. trade deficit. Oh, did I forget to mention obesity? Yes, economists have more to say about why Americans are adding girth than you might guess.

**Gregg Zachary**, a former *Wall Street Journal* reporter who teaches journalism at Stanford University, offers some good news (for a change) about Africa's future.

“There is a new optimism about the prospects for food production in Africa,” he writes, “and that optimism is sufficiently grounded in specific examples around the region that it is fair to conclude agriculture is poised for a significant revival. Ironically, after years of bemoaning the inefficiency of tiny holdings in African agriculture, policymakers and agribusiness executives have begun to reap the benefits of small-scale farming.”

**Larry Kotlikoff** of Boston University rails against the state of personal financial planning. “Admit it or not, most of us are no more rational about money than teenage bulimics are about Butterfingers,” he writes. “But economists have a pretty good idea of what people have in the backs of their minds. Both theory and common sense tell us that when it comes to consumption, people want a smooth ride,

preserving their living standards as they age.”

**Charles Cooper** (a private consultant) and **David Henderson** (Naval Postgraduate School) explain how their specialists' perspectives offer a unique take on solving everyday problems.

“Vilfredo Pareto, born in 1848, is widely known for his law of income distribution,” they write. “Pareto's Law has been popularized as the 80/20 Rule, which says that 20 percent of the productive inputs yield 80 percent of the outputs, or that 20 percent of the people create and enjoy 80 percent of the total income. More generally, Pareto noticed that many relationships in life are ‘nonlinear’ – that is, effects are not proportional to causes.”

In an excerpt from her latest book, **Janet Currie** of UCLA explains why the reform of America's welfare system went so smoothly – and why the underlying problem of ensuring an efficient safety net is far from solved.

“In the Brother's Grimm story,” she writes, “Cinderella shone in comparison with her wicked stepsisters. Similarly, programs that provide food and child-care benefits directly to children looked good in comparison to welfare programs that made cash payments to their parents. Now that the wicked stepsister of direct cash payments has been greatly reduced in importance, this comparison has become less salient and attacks are increasingly focused on the in-kind safety net programs themselves.”

And don't forget to check out this issue's charticle. Milken Institute Senior Fellow **Bill Frey** examines the flight of the middle class from high-priced housing on both coasts.

—Peter Passell

