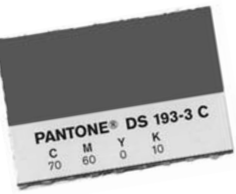
A devoted reader, JG of Passadumkeag, Maine, wonders why the covers of the *Milken Institute Review* are in full color, but the inside is black on white. I'm glad you asked, JG, because the designer of the *Review* had always thought the text was in fuchsia on thistle, but has now discovered that she is colorblind. While we figure out what to do about it, allow me to distract you with the dandy lineup for this issue.

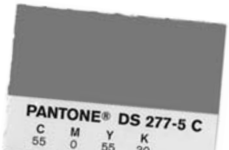


Ricardo Bayon, director of the Ecosystem Marketplace, an information service for environmental markets, explains how markets for rights to emit carbon dioxide into the atmosphere are reducing the cost of containing global warming – and how the scent of green is changing the debate over climate control in the United States. "The U.S. response is bound to be influenced by the gathering army of consultants, traders and investment bankers, who figure there is money to be made from the solution," he writes. "And that is probably a good thing. Adding the profit motive to the equation will almost certainly drive the politics toward a fix in which markets will play a leading role."

Uwe Reinhardt of Princeton University analyzes the pros and cons of single-payer national health insurance, in general, and the insurance system of Canada, in particular. "The highly egalitarian precepts inherent in the Canadian approach do not seem compatible with Americans' preference for letting money talk when it comes to health care," he writes. "By the same token, though, I don't buy the argument that government-run, single-payer health systems are inherently less efficient than more market-oriented health systems. In the end, each nation must decide which style of rationing – by the queue or by price and ability to pay – is most compatible with its culture."

Sheldon and **Sandra Danziger** of the University of Michigan take a hard look at American poverty in the wake of Hurricane Katrina. "No blue ribbon study group has been convened to consider how to reduce poverty or how to restructure a disaster safety net revealed to be so inadequate by the flooding of New Orleans," they point out. "Specifically, little attention has been given to the exhaustion of unemployment insurance, the loss of employer-provided medical coverage, or the problems of those who can not find work and do not receive cash assistance – all of which affect the poor of all races and ethnicities across the nation, but pile hardship upon hardship for those displaced by natural disasters."

G. Pascal Zachary, a former *Wall Street Journal* reporter, thinks out loud about an unthinkable approach to tackling Africa's



seemingly intractable economic problems. "Throughout history," he writes, "the notion of taking countries apart and reassembling them in the name of one utopian vision or another has been part of the vocabulary of tyrants."

"But suspend judgment for a moment. Could there be a practical way to allow the citizens of one country to express a preference to join another, and then do so? Could different parts of a failed state be parceled out among more viable neighbors?"

Milton Friedman died last November at the age of 94. We commemorate his life with excerpts from a very candid interview, conducted by Stanford University economist **John B. Taylor,** which took place in May 2000.

One sample Friedman gem: "Nixon had a higher IQ than Reagan, but he was far less principled; he was political to an extreme degree. Reagan had a respectable IQ, though he wasn't in Nixon's class. But he had solid principles and he was willing to stick up for them and to pay a price for them. Both Reagan and Nixon would have acted as they did if they had never seen me or heard from me."

Daniel Griswold, director of the Cato Institute's Center for Trade Policy Studies in Washington, says that it is long past time to allow free markets to determine where rice is grown and how much people pay for it. "Rice is the principle source of calories for about half the world – mostly the poorer half," he points out. "Yet, sadly, no commodity's market is more distorted by government intervention – a tangle of tariffs, quotas and subsidies often overseen by state monopoly buyers and sellers."

"By reforming the rice program unilaterally," Griswold concludes, "the U.S. government would bolster our national economic well-being, create good will among less developed countries, and enhance our nation's role as a leader in the world economy."

Kevin Lang of Boston University revisits the conventional wisdoms about the economic consequences of teen pregnancy. "Both political parties supported incentives built into the path-breaking 1996 welfare reform law that were aimed at reducing teenage motherhood," he notes. "It is ironic, then, that the evidence from social science research does not support the view that teenage motherhood is disastrous for either the mother or her children. This unintuitive finding is more than a tool for trumping righteous social conservatives and smug liberals at (presumably separate) dinner parties. The research implies that the way to reduce both teenage motherhood and teenage poverty is to increase the economic incentives to wait."

CLAY MCLACHLAN/IPN

While you're at it, don't forget to read this issue's Charticle by **Bill Frey** and the Milken Institute's report on high-risk financing for pharmaceuticals. — *Peter Passell*