EDITOR'S NOTE

The curiosity of loyal reader JG is apparently undeterred by our occasional mockery of her old hometown (Passadumkeag, Maine). She writes anew to ask how we choose writers for the *Review.*

Good question, JG (who recently moved upstate to Frostbite). We'd originally planned to assign the space by means of one of those new-fangled auctions used for selling wireless spectrum and the like. But the famous game theorist we hired to advise us ran through our consultant budget in just 17 minutes.

Hearing of our plight, the American Economic Association generously offered to lend us the Ouija board their own editors use in choosing articles for the *American Economic Review.* We gave it a try, but kept getting interference from the spirit of some 19th-century Austrian economist soliciting campaign contributions for Ron Paul. So, JG, we're managing on our own – and doing pretty well if I do say so myself. In this issue:

Cliff Winston, an economist at the Brookings Institution, asks whether the benefits of tightly regulating who's allowed to practice law really exceeds the costs of reducing competition and innovation in legal services. "The widely accepted justification for the licensing of lawyers is that consumers don't have the knowledge to distinguish the competent from the incompetent until it is too late," he writes. "But it has not always been thus. Though he never went to law school, Abe Lincoln went on to dazzle in the courtroom."

Karen Eggleston, an economist at Stanford, brings us up-to-date on China's crash effort to build a health care system worthy of an economic superpower.

"Paralleling Deng Xiaoping's dual-track reforms in other economic sectors," Eggleston recounts, "China enacted health policies intended to protect basic health care for even the poorest citizens, while encouraging the growth of a 'market track' offering sophisticated, high-tech services to those able to pay. But basic access was not well defined; nor did the government organize an effective market for insurance as a means of pooling risk over large groups. So when state-sponsored financing largely collapsed (because it had been linked to the abandoned agricultural communes and to state-owned enterprises now required to compete with the private sector), there was no Plan B."

Syl Schieber, former chair of the Social Security Advisory Commission, wrestles with the problem of cutting the fat from the armed forces' pension program. "In an era in which the trend toward earlier retirement is being reversed by the harsh realities of the bottom line," he writes, "change would begin to bring the military system into closer alignment with civilian practices. It could also dramatically reduce the cost of the existing system while continuing to provide a superior benefit for career military personnel."

Bill Frey, a demographer at Brookings and the Milken Institute, offers an overview of trends gleaned from the 2010 Census. Some are quite surprising. To wit:

"The rapidly growing diversity of the children's population stands in stark contrast to the largely white growth in the senior population," Frey notes. "In effect, the nation's diversity, bubbling up from the bottom of the age structure, has not yet reached the older segments of the population. Half of the nation's infants are now the children of minority parents, and a quarter of them are Hispanics. Compare this to the age 85-plus population, which is 85 percent white."

Robert Dekle, an economist at the University of Southern California, glimpses a silver lining in Japan's catastrophic earthquake: the special economic zones created in the quake's aftermath. "These zones look like a hybrid of new deregulation and traditional industrial policies," he writes. "If successful, the experiment could act as a catalyst, easing the way for broader efforts to liberalize the economy."

Tong Li, an economist at the Milken Institute, outlines possible fixes for China's helter-skelter financial system. "Change won't be easy," she acknowledges. "For one thing, there is no certain path to success – and the Chinese political system does not always reward policy innovators. For another, further deregulation and decentralization of the financial system is bound to be resisted by incumbent interests who would have less opportunity for what economists call 'rent-seeking.' But the risks in allowing the financial system to lag far behind the maturity of the economy are simply too great to ignore."

Hungry for more? Check out the excerpt from **Robert Shiller**'s new book. Plus, **Robert Looney** ponders a tough-love approach to U.S. aid for Pakistan. And **Allen Sanderson** shows a softer side in an homage to his former University of Chicago colleague, the late Milton Friedman. Enjoy. — *Peter Passell*