

**We're in double digits!** Yes, devoted readers and the rest of you, this is the 10th issue of *The Milken Institute Review*. And it's a winner, if I do say so myself.

Irony, as ever, is our specialty. And **Rob Norton**, the former economics editor of *Fortune*, kicks off the issue with the tale of how Republicans and Democrats have reversed roles on fiscal policy over the last two decades. Read it and weep – or giggle – the story deserves a bit of each.

They say sex sells magazines. Our lead piece by **Claudia Goldin** and **Larry Katz** of Harvard isn't likely to pique the interest of teenage males in heat. But it should serve as a startling reminder of how the technology of contraception paved the way for the entry of women into the commanding heights of the labor force. "Beginning in the late 1960s," they explain, "reliable female-controlled contraception enhanced the ability and willingness of young women to enter careers that involved extensive and upfront time commitments in education." The rest is herstory.

What's black and white, and read all... Whoops, wrong riddle. What can't be seen, touched or tasted, and is worth more money than all the pardons issued by Bill Clinton combined? The electromagnetic spectrum, or at least the portion that can be used for telecommunications. **Larry White**, an economist at New York University's Stern School of Business, asks whether it isn't time – indeed, long past time – to stop pretending the spectrum is public property when it has already

been unofficially privatized by muscular squatters ranging from GE to Disney.

"Any change in a decades-old public policy that affects every American in some way and some influential Americans in very big ways would be hard to change," White writes. "But if – and this is a big 'if' – a wider constituency could be convinced that the productivity gains associated with more efficient use of spectrum were large enough to offer widespread benefits reasonably rapidly, change might be possible."

The sound of car alarms is so common that few people notice them any more. What you may not know, though, is that home burglar alarms misfire almost as frequently. And, in spite of the fact that at least 19 out of 20 are false alarms, police respond dutifully at enormous cost to local taxpayers. **Erwin Blackstone** and **Simon Hakim** of Temple University, and **Uriel Spiegel** of Bar Ilan University in Israel offer the false alarm problem as a case study in how to create incentives for the efficient production of services that have both a public and private purpose.

"The solutions implemented by police departments and the alarm industry have, at best, put a Band-Aid on the false alarm problem," they say. "The problem can be overcome only if the hybrid nature of the service is recognized, and an appropriate competitive

market solution for the private segment of the service is implemented.”

If you’re one of those people who think economics is all work and no play, consider the example of **Alan Krueger** of Princeton University who went to the Super Bowl this year and wrote off his expenses as a tax deduction. Legitimately, by the way, as you shall see in his ruminations on the market for Super Bowl tickets.

Why, he asks, does the National Football League sell the tickets for a fraction of their free market value, leaving thousands of die-hard fans to the mercies of scalpers? Krueger isn’t quite sure. But he has a lot of ideas, and his piece offers a nice glimpse into the way a first-rate economist tries to reconcile the standard model of economic rationality with real-world events.

“Globalism” has become a snooze word – the sort you’re likely to associate with headlines on *The New York Times* OpEd page.\* We all know it’s terribly important, but we’d all rather be doing something other than reading about it.

This month’s book excerpt from **Barbara Garson’s** *Money Makes the World Go Round*, rises to the challenge of making globalism interesting as well as important. She traces the impact of her own modest investment in a savings account, which among others things, finances oil refinery equipment in Singapore.

A sample: “You can think of petroleum refining like hog butchering. They hack the ribs off for chops, the belly for bacon, the thighs for ham, the guts for chitterlings, and grind the bones into fertilizer.”

Like mom’s mythic apple pie, public colleges are above reproach – a source of social mobility and economic productivity that we

can hardly get too much of. Or maybe not. **Jeff Miron**, an economist at Boston University and a card-carrying libertarian, takes a critical look at the system and pokes some major holes in the conventional wisdom. “Even if one believes that public money should buy a college education for every high school graduate willing to put in the time,” he writes, “it makes more sense to subsidize students at privately owned institutions.”



Millions of you didn’t make it to this year’s Milken Institute Global Conference in Los Angeles (your loss). So we thought we’d offer tantalizing bits of one of the highlights: **Michael Milken’s** roundtable discussion with Nobel-Prize winning economists **Gary Becker**, **James Heckman**, **Lawrence Klein** and **Douglas North**. Prepare for a few surprises.

Rounding out this thrill-packed issue, of course, are our regular features. The Charticle looks back at the stock market, **Bill Frey’s** Institute View analyzes the impact of demographic shifts on political power in the wake of the election. And last, but never least, our cartoonist **Mark Alan Stamaty** takes another swipe at the Washington establishment.

— Peter Passell

\* Actually, *The New Republic* magazine once ran a contest to pick the *dullest Times OpEd headline*. The winner, as I recall: “Promising Canadian Initiative.”

# Hey, we know tech

and phone stocks have really taken a beating in the last year. But step back a little, and you'll see how much the markets are still betting on the success of the New Economy. We've compared the top 20 corporations at the beginning of 1970, as measured by stock market capitalization, with the top 20 at the beginning of March 2001.

Back in 1970, Big Oil and heavy manufacturing (GM, Ford, 3M, DuPont) dominated the list. Thanks to our good buddies the Saudis, the oil patch has hung in there. But the auto and chemical companies are gone. Meanwhile, information technology (Microsoft, Intel, Cisco, IBM), drugs (Pfizer, Merck, Glaxo, J&J) and telecommunications (Vodafone, NTT, SBC, Verizon) have become towering presences.

That doesn't mean the economy has marched in lockstep. The securities markets reflect expectations more than they do realities. And while most of the growth of the last 30 years has been in what might loosely be called intellectual capital-based services, an awful lot of value-added is still in making stuff you can touch.

Perhaps the more profound insight to be extracted here is that Old Economy nuts-and-bolts businesses are so hemmed in by competition in global markets that nobody can make a killing. By contrast, New Economy industries are more likely to be in winner-take-most markets – places where being first and/or best with The Next Big Thing can be worth tens or even hundreds of billions of dollars.

