

**OK;** the sky really is falling. For once, Santa Monica, the home of the Milken Institute and its eponymous *Review*, did not have the best summer weather in all of these United States. Indeed, it was so hot and sticky on the Third Street Mall in July that even the bare-midriff girls seemed overdressed.

But look on the bright side. Those of us delegated to bring you this latest edition were stuck in dreary machine-chilled chambers, free of the distractions of sun, surf or rollerblades. And the toil, I think, has paid off.

Jeremy Bulow of Stanford's Graduate School of Business casts a gimlet eye on the 1998 settlement of state claims against the tobacco companies, and leaves you wondering what we were all thinking when we applauded it.

"Few people trust tobacco companies, trial lawyers or politicians," he writes. "But somehow when the three groups got together and spoke with one voice they were able to convince most people – particularly nonsmokers who benefit from higher cigarette tax revenue – that the settlement had achieved a noble public health goal. In reality, the settlement preserved tobacco companies' profits, while it gave the trial lawyers an incredibly large ongoing source of income gouged from the hides of smokers, and handed state politicians



bragging rights as Davids to Big Tobacco's Goliath."

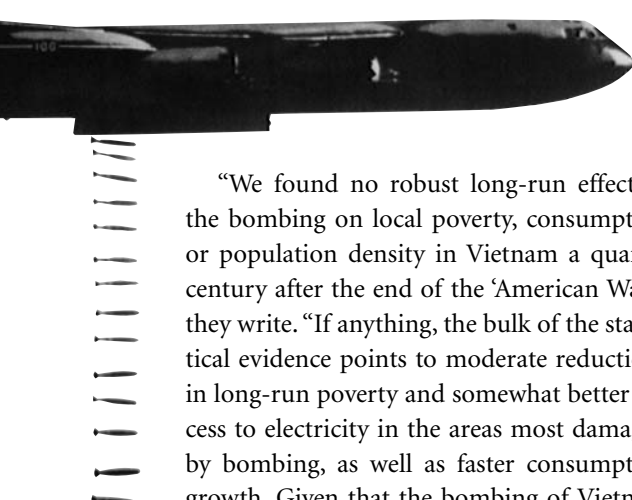
Robert Looney of the Naval Postgraduate School in California analyzes the economic strategy of Dubai, the Persian Gulf city-state that was recently foiled in its efforts to buy a string of commercial ocean ports in the United States.

"A series of extravagant initiatives has enabled Dubai to reinvent itself when necessary to maintain growth," Looney explains. "But a close look suggests the emirate has been incredibly lucky as well as smart – hitting hot oil markets at just the right time, while reaping benefits as a safe place to play in an ever

## EDITOR'S NOTE

more dangerous region. However, the new skittishness in the Dubai Stock Exchange – in early 2006 stocks lost half their value from the 2005 peak – suggests more than one investor is having doubts about the impermeability of the emirate's Teflon coating.”

Edward Miguel and Gérard Roland of the University of California (Berkeley) use detailed statistics on which places in Vietnam were bombed and how often in order to estimate the long-term economic consequences of modern warfare.



“We found no robust long-run effect of the bombing on local poverty, consumption or population density in Vietnam a quarter century after the end of the ‘American War,’” they write. “If anything, the bulk of the statistical evidence points to moderate reductions in long-run poverty and somewhat better access to electricity in the areas most damaged by bombing, as well as faster consumption growth. Given that the bombing of Vietnam was the most intense in history, this is surely a surprise.”

Nadeem Esmail and Michael Walker of the Fraser Institute in Vancouver offer an assessment of Canada's health care system, which has become a sort of holy grail to proponents of single-payer, universal access medical care.

“The Canadian health care experience,” they conclude, “should be as much a cautionary tale as an inspiration for Americans unsatisfied with the status quo. Canada's single-payer system delivers on the promise of universal access, but at a price that reflects its failure to use market-based incentives to ration services and to maximize the efficiency

of their delivery. It's hard to imagine that planners who started afresh couldn't do better.”

In the last issue, Scott Wallsten and Katrina Kosec calculated that the real cost of the Iraq War would total a whopping \$1 trillion. Not to be outdone, Linda Bilmes of Harvard and Nobel Prize winner Joe Stiglitz of Columbia weigh in with an estimate more than twice that amount. And much of the difference is due to the long-term costs of treating disabled veterans.

“There are 2.6 million veterans currently receiving disability pay,” they point out, “including a sobering 40 percent of the soldiers who served during the four-week-long Gulf War in 1991. Total accrued liabilities for U.S. federal employees and veterans benefits is now \$4.5 trillion. Indeed, our debt for veterans' health and disability payments has risen by \$228 billion in the past year alone.”

Kevin Cullen, director of Research & Enterprise at the University of Glasgow, writes about the competing demands on universities and their technology transfer efforts. “The idea that university-based knowledge-transfer professionals can simultaneously combine the roles of economic development agencies and entrepreneurs simply isn't credible. Nevertheless, expectations persist that, when the university undertakes outreach work for the public good, it can somehow also make money from the activity. But economic development is not a financially sustainable activity – if you want a second opinion, just ask your local government economic development agency to become self-funding.”

Hey, that's not all. Peruse the latest charticle. Check out the excerpt from *Knowledge and the Wealth of Nations*, David Warsh's witty, fly-on-the-wall view of the economics profession's inner sanctum. And take a gander at this issue's List, a survey of the world's smallest countries. — Peter Passell