

**A curious reader** wonders whether the extensive use of irony in the pages of the *Review* reflects the editor's valiant efforts to cope with the ever-growing complexity of economic reality, and the ever-shrinking capacity of a reality-television-addled citizenry to make sense of it. A good guess, Curious Reader. But the truth is simpler: I spend too much time watching *The Daily Show* and *The Colbert Report*. As you shall see, though, I did manage to pull myself away from the flat-screen long enough to put together a bang-up issue.

**Robert Looney** at the Naval Postgraduate School in California, challenges the conventional explanation for how Pakistan President Pervez Musharraf lost his grip.

"To outside observers, Musharraf's fall from electoral grace was apparently triggered by his (second) unconstitutional grab for power – the declaration of martial law, the sacking of the country's top judges, the failure to protect Benazir Bhutto from assassination – along with his increasingly unpopular alliance with the United States in seeking to drive ethnic Pashtun Islamic fundamentalists from their refuges along the border with Afghanistan," Looney writes. "But analysts close to the ground argue that the proximate cause of Musharraf's humbling was his inability to contain food and fuel inflation – and, more generally, his failure to improve the living standard of the great majority of Pakistanis, who have yet to share in the bounty from Asia's economic awakening."

**Sherry Glied**, an economist at Columbia University, explores how a universal health insurance mandate would (and wouldn't)



work, and why the idea inspires extreme reactions. "Reforms that include subsidies and risk-rating limits would be enough to induce the majority of people now lacking insurance to obtain it voluntarily," she argues. "But research on health insurance markets, along with two decades of experience with public insurance expansion initiatives, suggest that even with very substantial subsidies as incentives, a significant number of Americans – perhaps a third of those currently uninsured – would choose to go without."

## EDITOR'S NOTE

Laurence Kerr, a former minister-counselor for economic affairs at the U.S. Embassy in Mexico City, puts Mexico's economic progress (and lack thereof) in context.

"Bowed under the weight of inefficient bureaucracies and often-rapacious leaders espousing outdated economic models, Mexico has nevertheless largely managed to crawl out of bitter poverty to join the middle-income nations," he reports. And, "after two decades of revolutionary change, Mexico is now poised for rapid growth. Disciplined by freer trade, Mexican companies are beginning to prove the country can compete effectively on the world stage once they get reasonable access to markets, capital, technology and management skills."



Susan Dynarski of Harvard's Kennedy School of Government wonders why the federal government's massive investment in college tuition subsidies has done so little to lure low-income and minority students into higher education. "The good news," she explains, "is that research and common sense suggest an easy, no-cost fix. The more sobering reality is that the aid system, like most as-

pects of big government, is subject to powerful forces of inertia."

Dean Baker, co-director of the Center for Economic and Policy Research in Washington, analyzes the waste and conflicts-of-interest inherent in the current system of asking drug companies to test their own products, and proposes a bold alternative. "On the one hand," he writes, "publically financed testing of drugs would reduce the resources that must be invested to insure that new drugs are safe and effective. On the other, funding the program through government savings from negotiating lower drug prices would reduce the waste linked to the gap between production costs and market prices."

Robert Archibald and David Feldman of the College of William and Mary in Virginia argue that health care inflation is part of a broader and not entirely malign trend in service industries heavily dependent on skilled labor.

"The health care industry is surely riddled with incentive problems that often lead to the delivery of the wrong services to the wrong people, and at too great a cost," they concede. "Our point is that the tendency for medical price increases to outstrip the overall inflation rate is not, in itself, a reason to think the industry is failing to deliver the goods."

Wait; our cup runneth over. Michael Milken chats with Nobel Prize-winning economists Gary Becker, Ned Phelps, Myron Scholes and Michael Spence about topics ranging from China's humungous foreign currency reserves to the prospects for another depression. Tim Harford explains how economic game theory has produced a poker champion. And Bill Frey offers a charticle on race and the election. Happy perusing.

— Peter Passell