EDITOR'S NOTE

We're fit, we're rested – and we're back with the third issue of *The Milken Institute Review.* This is the magazine about economic policy that may occasionally get it wrong – more than a few readers wondered whether our cover story on who lost Brazil was a wee bit premature – but will never fail to be provocative.

And this time around, the provocations range from a very tough look at American immigration policy to an even tougher look at the American college-sports cartel, also known as the N.C.A.A.

Stephen-Götz Richter, the head of TransAtlantic Futures, asks Europeans to stop worrying and learn to love the cheap euro. Euroland, Richter explains, needs a depreciated currency to sustain demand for its products while the continent goes about the long-overdue process of deregulating markets and revamping slothful industries. "The restructuring horse is truly out of the European barn, and will not be put back," he writes; "anything and everything possible must be done to help the wide European polity learn to live with, and even love, American-style capitalism."

Uwe Parpart, a Bangkok-based columnist for *Forbes Global* magazine, offers a report from the trenches on the East Asian recovery. And he hardly comes off as a Pollyanna. "Even in the boom years of the early 1990's, battles over market share or political rows over wealth distribution in East Asia were never pretty," he writes. "But now that the very existence of businesses is at issue, things have gotten really nasty."

Strikingly, though, Parpart's bottom line is optimistic. "Betting on East Asia's middle class," he cautiously allows, "is looking like a good wager."

Bill Gale of The Brookings Institution and **John Sabelhaus** of the Congressional Budget Office set out to go where many economists have gone before. But unlike the others, they really have managed to unearth everything you wanted to know about America's savings "crisis" and maybe a bit more.

The saving rate, we all know, has plunged precipitously in the last few decades. What we didn't know is that the official numbers offer little insight into the key questions – whether the baby boomers are failing to prepare for retirement or whether America has become dangerously dependent on foreign capital. And happily, things don't look bad. Adjusting for inflation and capital gains, they conclude that "rates of real wealth accumulation in the late 1990s are higher than at any time in 40 years."

Tom Kane, an economist at Harvard's Kennedy School of Government, made a splash some years back for his brave and lucid analysis showing that ending affirmative action would drastically reduce minority enrollment at elite colleges. Here, he takes on a less explosive but equally important topic in higher education: access for students from low-income families.

"My proposals," he writes, "are aimed at increasing the bang from a Government buck, retargeting existing subsidies to encourage students to experiment with college and to pool the risk in choosing to enter college."

Roger Noll, an economist specializing in regulatory issues at Stanford, has always been a thorn in the side of the Pooh-Bahs who run the business of sports in America. His critique of Major League Baseball's claim of poverty, made in defense of the players' union, was devastating. Here, he lays out the peculiar economics of intercollegiate sports and the even more peculiar consequences of its cartelization by the National Collegiate Athletic Association.

Noll defends colleges' enormous investment in sports as a matter of good marketing: "Universities have comprehensive varsity athletics programs largely because many students want to be intercollegiate athletes." But he adds that "the N.C.A.A.'s behavior indicates that it is mostly interested in suppressing payments to athletes in a way that benefits coaches and the athletes who play minor sports."

George Borjas, yet another scholar at Harvard's Kennedy School, is a veteran at making both liberals and conservatives angry. For the Cuban-born, Chicago-educated economist has spent much of his academic career analyzing America's immigration policy – and finding it long on noble sentiment and short on economic sense. In particular, he is critical of the focus on reuniting families at the expense of skills-based tests.

This excerpt from his new book, from the Princeton University Press, doesn't go very far to rehabilitate his politically incorrect image. But his words are worth a close read. "I believe that immigration policy should be set in ways that further the national interest," he writes, "and this may simply not coincide with giving a particular person or ethnic group the opportunities America offers."

Those who read *The Milken Institute Review* with some care – yes, it has been known to happen – will note that the book reviews are getting longer. This is not due to some carefully considered editorial policy. I just happened to commission a pair of reviews for this issue that came in long and deserved the space.

Martin Mayer, a guest scholar at The Brookings Institution with a long list of smart, accessible books about financial markets to his credit, reviews Jean Strouse's biography of J.P. Morgan. And along with assessing the great financier and his distinguished biographer, Mayer adds a scholarly footnote on Morgan's interest in the opera. On reflection, that's not surprising: Among his many accomplishments, Mayer is a professional music critic.

From the sublime to the mundane. Well, not exactly mundane. **David Henderson**, an economist at The Hoover Institution, takes a look at what might be called "home economics" if that hadn't come to mean cooking, cleaning and finding bargains at Kmart. His review, of Dwight Lee and Richard McKenzie's book on how to get rich slowly, offers uncommon sense about a topic that economists generally ignore – but that the vast majority of Americans consider far more important than the elasticity of demand for widgets or the current account deficit of Brazil.

We skipped the puzzler in this issue. But we do offer some equally worthy distractions: the sayings of Chairman Summers, the looming role of high-tech in regional growth, news from The Milken Institute and of, course, Mark Alan Stamaty's Ekinomix.

And hey, I'm lonely. Don't forget to write (ppassell@milken-inst.org).

— Peter Passell

BY STEPHAN-GÖTZ RICHTER

Many European economists are adamantly warning against a weak euro, even though currency movements of the magnitude of the euro's recent fall – roughly 15 percent against the dollar – are quite common. Moreover, from a purely economic perspective, the euro's decline is more than understandable: Short-term interest rates are higher in the United States, acting as a magnet for idle corporate cash for payrolls, inventory and the like.

To quite a few Europeans, though, the euro represents something besides a currency. They view it as the means by which Europe can wrest its rightful position as co-leader of the global economy. And thus, to them, the euro's decline so soon after its creation amounts to failure.

But seen in proper context, the euro's weakness is an opportunity. Europe needs a weak euro to foster industrial restructuring, and the unified currency could promote this process with less muss and fuss. Imagine, by contrast, the hoopla and backbiting we would have seen by now had a whole range of European currencies moved lower – probably to uneven levels and at uncertain rates.

RON CHAPPLE/FPG INTERNATIONAL (2)

HOW TO PROMOTE RESTRUCTURING

From the perspective of the United States, it is vital to understand how the euro's decline is a key to a European economic renaissance. Europe faces a difficult task in the next few years, restructuring businesses so they can attain the productivity of American competitors. Fortunately, the Europeans have a model for this process – namely what happened in the United States about 15 years ago.

Back then, American businesses underwent a restructuring similar to what Europe needs today. And by the late 1980's they had a powerful, if impersonal, ally in their efforts to become more competitive: the weak dollar. Between early 1985 and late 1989 the dollar's exchange rate against major currencies fell by about one-half. Despite the relatively small

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