

Yes, the long wait for the fourth issue of The Milken Institute Review is over – and do we have a doozy* for you. First, admire our fabulous cover art. Next, surf your way through essays that run from the sublime (the new economics of aesthetics) to the ridiculous (America's overused bankruptcy laws). Better yet, read the magazine cover to cover. Of course, there'll be a prize for the first person to memorize the book excerpt.

Jagdish Bhagwati of Columbia University tackles the future of trade liberalization on the eve of the WTO's meeting in Seattle. As perhaps the most articulate defender of free trade on the planet, Bhagwati is always worth reading. And as the former economic policy advisor to the director-general of GATT, he has a pretty fair notion of what – if anything – can be done when Pat Buchanan, Ralph Nader and Greenpeace seem intent on demonizing globalization.

Virginia Postrel, the editor of *Reason Magazine*, is probably best known for her quirky, insightful columns on economics, technology, politics and culture – not to mention her book, *The Future and Its Enemies: The Growing Conflict over Creativity, Enterprise, and Progress* (Free Press, 1998). Here, she writes about the evolution of material values in an era of rising discretionary income and ever-cheaper design technology.

The good news, of course, is that everything from teapots to tummies is looking better. The bad news is that the arbiters of

taste can't leave well enough alone. "The temptation to exercise political coercion to force one's aesthetic opinions on others can be overwhelming in the face of what seems ugly or inappropriate," she writes. "Instead of the classical proposition *de gustibus non disputandum est*, we may find ourselves in a world where matters of taste are our most intractable disputes."

Ben Bernanke (Princeton), **Frederic Mishkin** (Columbia), and **Adam Posen** (Institute for International Economics) ask what mere mortals can do to preserve price stability, once Alan Greenspan retires from Olympus. Not surprisingly, they believe there's hope. "We think the answer lies in a strategy known as 'inflation targeting,'" a policy approach "that has been employed with great success by countries including Canada, the United Kingdom, New Zealand, Australia and Sweden."

The authors want you to know (as does the editor) that anyone thirsting to know more about the subject can plunk down \$24.95 for their book, *Inflation Targeting* (Princeton University Press), written with Thomas Laubach of the Federal Reserve Bank

*Always wanted to use that word in print...

of Kansas City.

Walter Russell Mead, a senior fellow and resident gadfly at the Council on Foreign Relations, explains why emerging economies need a new model for development. Export-led growth has run its course, he argues – China and India can't make it the way Japan and Korea did. But there's no going back to "import substitution," which was inspired by the early successes of self-sufficiency and central planning in the socialist bloc.

So is there really a practical alternative? Mead fleshes out a third route to the Promised Land, requiring a shift from dependence on demand for manufactured exports, along with reforms that enable developing countries to use capital more efficiently while buffering national economies against international panics.

Joseph Pomykala, the associate director of the Center for International Business and Management at Towson University in Maryland, has been obsessing over the economics of bankruptcy ever since he wrote a Ph.D. thesis on the subject at the University of Pennsylvania. There are lots of reasons why one out of every 68 households in the United States filed for bankruptcy in 1998 – double the number of the entire decade of the Great Depression. "But the bottom line," he writes, "is depressingly simple: legal incentives make it much too attractive to shed personal debt through bankruptcy."

Now for something completely different: **Stephen Moore**, the director of fiscal policy studies at the CATO Institute, challenges the conventional wisdom that speed kills. Is this analysis of the consequences of higher speed limits properly classified as economics? Maybe. Is it an interesting take on government regulation? You bet – and that's a good enough reason to include it here.

This issue's book excerpt is from *True*

Security: Rethinking American Social Insurance, just published by the Yale University Press. The authors, both law professors at Yale, are not your average pointy-heads. **Michael Graetz** is a former Treasury official in the Bush Administration and the author of *The Decline (and Fall?) of the Income Tax* (1997), a screed on the sad state of Federal taxation. **Jerry Mashaw**, a policy wonk who marches to his own drummer, is an outspoken advocate of a strong national government just when devolution is the flavor of the decade. His book, *Greed, Chaos and Governance* (1997), uses public-choice theory to expand on a theme first introduced by Alexander Hamilton.

Graetz and Mashaw start with a clean page, asking what we really want – and can reasonably expect – from the social safety net. "When planning our lives to maximize our own security," they write, "the long view may be prudent – or a formula for disaster. Individual responsibility is crucial, but it will not guard us against all hazards." The excerpt only sets the stage. Those who want to know in glorious detail what the pair recommends will have to buy the book. (Do you detect the emergence of a theme here?)

The puzzler is back: check out your feminist business IQ. So is the charticle – this time illustrating the difficulty of figuring out the role of bank credit in spurring (or destabilizing) growth. **Barry Bosworth** from Brookings reviews a couple of books on social insurance – including this issue's book excerpt. **Donald Straszheim** and **Michael Intriligator** plead for patience regarding China and Russia, while our superstar cartoonist, **Mark Alan Stamaty**, weighs in with a new Ekinomix.

Let me know what you think. The suspense is killing me (ppassell@milkeninst.org).
— Peter Passell

BY JAGDISH BHAGWATI

Seattle will no doubt be sizzling despite the mild weather at the end of November. For that techno-trendy city is the site for the World Trade Organization's Inter-Ministerial Meeting – and more specifically, the place where the WTO's 134 member nations will attempt to kick off a new round of negotiations for liberalizing global trade.

Why the ado? This is, after all, the young organization's first trade round. What's more there will, no doubt, be an intense (if polite), public relations tussle over what the round should be called. If you're an American, the choice is between the Clinton Round, an opportunity that the President appears to have blown by procrastinating over whether he wanted a round at all, or the uninspired Seattle Round. If you are not an American, the preference, following the suggestion of Sir Leon Brittan, Europe's trade minister, is for the Millennium Round – and that's not just because it is apt to take a millennium to complete it.

But the reason the whole world will be watching is that both free trade and the World Trade Organization are under siege. Worse, the forces that threaten further trade liberalization under WTO auspices come from two altogether different directions.

Start with labor unions and other non-

governmental organizations – in bureaucratize, the NGOs. The NGOs, constituting the civil (or as cynics would say, the uncivil) society, vary from the skeptical to the deeply hostile, calling into question the value of free trade (or “globalization” as they like to call it) and its premier institution, the WTO.

True believers want the WTO plowed under. They see it as the wicked arm of multinationals that want to impose the horrors of globalization upon us all. Lesser extremists oppose any new liberalization, preferring to de-fang the WTO rather than bury it.

Those in the moderate camp do not oppose the WTO or trade liberalization. But they would exact a considerable price for cooperating – namely, the obligation to link freer trade to labor and environmental standards, human rights and assorted social agendas. A big catch, of course, is that they do not all share the same views on what those agendas should be: One man's minimum living wage is another's right to starve.

More pointedly (and with greater consensus) the moderate NGOs are angling for a slew of procedural changes. These would include revising the WTO's dispute-settle-

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