I don't want to sound cocky or nothin', but this is one swell issue. And after an introductory sentence like that – designed, I might say, to drive our copyeditor wild – the magazine plainly has nowhere to go but up. Seriously folks, where else are you going to find a bunch of dismal scientists pontificating about everything from the Internet to baseball to cocaine?

Irwin Stelzer, a senior fellow at the Hudson Institute and columnist for *The Sunday Times* (London), weighs in on lessons forgotten since President Carter took to wearing sweaters on television and premium gasoline hit $2.00 a gallon. "The first step in an energy policy that aims to bring the price of oil closer to free market levels might well be to explain to the Mexicans that they cannot hope to sell the output of their *maquiladoras* to us, unless they also offer us oil at competitive prices," he writes.

Peter Reuter, an economist at the University of Maryland's School of Public Policy, looks more in sorrow than in anger at America's bankrupt strategy for reducing the consumption of illicit drugs. "U.S. policies are heavily supply-side oriented – that is, they aim primarily to increase the price and restrict the availability of illegal drugs," he explains. "These control efforts seem helpless to make cocaine or heroin more expensive or less accessible."

Robert Hahn, the director of the American Enterprise Institute-Brookings Joint Center on Regulatory Policy, asks whether traditional antitrust policy makes a good fit with what is casually called the New Economy. "Economists have offered a new framework for thinking about these problems," he explains. "But it is only a framework – concrete measures for implementing the framework are in short supply."

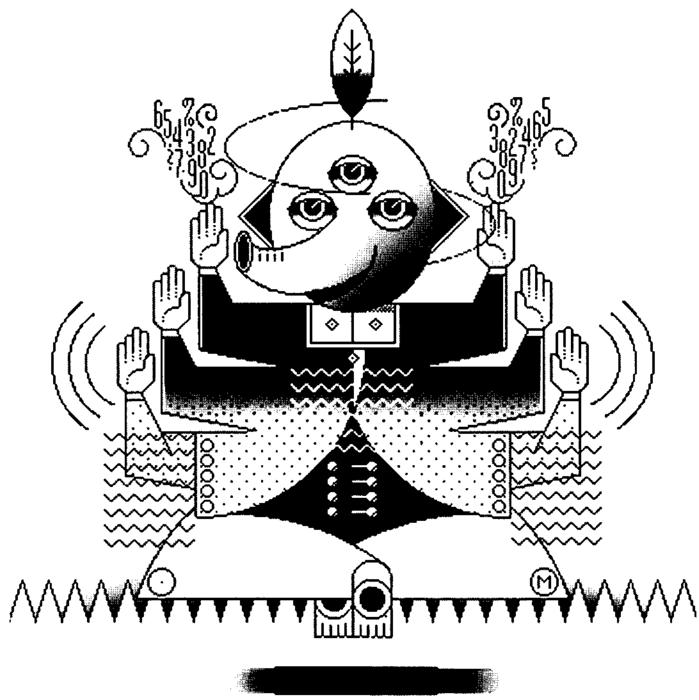
Jagadeesh Gokhale, a senior economic adviser at the Federal Reserve Bank of Cleveland, and **Larry Kotlikoff**, an economist at Boston University, take a hard look at the federal budget surplus and pronounce it an illusion. The cash now flooding the United States Treasury is only a drop in the bucket compared to the impending demands of retiring baby boomers. Indeed, they conclude that "under realistic assumptions about the future course of federal discretionary spending, Washington is likely to create fiscal imbalances that would require future Americans to sacrifice an extra two-fifths of their lifetime earnings."

Edgar Feige, a professor-emeritus of economics at the University of Wisconsin (Madison) and an expert on the underground economy, wonders whether it isn't time to try for truly radical tax reform – a ground-up fix that takes advantage of the trend toward electronic payments and minimizes distortions in incentives to work and save. "The automated payment transaction approach would extend the tax base from income, consumption and wealth to all transactions," he explains. "It can be viewed as a public brokerage fee assessed by the government to pay for the provision of the monetary, legal and political institutions that facilitate and protect market trade and commerce."

Andrew Zimbalist, an economist at Smith College, considers Major League Baseball's efforts to create a level playing field for small-city franchises – without disturbing the unstable balance of power between the club owners and the players' union. Failure to address the issues squarely, he says, puts the game in economic peril. "Despite the unveiling of several new stadiums, and successful assaults on the single-season home run record, baseball's attendance per team has leveled off and television ratings for both in-season and post-season games have continued to drop," he writes. "Outside of New York there was near apathy about the media capital's vaunted subway series this past fall."

This issue's book excerpt is from **Jim Rohwer**'s *Remade in America* (Crown).

Rohwer, a senior contributing editor at *Fortune*, analyzes the ways in which Asian economies are adapting in the wake of the 1997-98 crash. And in this excerpt, he explains how Asian nations, in general – and Japan and India, in particular – are poised to take advantage of the Internet. "Asia is better placed than almost any other region to profit from the spread of the Internet," he writes, "because of what Asia has been good at: the manufacture and sale of export-oriented goods," and paradoxically, "because of what it has been bad at: services and distribution."



MARK VON ULRICH

Robert Levine, a senior economic consultant at the RAND Corporation, speculates about the sources of American economic leadership. "The overwhelming reason for the U.S. lead is American entrepreneurship, and the causes for that advantage lie deep in geography and history – and in the culture stemming from that history," he writes. "The old world may strain for ways to close the enterprise gap. But America's advantage is so fundamental that it is hardly likely to lose the lead in the foreseeable future."

Yes, there's more. This issue's charticle assays progress in the aforementioned Asian recovery. The Institute View summarizes new insights on the forces driving corporate takeovers. And, of course, cartoonist **Mark Alan Stamaty** punctures egos with Ekonomix.

— *Peter Passell*

THE U.S. ENRICHMENT CORPORATION RESPONDS

For me, "Uranium Blues" (by Richard Falkenrath, Fourth Quarter 2000) is a classic case of "déjà vu all over again," as Mr. Falkenrath has been publicizing the same views over and over in numerous venues for the past five years. While the facts run counter to his position, that never seems to deter him from ignoring the reality that the Russian highly enriched uranium (HEU) program is working well. In spite of all the historical intrigue he cites, and his constant dire predictions of impending doom, the program is successful.

Last April, the General Accounting Office (GAO) was directed by Congress to review the implementation of the 1993 Megatons to Megawatts agreement. Based on its investigations, the new GAO report states, "USEC has consistently paid Russia for deliveries of low enriched uranium and accepted shipments in a timely manner. By doing this, USEC has satisfactorily carried out its responsibilities as executive agent for the United States."

For those of your readers who care more about results than colorful accusations, here are the actual facts pertaining to USEC's commercial implementation of the Megatons to Megawatts program:

- The equivalent of over 4,000 nuclear warheads has been converted to power reactor fuel, and purchased from Russia by USEC for use by its customers.
- Implementation of the Megatons to Megawatts program is ahead of the schedule for quantities and dates that was set out in the original government-to-government agreement and implementing contract. All shipments interrupted by Russia have been resumed, completed and/or accommodated by mutual agreement. One-fifth of the 20-year program for conversion of 500 metric tons of HEU has been completed.
- Megatons to Megawatts enriched uranium purchased from Russia now accounts for nearly half of USEC's product mix.
- USEC has paid Russia more than $1.5 billion to date for purchases of enriched uranium derived from dismantled Russian nuclear warheads. These funds have been used to keep Russian nuclear workers employed and for other nuclear security and environmental restoration activities in Russia. New market-based contract terms for the implementing contract are expected to go into effect in January 2002. The terms have been agreed upon by the two executive agents and are awaiting approval by both governments.
- An Enrichment Oversight Committee (EOC), appointed by the President in 1998 prior to privatization, directs the Megatons to Megawatts program and oversees the activities of the government's executive agent. Chaired by the National Security Council, other members include designees from the Departments of State, Treasury, Defense, Justice, Commerce and Energy, the Office of Management and Budget, the National Economic Council, the Council of Economic