Unfortunately, it wasn't obvious whether the rule of law preceded or followed economic growth. Moreover, *The Economist* points out, the rule of law has different definitions, which the writers call "thick" and "thin." Some thick-minded economists believe that the rule of law is joined at the hip with liberty and democracy. True adherence to a rule of law constrains state power, and guarantees freedom of speech and association, they say. Thin-oriented economists take a narrower view, defining the rule of law as guaranteed property rights, predictable transaction costs, and the efficient administration of justice. But in either case, why have parts of Southeast Asia and Russia grown steadily richer under the sway not of the stately rule of law, but of crony capitalism and Kremlin banditry?

Although reforms in the rule of law, whether codified as a broad right to democratic institutions or simple access to a security of property, are linked to improved economic status, the tie is weak. Improving the rule of law is desirable, *The Economist* says, but not a prerequisite for growth.

ECONOMICS, LABOR & BUSINESS

Worth Every Penny

THE SOURCE: "Why Has CEO Pay Increased So Much?" by Xavier Gabaix and Augustin Landier, in ***The Quarterly Journal of Economics***, Feb. 2008.

The sixfold rise in pay for America's top executives over the past quarter-century has brought an outcry from populists. But economists Xavier Gabaix and Augustin Landier of New York University argue that CEO pay merely rose in lockstep with the market value of large corporations during this period. The average value of the nation's top thousand firms grew by more than 500 percent from 1980 to 2003. Average chief executive pay went up by the same relative amount.

Gabaix and Landier say that the difference in top talent is almost minuscule. The best CEO is statistically likely to increase earnings by .016 percent more than the 250th-best CEO. Even so, when that figure is applied to a $500 billion company, it amounts to an extra $80 million, hardly chump change. The astonishing pay raises for chief executives can turn out to be cost-effective.

> Executive pay raises may seem astonishing, but they reflect a corresponding rise in the market value of major corporations.

Executive salaries have not risen at the same astronomical rate in other countries, the authors say, in part because foreign firms have not increased in value at the same rate as those in the United States. But in at least one other country, Japan, where the rate of market capitalization has soared, executive pay has not kept pace. Comparing giant companies in the two countries, Gabaix and Landier found that the average compensation of Japanese CEOs was only one-third that of their American counterparts. Tokyo corporations, they say, are much more likely to groom their executives internally than to bid for CEO talent on the open market.

ECONOMICS, LABOR & BUSINESS

The Baby Penalty?

THE SOURCE: "Understanding the Returns to Delayed Childbearing for Working Women" by Kasey Buckles, and "Transitions: Career and Family Life Cycles of the Educational Elite" by Claudia Goldin and Lawrence F. Katz, in ***The American Economic Review***, May 2008.

Why have women not risen further and faster in business since pouring into the work force in the 1970s? It remains a great conundrum of the 21st century, and now two studies present new evidence on the familiar tension between family and work.

The wages of highly skilled women flatten out when they have their first child and never regain the same trajectory, according to Kasey Buckles, an economist at Notre Dame University. Although female fertility declines dramatically between the ages of 25 and 35, the typical American woman is increasingly putting off having her first baby. The first-time mother was almost two years older in 1999 than in 1982 (and since Buckles conducted her research, the mean age at first birth has risen further, to 25.2 years in 2005, the latest year for which figures are available). Each additional year of delay

is associated with a three percent increase in wage rates and a 10 percent increase in earnings.

Highly educated women delay childbirth longer than those without as much schooling, Buckles writes, and face greater wage losses if they don't. National surveys show that skilled women who give birth before age 26 experience a "wage penalty" (compared with women who bear children later) of almost 19 percent in the first four years after the birth, 33 percent in years five through nine, and 62 percent 18 years later.

A separate study of male and female Harvard and Radcliffe graduates during three periods, roughly around 1970, 1980, and 1990, shows that women increasingly delayed marriage as the decades progressed, and nearly 40 percent of women in all three groups never had children at all.

Highly educated women delay having children longer than those without as much schooling, and face greater wage losses if they don't.

The first cohort married earlier than the others (average age 27, compared with age 30 for the most recent), but put off having children until they were 31 or 32 years old—the same age as the more recent graduates. The 1970- and 1980-era female graduates took about a year off during the first 15 years after graduation if they had one child. The younger, 1990-era mothers settled for only nine months. The percentage of women who did not work outside the home stayed roughly the same—9 percent among the 1970-era grads, 10.5 percent among the 1980-era group, and 10.1 percent in the 1990-era cohorts.

Recent speculation that women graduating from elite universities are "wasting resources by dropping out of the labor force" does not appear supported by the data, write Claudia Goldin and Lawrence F. Katz, both Harvard economists. What is true, they write, is that there is a wage gap. The median income of fully employed Harvard-educated women in 2005 was $112,500, of men, $187,500. Even when education (economics majors tend to be the best paid), time out of work, and occupation (business produces the most astronomical salaries) are accounted for, Goldin and Katz conclude that there is still a "gap of substantial magnitude."

SOCIETY

E Pluribus Cacophony

THE SOURCE: "The Myth of Multitasking" by Christine Rosen, in ***The New Atlantis***, Spring 2008.

Anyone who has cowered in the back of a taxi as the driver simultaneously talked on a cell phone, made change, tore off a paper receipt, and tried to pull into a busy street can attest: Multitasking is a bad idea.

Multitasking no longer defines the brilliant leader or the precocious overachiever, writes Christine Rosen, senior editor of *The New Atlantis*. In reality, multitasking means paying incomplete attention to two or more tasks at once. Extreme multitasking costs the American economy $650 billion a year in lost productivity, according to one survey. It takes workers distracted by e-mails and phone calls an average of 25 minutes to get back on task after each interruption, another study says.

The proportion of people who almost simultaneously watch television, surf the Web, play video games, text-message, talk on the phone, and e-mail rose from 16 percent in 1999 to 26 percent in 2005, the Kaiser Family Foundation reported two years ago. Media multitasking has spawned a new condition called attention deficit trait, whose symptoms are similar to those of attention deficit disorder, according to a Massachusetts psychiatrist.

Trying to do too many things at once adversely affects learning. Information taken in by multitaskers goes into the striatum, a "new learning" area of the brain,