assets-to-deposits ratio. *The Journal of Finance*, Vol. 44, No. 5 (December 1989), pp. 1313-33. (Reprinted with permission of *The Journal of Finance*).

Changing Incentives Facing Financial-Services Regulators, by Edward J. Kane (The Ohio State University).

This article analyzes incentive conflicts that government officials face in operating a deposit insurance fund. Unresolved principal-agent problems exist between fund managers, the politicians to whom they report, and the taxpayers who constitute the enterprise's ultimate stockholders. Managers' ability to conceal implicit losses creates a conflict between maximizing the present value of the fund's future cash flows and protecting their own reputations and future job prospects. These conflicts move regulators through incentive cross-over points that mark off three behavioral regimes: (1) slow but open adaptation to client innovations; (2) denial of reputation-threatening problem situations; and (3) grudging truth-admittance about long-deferred problems. *Journal of Financial Services Research*, Vol. 2, No. 3 (September 1989), pp. 265-74. (Reprinted with permission of Kluwer Academic Publishers).

The Federal "Safety Net" and the Repeal of the Glass-Steagall Act's Separation of Commercial and Investment Banking, by George J. Benston (Emory University).

If banks were allowed to engage in securities activities, it is feared that the federal "safety net" - deposit insurance, the Fed's role as lender-of-last resort, and government intervention to prevent financial crises - might be strained and possibly broken as banks' risk taking increased. An analysis of methods of controlling risk taking and bankers' present ability and propensity to take risks leads to a contrary conclusion. Nevertheless, the concern has given rise to a considerable body of empirical work. Studies on bank failures, risk-return profiles, cash flows, and profits and losses from underwriting are reviewed critically. On the whole, both the empirical and theoretical analyses provide little reason for concern about the federal safety net. *Journal of Financial Services Research*, Vol. 2, No. 4 (October 1989), pp. 287-305. (Reprinted with permission of Kluwer Academic Publishers).

SOCIAL INSURANCE

Social Security Financing in North America, by Harry C. Ballantyne (Social Security Administration).

This article presents an overview of social security financing in the United States and Canada. The systems of financing social security, recent financial operations and trends, and the current financing issues are described for both countries. Due largely to past and projected birth rates and mortality rates, the cost of social security in North America will rise significantly after the next twenty to thirty years. Although the programs in both countries are estimated to be adequately financed, the projected contribution rates and the estimated future paths of fund balances are quite different in each country. *Social Security Bulletin*, Vol. 52, No. 4 (April 1989), pp. 2-13.

Eliminating the Medicare Waiting Period for Social Security Disabled-Worker Beneficiaries, by Barry V. Bye (Social Security Administration) and Gerald F. Riley (Health Care Financing Administration).

Medicare eligibility for Disability Insurance beneficiaries begins no earlier than twenty-four months after entitlement to benefits. Using a unique file of longitudinal data, Medicare costs during the waiting period have been estimated for a cohort of beneficiaries first entitled to disability benefits in 1972. The estimates suggest that the ten-year cost to Medicare of this cohort would have increased by about 45 percent if the waiting period had been eliminated and if Medicare were the primary payer during that time. Thirty percent of the increase in expenses would have been for persons who died within two years of entitlement to disability benefits. *Social Security Bulletin*, Vol. 52, No. 5 (May 1989), pp. 2-15.

Institutional Barriers to Employment of Older Workers, by Diane E. Herz and Philip L. Rones (Bureau of Labor Statistics, U.S. Department of Labor).

This article discusses various institutional obstacles faced by older persons who might want to work. It discusses the impact of Social Security regulations and pension policies on work activity, the market for part-time jobs, and age discrimination. Anticipating a drop in the ratio of workers to retirees as the baby boomers become eligible for retirement, federal policy has been directed toward encouraging workers to extend their worklives. Social Security regulations have been altered to encourage later withdrawal from the labor force, and mandatory retirement has been prohibited - regardless of age. *Monthly Labor Review*, Vol. 112, No. 4 (April 1989), pp. 14-21. (Reprinted with permission of the *Journal of Economic Literature*).

Aggregate and Distributional Effects of Fair Social Security, by Edi Karni (The Johns Hopkins University) and Itzhak Zilcha (Tel Aviv University).

In an overlapping generations economy with production, endogenous labor supply, a bequest motive, and uncertain lifetime, we show that a fair, fully-funded social security program reduces the aggregate levels of output, employment, capital, and savings. We determine the necessary and sufficient conditions for this social security program to increase the inequality of the income distribution. The conclusions apply to the entire non-stationary, competitive, equilibrium path taken by the economy following the introduction of social security. *Journal of Public Economics*, Vol. 40, No. 1 (October