

this book, since the underlying purpose of evaluation studies is to provide informed guidance to assessment of specific programs.

This book, essentially, is a succinct conceptual and methodological guide to program evaluation in general; notwithstanding this restricted focus it is useful. Although it provides brief descriptions of the legislative framework for overall design of the JTPA program, the reader should not look for evidence of the program's effectiveness, whether in the state of Washington or elsewhere, nor expect a substantive discussion of JTPA in relation to other programs, such as those that some states have developed to provide enhanced assistance and training to unemployment insurance claimants. In short, the usefulness of this work lies in the review and discussion of general evaluation design, not in the analysis of JTPA or in any comparison with similar programs intending to overcome the problems of unemployment and underemployment.

The Economics of Safety and Physical Risk, by M. W. Jones-Lee. (Basil Blackwell, 1989).

Reviewer: Samuel A. Rea, Jr., Professor, Department of Economics and Faculty of Law, University of Toronto.

The Economics of Safety and Physical Risk is the latest in a long series of articles and books by Jones-Lee on the value that should be attached to life in public decision making and cost-benefit analysis. The title is a little misleading in that the book comprehensively analyzes issues relating to the value of life but does not cover other issues that I would include in the Economics of Safety, such as methods for influencing levels of safety. Nevertheless, the book is an important contribution to the literature on the value of life.

The author argues that the public decision maker should choose projects based on the public's willingness-to-pay for reductions in the risk of death. Although this methodology is generally accepted by economists, Jones-Lee discusses criticisms of the approach in detail. There are two types of criticisms of the willingness-to-pay concept. First, some critics, such as John Broome, point out logical or ethical problems. For example, the deceased victim of some government action can never be compensated *ex post*, and our concern for lives is not consistent with our attitudes toward population growth. Second, there is substantial evidence suggesting that behavior cannot always be explained by the expected utility model. Jones-Lee responds in depth to these two types of criticisms, but he does not end the controversy.

Jones-Lee surveys the empirical literature on the value of life, finding that "if a 'true' value of statistical life exists, then it is very unlikely to be much less than £500,000 in 1987 prices and may, indeed, be well in excess of £1,000,000" (p. 94). This range of values is also supported by a sample survey analyzed in Chapter 4 of the book (This chapter is co-authored by P. R. Philips, and I. T. Russell.) Jones-Lee concludes that "If values of statistical life are augmented to reflect concern for other people's safety as well as direct economic effects, then figures in excess of £2,000,000 in 1987 prices could well be warranted" (p. 97).

The book includes a chapter with applications of the value of life to radiation exposure, new drugs, and road safety. This chapter should be useful for those doing cost-benefit analysis.

My only criticism of the book is that the author does not distinguish between those problems which are unique to lives and those that arise for other, less controversial, commodities. Any "irreplaceable" commodity presents problems for cost-benefit analysis. One can value the commodity as the amount of insurance the owner would buy (insurance), the amount the owner would pay to avoid the loss of the commodity (ransom), the marginal rate of substitution of dollars for a small change in the probability of loss (protection), or the amount of compensation that one would accept for a certain loss of the commodity (compensation). Cook and Graham¹⁰ have shown that the values for a normal irreplaceable commodity have the following ranking: insurance < ransom < protection < compensation. For example, a family home would be an irreplaceable commodity for most people. If the government were to plan a project which would cause the loss of someone's home, which of these measures would be appropriate? Would it matter if it were not known which person's home would be destroyed? Would the value depend on the size of the population subject to the risk? Does it matter if compensation is paid? Would it matter if the loss would not affect anyone currently alive? Death is an extreme example of an irreplaceable commodity, one in which the compensation value may be infinite or undefined. Nevertheless, the book gives the impression that questions such as these only arise for the risk of death. An examination of some of these questions in the context of less emotionally charged commodities might provide insights into the appropriate method for valuing lives.

Anyone wishing to learn about what economists have to say about the value of life will find that this book offers a very comprehensive examination of the field. Those who are already familiar with Jones-Lee's previous publications may find that some of the ideas are not new, but the book will be essential reading for those interested in the value of life.

Insurance Company Finance and Investments (American Institute For Property and Liability Underwriters), 1990.

Reviewer: David C. Shimko, Assistant Professor of Finance, University of Southern California

As the forward states, "The Second Edition of *Insurance Company Finance and Investments* (ICFI) was written specifically to prepare students to meet the current educational objectives of the AIAF [Associate in Insurance Accounting and Finance] 113 course." The program assumes students have working knowledge of insurance principles and exposure to general accounting

¹⁰Philip J. Cook and Daniel A. Graham, "The Demand for Insurance and Protection: The Case of Irreplaceable Commodities", *Quarterly Journal of Economics*, 91 (February 1977), p.155.

Copyright of Journal of Risk & Insurance is the property of Blackwell Publishing Limited and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.