premiums, and this has sharply suppressed the technical considerations" (M. Klass, "Reinsurance in Changing Times"). Capacity issues were addressed by several authors, recognizing constrained capacity as a temporary imbalance between supply and demand which might be readily corrected by appropriate pricing. The need to attract financial capital to provide the necessary capacity was also touched upon by Henry Kramer, a former President of North American Reinsurance Corp., who said in 1969, "the basic test of soundness ... is whether or not capital can be attracted to it from special interest that do not have specific reasons for putting their capital in that particular business" ("World Trends: The Future of Reinsurance). Other financial topics discussed in several articles were inflationary effects and possible solutions (i.e., indexing or "stability clauses") and whether investment income ought to be considered in ratemaking.

The excellent section, Topic 9: The Legal Aspects of Reinsurance, provides a thorough and well-organized discussion of the legal precedents bearing on the reinsurance market. Although the section is in need of updating, it provides a solid legal background for a researcher through about 1979.

Technical and operational concerns such as underwriting, brokerage, and reserving are addressed also. Especially interesting are articles by Martin Mayer ("Reinsurance as a Tax Planning Tool") and John Farrington ("Converting a Mutual Insurance Company to a Stock Insurance Company"), which provide timely insights into legal and tax aspects. Complexities introduced by foreign exchange and international markets are discussed. Obviously, the breadth of topics is exceptionally ambitious.

Almost all articles are descriptive rather than theoretical or analytic. Several authors noted the need for better record-keeping, data management, and statistical analysis. What struck me repeatedly were the numerous possibilities for further research. With the statistical, economic and financial tools currently available, many ideas could be tested, provided the data could be obtained. In non-quantitative areas, legal and market developments since 1980 could be explored. Specific cases in business ethics based on the gentlemanly doctrines of "utmost good faith" and "follow the fortunes" might be developed.

This volume belongs in an insurance research library where educators and students would benefit from its breadth and historical perspective. The research ideas sparked by many of these articles should prove fruitful. It would also be eye-opening for anyone contemplating a future in the reinsurance business.

Health Insurance in Practice, by William A. Glaser (San Francisco: Jossey-Bass, 1991).

Reviewers: Michael N. Baur, Assistant Professor of Finance, and John F. Fitzgerald, Professor of Finance and Insurance, Ball State University, Muncie, Indiana.

Down the street from Ball State's campus, we have a 24-hour, 365-day-a-year medical clinic run by an MBA who hires doctors on a salary basis and

charges non-insured (and some insured) customers $37.50 for each visit, paid by cash, check, or credit card. If I was an English citizen, I could walk into the nationalized National Health Service clinics as frequently as I like, with the tab picked up by general treasury funds and payroll taxes. If I was a French citizen, I would go to a private health clinic, but my bill would be paid by the mandatory National Health Insurance program financed with payroll taxes, two-thirds paid by the employer and one-third paid by the employee. If I were a German citizen, I would go to private clinics, but my bill would be paid by the *mandatory* purchase of private insurance, which collects actuarial-based premiums from me. If I were a Swiss citizen, I would go to private clinics, paid for with the *voluntary* purchase of private insurance, which collects actuarial-based premiums from me. In Italy, I would go to nationalized government-operated and funded clinics. In the Netherlands and Belgium, mandatory participation in public or private insurance funds finances health services. These are some of the health insurance financing arrangements described in William Glaser's *Health Insurance in Practice.*

Glaser does a comprehensive, organized, and voluminous job describing the historical evolution, consequences, and current practices of financing health care in western Europe and North America. To his credit, Glaser interviewed several hundred health financing officials in nine countries. Since starting his health financing research agenda in the 1960s, he and his book impressively document a deep and up-to-date reading program on the subject of health care. A novice—or expert—in health care finance would be wise to read this well-written book.

Glaser's knowledge of the subject and strength in describing existing institutions and practices does not translate into non-debatable policy recommendations, however. A political scientist himself, Glaser laments the success of health care policy analysis from neoclassical economists.

> During the 1970s, health policy analysis in the United States was captured by neoclassical welfare economists. Those who advocated social solidarity, redistributive finance, and generous insurance were eclipsed. To the new economists, the problem was to make the health care sector more efficient and to assign it an appropriate place in society's priorities. This could be achieved by a competitive market in which a well-informed and self-interested consumer made rational choices among providers, drove hard bargains, and maximized his savings. When health care suffered from market failure, the culprit was over-insurance among employed groups and in Medicare. People could be rational consumers: they patronized wasteful providers and over-utilized services because they did not buy their own insurance and did not use enough of their own cash in paying providers (pp. 419-420).

As a rule of thumb, and in health care specifically, Glaser distrusts the ability of competition and free markets to produce high quality services at low prices. The problem with a free market, Glaser says, is that everyone pursues his own self-interest at everyone else's expense. Glaser's bias is in favor of mandatory payroll tax-financed national health insurance roughly (but not perfectly) similar to the French system or the U.S. Social Security system. Among the European models for health insurance, the Swiss and German models allow for the most competition among private providers. Glaser's proposals for the

United States call for more redistribution, more subsidies, and more government involvement than most of the European models he uses as supporting evidence for his U.S. proposals. The Swiss and German systems in particular, which he admires, bear little resemblance to his payroll-tax-based proposals for the United States. A reader might suspect that the European evidence was not central to his U.S. policy conclusions which were probably formed long ago. Using Glaser's descriptions of European health insurance practice, another reader could make policy conclusions diametrically opposed to Glaser's. The Swiss and German experience of individuals or families—not employers—purchasing actuarial-based policies might be argued to confirm the economist's point-of-view, not Glaser's.

Neoclassical economist Martin Feldstein favors restricting all—or mandatory—health insurance to catastrophic coverage. If insurance was catastrophic, everyone would have to self-insure themselves for small losses. With mandatory catastrophic insurance, consumers would be free to supplement the catastrophic coverage if they wish, contract with cost-conscious but choice-limiting health maintenance organizations (HMOs), or self-insure the remaining small losses. Governing health care costs by the same market pressures as other products in other industries, Feldstein hopes that such a proposal would provide incentives to contain costs. In contrast, Glaser proposes to contain health care costs through collective negotiations, rate regulation, and government oversight. Observing the high number of uninsured and the high health care costs in the United States, both Feldstein and Glaser agree that the current mosaic of health care financing arrangements in the United States have failed because of "government-failure" or "market-failure."

Despite potential policy differences from economists, Glaser has produced an excellent, straightforward account of health insurance as it is now practiced in western Europe. The institutional research of this political scientist is valuable, and anyone—including economists—would be wise to augment their reading lists with a book like Glaser's to improve our usually inadequate knowledge of existing institutional arrangements. Second, he has ably presented his non-market-oriented viewpoint on how to solve the failure of the U.S. health financing system. If competition is good for health insurance, competition among ideas is also good for the critical and on-going public policy debate over health insurance. In this light, Glaser's non-market-oriented viewpoint is also welcomed to sharpen the proposals of his opponents or his like-thinking brethren.

EBRI Databook on Employee Benefits, by Joseph S. Piacentini and Timothy J. Cerino (Washington, D.C.: Employee Benefits Research Institute, 1990).

Reviewers: Neal E. Cutler, Ph.D., and Kathleen L. Qualls, MA, Boettner Institute of Financial Gerontology, University of Pennsylvania, Philadelphia.

The encyclopedic nature of the *EBRI Databook* represents both the exceptional strength and the limitation of its appeal as an everyday bookshelf