differences by noting that his model uses a larger data set and more accurate assumptions regarding demographic variables. Other conclusions found in these chapters include incomplete stock market recognition of firm liabilities for retiree care and a lack of recognition by the credit market.

In the last chapter, Warshawsky looks at the politics of retiree health care and suggests two broad courses of action. In developing the advantages and disadvantages of the options, status quo, and the "ERISA-fication" of retiree health care, the author points out both sides but does not take a strong position on either.

The material presented in this book was presented to a seminar conducted by the American Enterprise Institute in 1991. At the seminar, eight individuals involved in various areas of health benefits commented on the findings. As a unique addition, the comments of the eight experts and responses by the author are included at the end of the book.

In closing, this book provides a good discussion of the problems behind retiree health care and FASB 106. It does not, however, provide any answers. Additionally, in light of the most recent U.S. federal elections, the question of retiree health benefits may become moot if some form of national program is instituted. The material in this book, then, will be of historical interest only.

BOOK [illegible]

Providing Health Care, edited by Alistair McGuire, Paul Fenn, and Ken Mayhew (Oxford University Press, 1991).

Reviewer: Thomas E. Getzen, Associate Professor of Health Care Economics and Finance, Temple University

What is exciting about this book is the thoroughness with which it examines the distribution of health care costs and services by income and occupational class, as well as its compelling account of the pre-World War II British health care system. The latter is very relevant to the debate over systematic health care reform in the United States today. The stated ambitions of the book as "an attempt to assess the contribution of economic analysis of the health care sector" and "to provide an analytical perspective within which the choice of the means, if not the objective, can be evaluated" is a bit too ambitious, but the authors succeed very well in those areas where the United Kingdom health economists have excelled: social welfare, equity, and cost-benefit analysis.

The introductory chapter provides a good overview of the financial and operating issues in the U.K. National Health Service reforms as of 1990. In chapter 3, Anthony Culyer provides a clear and rigorous statement of how and why the definitions of an "efficient" health care system matter and demonstrates the difficulties with using quality adjusted life years (QALYs) as the prime measure of the performance of the health care system. Then Michael Drummond, a leading practitioner, provides a spirited defense of QALYs with practical illustrations of how health status is measured by a consumer questionnaire and a league table ranking different medical interventions by cost-effectiveness (e.g., from general practitioner advice to stop smoking or implantation

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of a pacemaker—£170 and £700 per quality adjusted year of life gained—to hospital hemodialysis—£14,000 per QALY). A thorough and objective recapitulation of many of the issues is then provided by Gavin Mooney and Jan Olsen. Although 80 pages of "how to measure and use QALYs and what is missing from them" may seem like a lot, it is precisely this kind of careful analysis that is required if billions of dollars in spending decisions are going to be made on the basis of economists' analysis of health care effectiveness (e.g., Oregon's Medicaid Plan, RBRVS physician payment, revision of DRG hospital payment weights, etc.). Avoiding these issues moves policy-makers farther into the present health care cost containment morass than they already are.

Adam Wagstaff, Eddy van Doorslaer, and Pierella Paci give a brief and highly readable comparison of equity in health services across nations. For the United States, they point out that the bottom 10 percent of the population receives just 1.3 percent of total income but pays 8.9 percent of direct health care costs, while the top decile gets 33.8 percent of total income and pays just 11.9 percent of personal direct payments. Thus, the U.S. system is much more regressive than the U.K. system, where income and payments are roughly the same for each decile. However, the delivery of health care is found by the authors to be rather inequitable—that is, poor, chronically ill people receive less than their fair share of health services. A discussion of the Netherlands and Italy is provided also, along with a presentation of more formal measures of inequity based on Lorenz curves such as the Gini and Kakwani coefficients.

A brief review of international cost comparisons by David Parkin is presented in chapter 7, and in chapter 8, Lois Quam discusses market failures in the United States. Richard Scheffler and Eric Nauenberg analyze selective contracting reforms in Arizona, California, and Texas within the context of overall hospital and physician payment reform.

The final chapter, by Alistair Gray, is a fascinating historical account of Britain's health services in the 1920-1938 period that preceded the formation of the national health service. What was intriguing is that many of the problems identified in today's U.S. health care sector (e.g., administrative fragmentation leading to excess cost, a coverage system based on employment which leaves many people uncovered, exclusion of bad risks from coverage, adverse selection within insurance societies) existed in the United Kingdom. Total health care costs rose steadily in this era and were increasingly shifted to the public sector. In the end, Gray asserts, there was a broad consensus by the public, politicians, and hospitals (but not physicians) that the system was fatally flawed and required wholesale reform.

This book is for some discerning readers but not for everyone. Health economists have generally not paid much attention to fairness and equity, or the "dull" mechanics of how to do cost-benefit analysis. "Is it fair?" and "Which procedures should be excluded from coverage for lack of cost-effectiveness?" are not the issues that fit most comfortably within existing theoretical models, yet they are the issues which excite passions in the news and in the halls of

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Congress. For those who want a slightly different perspective, spending time with this collection of essays will be most worthwhile.

Labour Market Policy and Unemployment Insurance, by Anders Björklund, Robert Haveman, Robinson Hollister, and Bertil Holmlund (Clarendon Press, 1991).

Reviewer: Elizabeth C. Goldin, Adjunct Professor of Risk Management and Insurance, Morehouse College

This book actually comprises two works—Direct Job Creation: Economic Evaluation and Lessons for the United States and Western Europe and The Economics of Unemployment Insurance: The Case of Sweden—published under the auspices of the Swedish Trade Union Institute for Economic Research, which holds the copyright.

In Part I, Direct Job Creation, Robert Haveman and Robinson Hollister provide a brief overview of government employment and training efforts in the United States and Sweden. The macroeconomic policy discussion in this section is seriously hampered by the authors' failure to realize that virtually all economists now recognize that the famous "Phillips curve" tradeoff between unemployment and inflation has no long-term validity. Their explanation of exchange rate implications is a muddle, leading only to the conclusion that "determining...appropriate strategy...is not a simple matter." Indeed. Also included in this part are discussions of cost-benefit analysis of job creation programs. Section 5 reports on the empirical analysis of a number of specific U.S. programs (chosen because European programs have not been subjected to the same level of impact analysis). Section 6 presents the authors' conclusions and includes an informative appendix.

The seventh section of Direct Job Creation is an attempt by Per-Olav Johansson to construct a cost-benefit model for evaluating job training programs. While admirable in intent, this paper is very hard to follow, and the model fails to take into account the cost of the program evaluations which are so favored by the authors of the major paper.

The final section of Direct Job Creation, by Anders Björklund, discusses three Swedish training program evaluations, none of which are very successful. The implication drawn, however, is not that government training programs are not particularly useful, but that more and better studies must be implemented.

The authors' conclusions in some sections require comment. Americans are generally able to recognize that the "best" labor market policy might be to let the private sector largely alone, rather than displacing resources in futile attempts to counteract existing government policies that negatively affect employment. Also, the evaluation of U.S. labor policy that the authors so admire is a very costly transfer from taxpayers to consulting firms.

I must also dispute the authors' conclusion that the reason for the lack of evidence of effective employment policy for seriously disadvantaged males is the "lack of quality evaluation." Their own report of evaluation efforts leads

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