tion of a point estimate led to ambiguity avoidance. Exploratory analyses revealed some themes that may guide future research on choice under ambiguity. *Journal of Economic Psychology,* December 1994, 15(4): 621-635. (Reprinted with permission of North-Holland Publishing Company.)

Risk Perception and Economic Behavior

Modeling Consumer Risk Reduction Preferences from Perceived Loss Data, by M. Greatorex and V. W. Mitchell (Manchester School of Management, Manchester, United Kingdom)

For many years the Theory of Perceived Risk has been used to explain consumers' behaviour. One area of interest is the relationship between loss types and the use of risk relievers. Problems with trying to measure the relationship encourage the use of indirect methods. Data on four loss types and 14 risk relievers were collected for 24 products and services, and a regression model was used to reveal the relationship between loss types and risk relievers. The constants in the equation altered across products, while the slopes remained the same. The evidence suggests that the model used was incompletely specified and that further testing is necessary. *Journal of Economic Psychology,* December 1994, 15(4): 669-685. (Reprinted with permission of North-Holland Publishing Company.)

Principal-Agency Theory

Efficiency of an Information System in an Agency Model, by Son Ku Kim (Hong Kong University of Science and Technology)

Different information systems are compared in terms of their relative efficiencies in an agency model. The mean preserving spread relation between the likelihood ratio distributions derived from the original information systems is found to be sufficient to rank information systems under quite general assumptions about the agent's utility function. Furthermore, it is shown that the mean preserving spread criterion can be applied to a broader set of information systems than Holmstrom's informativeness criterion and Blackwell's theorem. *Econometrica,* January 1995, 63(1): 89-102. (Reprinted with permission of *Econometrica.*)

Health Care Financing

The Incidence of Adverse Medical Outcomes Under Prospective Payment, by David M. Cutler (Harvard University and National Bureau of Economic Research)

This paper examines the effect of prospective payment for hospital care on adverse medical outcomes. In 1983, the federal government replaced its previ-

ous cost-based reimbursement method with a Prospective Payment System, under which reimbursement depends only on the diagnosis of the patient. Hospitals thus lost the marginal reimbursement they formerly received for providing additional treatments. In addition, the average price each hospital received for patients with different diagnoses changed. This paper relates each of these changes to adverse outcomes with two conclusions. First, there is a change in the timing of deaths associated with changes in average prices. In hospitals with price declines, a greater share of deaths occur in the hospital or shortly after discharge, but by one year post-discharge, mortality is no higher. Second, there is a trend increase in readmission rates caused by the elimination of marginal reimbursement. This appears to be due to accounting changes on the part of the hospitals, however, rather than true changes in morbidity. *Econometrica,* January 1995, 63(1): 29-50. (Reprinted with permission of *Econometrica.*)

Medical Care for Children: Public Insurance, Private Insurance, and Racial Differences in Utilization, by Janet Currie (University of California, Los Angeles, and National Bureau of Economic Research) and Duncan Thomas (RAND Corporation and University of California, Los Angeles)

Data from two waves of the Child-Mother module of the National Longitudinal Surveys are used to examine the medical care received by children. We compare those covered by Medicaid, by private health insurance, and those with no insurance coverage at all. We find there are substantial differences in the impact of public and private health insurance, and these effects also differ between blacks and whites. White children on Medicaid tend to have more doctor checkups than any other children, and white children on Medicaid or a private insurance plan have a higher number of doctor visits for illness. In contrast, for black children, neither Medicaid nor private insurance coverage is associated with any advantage in terms of the number of doctor visits for illness. Furthermore, black children with private coverage are no more likely than those with no coverage to have doctor checkups; black Medicaid children are more likely than either group to have checkups, although the gap is not precisely estimated. We exploit the longitudinal dimension of the data in order to take account of potential selection and thus include child specific fixed effects in the models. The results are robust to the inclusion of these controls for unobserved heterogeneity. They suggest that private and public health insurance mean different things to different children, and that national insurance coverage will not equalize utilization of care. *The Journal of Human Resources,* Winter 1995, 30(1): 135-162. (Reprinted with permission of *The Journal of Human Resources.*)

Social Insurance

The Welfare State as Provider of Accident Insurance in the Workplace: Efficiency and Distribution in Equilibrium, by Alf Erling Risa (Universität Mannheim, Germany)