BOOK REVIEWS

Footing the Bill for Superfund Cleanups: Who Pays and How? by Katherine N. Probst, Don Fullerton, Robert E. Litan, and Paul R. Portney (The Brookings Institution, 1995).

Reviewer: Laureen Regan, Temple University

Footing the Bill for Superfund Cleanups is an excellent resource for anyone involved in the debate about how and whether to reform and reauthorize the Superfund program. Although this environmental cleanup program, created by Congress in 1980, was significantly reformed and reauthorized in 1986, the program technically expired in 1995 and has not yet been reauthorized. This is one of the most controversial of the federal environmental statutes and regulations, in part because the courts have imposed retroactive, strict, and often joint and several liability on parties named as contributors to polluted sites.

It seems that every affected party is dissatisfied with some aspect of the program. Parties named as polluters believe that the retroactive liability scheme is unfair and are unhappy about the cleanup requirements imposed by the EPA. Environmental advocates are unhappy with the pace of cleanups but generally believe that the liability standard is effective. The insurance industry has been drawn into the debate, because polluters who have incurred Superfund-related costs have looked to their general liability insurance policies to provide indemnification. All parties seem to agree that the program generates significant transaction costs that could be better allocated to cleanup. However, until now there has been little reliable statistical analysis of the allocation of the economic burdens created by the Superfund Act.

Footing the Bill for Superfund Cleanups provides some much-needed perspective to this debate. The book's stated purpose is to analyze the impact of the economic burdens created by the Act, and to estimate the change in these burdens which would result from changes in key Superfund elements. The authors explicitly recognize that the current shareholders of affected firms will likely bear the largest burden for cleanup costs since such firms will be unable to pass these costs on to their customers.

The authors have developed a comprehensive data base to address these questions. Data are gathered from a detailed analysis of sites on the EPA's National Priorities List (NPL). These sites are considered to present the most serious threat and are targeted for immediate attention. Information on the number of responsible parties at the site, the industry most likely to bear the cleanup burden, the type of site, and the type of pollution is used to estimate cleanup costs and transaction costs. An appendix describes the data in detail and provides a valuable list of the sources of information.

The book provides a good discussion of the factors that complicate analysis of reform proposals. For example, if retroactive liability is repealed, transaction costs might decrease because the litigation surrounding responsibility for pollution and consequent insurance coverage litigation would decrease. However, an alternative funding mechanism might increase the tax burdens of affected parties. Unfortunately, these complicating factors make it difficult to draw conclusions about the impact of any reform proposal.

The book begins with a good overview of the issues involved in the reform debate. Chapter 2 discusses the mechanics of the current program and highlights the difficulties in estimating ultimate costs under the current program. Relatively few NPL sites have been completely cleaned up, so estimates are based on limited information. In addition, private party site cleanup costs are not reported to the EPA, and it is not clear how many future sites will be added to the NPL. While recognizing these factors, the authors present estimates of cleanup, as well as transaction costs under the current program.

Chapter 3 presents a thorough analysis of the shifting burdens under each of five commonly proposed reforms, ranging from maintaining the current system to a complete repeal of retroactive liability for disposal prior to 1987. The distribution of cleanup costs between responsible parties and the trust fund is measured, as well as the distribution of cleanup costs across industry sectors. It is interesting to note the shifting impact of costs on profits across industry sectors.

The magnitude and incidence of transaction costs under each of the reforms is also estimated. The authors make critical assumptions about cost savings and do not estimate possible increases in transaction costs under the various alternatives. Conclusions are based on an examination of current NPL sites only. This approach is sensible given the difficulty of estimating how many sites will be added to the list. Given that Superfund reform, if any, will likely include some elements of each of the proposals analyzed in this book, the methodology developed in Chapter 3 will provide a useful analytical starting point.

Chapter 4 describes the current taxation system which partially funds the Superfund, and also develops an input-output model of the economy to estimate the incidence of Superfund taxes throughout the economy. The authors compare the tax burden for a particular industry to profits in that industry, and demonstrate that the current system imposes serious and potentially crippling costs on some industries such as mining, while leaving others relatively unaffected.

Chapter 5 discusses the impact of the current program on the insurance industry. This is a good overview for those who are not familiar with this issue. Estimates of the primary market's exposure to Superfund liabilities are developed based on alternative assumptions about the number of sites and the extent of the insurance industry's responsibility for cleanup costs. The authors recognize that the burden does not fall evenly across the industry and that this has serious implications for the long-term survival of major insurers with large potential Superfund liabilities. The relationship between the primary and reinsurance market is explored, as well as the competitive advantages across U.S. and alien insurers. The authors argue that, if the current program continues, there will be severe hits to profitability, and consequent availability problems.

The authors conclude that the costs of Superfund are small relative to other federal and state environmental programs, and hence much of the debate may be overstated. The differences in total costs under each of the proposals studied is also small. However, it is the allocation of these costs that is at issue, particularly for the insurance industry. This book provides a wealth of information to support many different positions. In addition, having all of this information in a single source is valuable for researchers, teachers, and students. The authors do a good job of relating the various issues to each other and to the central theme of providing perspective on the reform debate. Whether or not you agree with the methodology or the conclusions drawn, this is a useful text because it throws new light on a complex issue.

BOOK REVIEWS

Employee Benefits, Fourth Edition, by Burton T. Beam, Jr., and John J. McFadden (Dearborn Financial Publishing, 1996)

Reviewer: Ann Costello, University of Hartford

Writers of employee benefits textbooks face two difficulties: first, the academic field of benefits is in a stage of evolution; and, second, a court judgment, tax ruling, or change in legislation can have significant impact on the field. The latter factor means that a writer needs technical vigilance and constant editorial change to produce an up-to-date manuscript. Beam and McFadden in their fourth edition of *Employee Benefits* are to be congratulated for their efforts on both fronts.

The study of employee benefits has evolved from the traditional insurance approach to a much broader and more eclectic one including human resource management and public policy. As stated in their preface, the authors have responded to this change by reordering the book to place a major chapter on benefit planning and management at the beginning of the book rather than at the end. The first section presents a macro approach to help readers (whether college students or benefits professionals) understand the importance of employee benefits as an intrinsic part of any firm's overall management strategy and planning. The questions raised by different company objectives are addressed to show how different management decisions are reached: Why should a company offer employee benefits? What are they trying to accomplish? What do employees want? Also, the authors have added a section on employment opportunities for individuals with diverse backgrounds.

After the introduction, the book is divided into four parts which may be taught or read in any order. The social insurance section describes social security, unemployment compensation, and workers' compensation. Controversial parts of each program are discussed and analyzed. The authors state that the Social Security Amendments of 1984 did not resolve the solvency issues and present potential results of changes in assumptions on each of the trust funds. Also, possible scenarios for decreasing benefits and increasing revenues are discussed. The authors do not hold back when stating that the solution to the overall problem is political and question whether any member of Congress is willing to take an