some caps on damages and reduce legal barriers to recover damages. He refers to a variety of studies that have highlighted many shortcomings in the way that medicine is practiced. He concludes that the impact of the medical malpractice system on the health care delivery system is minimal, and suggests that a focus on adverse events and steps to correct them would significantly improve the quality of the health care delivery system. That may well be true, but he seems at times to overlook a number of factors that contribute to the problem.

In one of his closing remarks, he states, "It is therefore obvious that except for the fact that the parties involved in the medical malpractice system are rich and powerful in the society, medical malpractice and tort reforms would not have been a topic of so much interest." There may be a kernel of truth in that statement, insofar as physicians and lawyers represent our two most highly paid professions, and they are often at odds with each other regarding medical malpractice and its alleged flaws. However, if, as he often states throughout the book, the author is primarily concerned with the quality of the medical care delivery system and wants it to deliver optimal care to everyone, this seems a rather cavalier way to dismiss the subject, since it clearly is of concern to those on whom we depend to deliver that care.

New Ideas about Old Age Security, edited by Robert Holzmann and Joseph E. Stiglitz, 2001, Washington, D.C.: The World Bank

Reviewer: Tong Yu, University of Rhode Island

This volume is a collection of papers from the *New Ideas about Old Age Security Conference* in 1999. It documents major problems and new developments in pension reform in the late 1990s, following another World Bank publication, *Averting the Old Age Crisis* (1994), which advocates reforming the traditional pay-as-you-go system to a multipillar system including an unfunded mandatory pillar, a funded mandatory pillar, and a voluntary private pillar. This volume contains 13 chapters, largely focusing on three sets of issues: (1) optimal economic policy and regulatory environment for pension reform; (2) means to reduce administrative costs; and (3) optimal form of multipillar system. It helps researchers and policymakers in choosing among different approaches to pension reform.

Chapter 1, "Rethinking Pension Reform: Ten Myths About Social Security System," by Peter Orszag and Joseph Stiglitz, suggests that "policymakers have too often interpreted the multipillar system as requiring the second, funded pillar entail private management and defined contributions." They discuss ten attributable myths. Chapter 2 includes a number of comments about Orszag and Stiglitz's myths.

Chapter 3, "New Approaches to Multipillar Pension Systems: What in the World Is Going On?" by Loise Fox and Edward Palmer, identifies major emerging trends in pension reform in the 1990s, including (1) modifying pay-as-you-go systems to strengthen the links between contributions, and (2) the growth of benefits and privately managed individual account systems.

Chapter 4, "The Political Economy of Structural Pension Reform," by Estelle James and Sarah Brooks, examines how political economy affects reforming from a publicly managed, pay-as-you-go, defined benefit system to a system with funded defined contributions based and privately managed pillar.

Chapter 5, "Improving the Regulation and Supervision of Pension Funds: Are There Lessons From the Banking Sector?" by Roberto Rocha, Richard Hinz, and Joaquin Gutierrez, suggests that pension reformers can learn lessons from banking regulation in the area of guarantees, portfolio diversification, and the structure and techniques of supervision.

Chapter 6, "Managing Public Pension Reserves: Evidence From the International Experience," by Augusto Iglesias and Robert Palacio, examines some of the available cross-country evidence on publicly managed pension reserves. They conclude that pension reserves are often poorly managed and suggest either pension governance reform or an avoidance of funding if the existing pension governance structure remains unaltered.

Chapter 7, "Administrative Costs and the Organization of Individual Account Systems: A Comparative Perspective," by Estelle James, James Smalhout, and Dmitri Vittas, analyzes two types of investments of individual accounts. Individual accounts invested in the retail market have relatively open choice but a higher administrative cost, while individual accounts invested in the institutional market have constrained choice among investment companies. The cost saving for institutional market approach is due to reduced marketing activities. Thus it is the main option available to countries with weak financial markets.

Chapter 8, "Administrative Costs Under a Decentralized Approach to Individual Accounts: Lessons From the United Kingdom," by Mamta Murthi, Michael Orszag, and Peter Orszag, breaks down administrative costs associated with any system of individual accounts into three components: (1) accumulation ratio, (2) alteration ratio, and (3) annuitization ratio. They agree with James, Smalhout, and Vittas' standpoint and suggest that a decentralized, unconstrained approach to individual accounts may involve significant administrative costs.

Chapter 9, "The Relevance of Index Funds for Pension Investment in Equity," by Ajay Shah and Kshama Fernandes, suggests that index funds are an important investment strategy for investors who seek to harness the equity premium.

Chapter 10, "Regulation of Withdrawals in Individual Account System," by Jan Walliser, suggests that the regulation of withdrawals from individual accounts has to strike a balance between flexible arrangements that can accommodate individual circumstances and the reduction of adverse selection affecting the pricing of insurance products.

Chapter 11, "Personal Pension Plans and Stock Market Volatility," is edited by Max Alier and Dmitri Vittas. The authors suggest portfolio diversification, a late gradual shift to bonds, the gradual purchase of annuities, and the purchase of variable annuities as "coping" strategies for stock market volatilities.

Chapter 12, "Gender Dimensions of Pension Reform in the Former Soviet Union," by Paulette Castel and Louise Fox, analyzes the gender implications of pension reform in former Soviet Union countries. They suggest that both existing and in-reforming pension systems in these countries lead to a higher level of wealth for men than for women because men will work longer and get a higher pension, potentially resulting in an increase in elderly poverty.

Chapter 13, "Extending Coverage in Multipillar Pension Systems: Constraints and Hypotheses, Preliminary Evidence, and Future Research Agenda," by Robert Holzmann, Truman Packard, and Jose Cuesta, finds that, of the world's 6 billion people in 1999, only 15 percent or less had access to a formal system of retirement income support. Using the survey data from Chile and Argentina, the authors show that the poor, the uneducated, and the self-employed pose a challenge to the extension of pension coverage.