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stents (DES), introduced in the US in April 2003 with high reimbursements provided by Medicare. By the end of 2003, two thirds of the stents were DES, with higher quality hospitals and hospitals with more patients likely to benefit of DES adopting the technology first.

Other factors that influence health, physical or mental, are related to the social and labor context. Before the 1990s, for instance, early retirement was a popular phenomenon especially in Europe. Generous retirement provisions, access to leisure and relief from work-related stress are only some of its benefits. On the negative side, though, early retirement is usually related to health issues, and it comes with a significant erosion of social networks. This (external) social ties weakening triggers significantly negative effects on cognition (Borsch-Supan and Schuth), but this does not seem to drive the drop in optimism and rise in uncertainty with age (Kezdi and Willis). Moreover, strong (internal) family ties need not bring positive effect for elderly wellbeing, at least in the US. In fact, Deaton and Stone find that elderly Americans who live with people under 18 are less happy and more stressed, angry and worried than those who do not. These results, albeit not causal and most likely influenced by selection, draw our attention to the fertility-cohabitation gradient, as in many countries where elderly live in larger families they do not experience worse emotional outcomes. Turning finally to within-marriage ties, Banks *et al*. document a strong matching on family background and childhood health between spouses (especially if at their first partnership), both in the US and UK. But one's childhood health and family (socioeconomic status – SES) background are also strong predictors of his/her adult health. However, while for men the SES-chronic illness link is established later in life, for women low family SES and mental problems in childhood translate into functional and mental conditions in late adulthood (Stonewasser *et al*.). Interestingly, these health conditions are strongly associated with whether one reaches retirement with positive non-pension wealth (and those who do are also more likely to have larger pension wealth). True enough, social security does provide a safety amount for low-wage workers when they retire, but for a considerable share of people this is not enough to keep them above the poverty line (Poterba *et al*.). One option to increase pension benefits for low-earners is by contributing to 401(k) or 403(b) with Roth option (contributions are non-deductible, but benefits can be withdrawn tax-free). Beshears and co-authors find, however, that very few people take advantage of this option, among them young people and men being more likely.

This book brilliantly achieves its goal of enhancing our understanding of the issues related to health and ageing in the 21st century. The type of research it presents is not only compelling, but also provides useful tools to assess the main challenges that an older population poses with respect to financing retirement and ensuring appropriate health care. I can hardly recommend a better read on a more pressing problem.

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Longer Term Consequences of the Great Recession on the Lives of the Europeans. By Agar Brugiavini and Guglielmo Weber (eds). Oxford University Press, 2014, ISBN 978-0-19-870871-1, 187 pages. doi:10.1017/S1474747215000128

This edited volume is a valuable book for at least three reasons.

The first is the breadth of the research questions; the second is the rich and innovative data set (SHARE and SHARELIFE, see below) used both to precisely formulate and to try and answer those research questions; the third is the rigorous methodology employed to pursue the research objectives.

The book is a noteworthy addition to a growing branch of present day economic literature, possibly signaling a radical change in the discipline. After a quarter century during which

economic research, both theoretical and applied, was predominantly devoted to the study of market forms and ways to liberalize markets, in more recent years interest has significantly shifted towards more socially sensitive topics, such as poverty and the distribution of income, wealth and personal wellbeing. This is not only a consequence of the hard and prolonged financial-economic crisis we are hopefully getting out of. The success of *Capital in the XXI Century*, the best-selling book by the French economist Thomas Piketty, is an outstanding example of this change of interests and of a broader and longer-term view.

As Paul Krugman (2014) recently remarked[1], precisely in his review of Piketty's book, 'some economists (not to mention politicians) tried to shout down any mention of inequality at all'. He quoted Robert Lucas, the Nobel Prize winner from the University of Chicago and perhaps the most influential macroeconomist of his generation, who in 2004 wrote, 'Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution'.

Economists have been spurred to move in this supposedly 'poisonous' direction by the inescapable statistical evidence of a widening income distribution gap between a tiny minority of super-rich individuals and the rapidly increasing area of the almost poor. While the mechanism of the free market tends to generate inequalities and economic crises have devastating effects on people's lives, welfare institutions appear to be powerless in containing, let alone reversing, these worsening trends.

The volume edited by Brugiavini and Weber can be included with full rights in this new strand of economic literature. The title is inspiring and may sound very ambitious, but the editors (and main authors) are certainly qualified to try and satisfy the readers' intellectual curiosities, to take a fresh look at the world and to respond to increasingly anxious questions not only from economists but also from governments, politicians and public opinion in general. They are talented scholars with strong theoretical background and robust methodological expertise.

The book moves deftly through time and space, although it is neither a historical nor a geographical analysis (at least not in the ordinary sense). It uses large (longitudinal) survey data on older European households, SHARE and specifically its third wave, SHARELIFE. The latter is directed at a recognition of the entire life history of the over 50s and aims at reconstructing – at least for this large demographic group, but with the ambition of more general inductions – the long-term effects on income, consumption, health and welfare of economic shocks leading to widespread, life-upsetting financial hardship. In terms of time span, the book therefore reaches backwards well beyond the first oil shock. In terms of countries, it considers microdata from various European countries (as many as 13), and so also undertakes comparative analysis, trying to detect how diverse cultural/traditional/institutional settings can make a difference in smoothing away or even offsetting the effects of economic shocks on the wellbeing of individuals.

Does the book keep its very ambitious promises? Do readers have a better knowledge of the impact of economic crises on people's life after reading it? Are generalizations on this topic possible, and achieved by the research? Overall, I think the answers to these questions are positive, although, as it is usually the case, with some limits and qualifications.

The main limitation is that the book is a collection of three different papers, constructed around the central idea summarized in the title and turned into book-chapters but still retaining traces of their separate identities, notwithstanding the efforts, in the fourth chapter, written by the editors, to smooth asperities and to provide a more unitary view.

The basic argument, supporting the whole project, is that economic recessions are not unique events but have common traits that should allow researchers to identify what segments of the population are 'more at risk of being forever scarred by the recession and which institutions are most likely to be effective in reducing its adverse long-term effects' (page 1). If this perspective is valid at the macrolevel, it should also be valid at the microlevel, with personal shocks, not

[1] Krugman, P. (2014) Why we're in a New Gilded Age. *The NY Review of Books*, 61(8). Available online at http://www.nybooks.com/issues/2014/may/08/.

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necessarily tied to a macroeconomic pathology, translating into financial hardship episodes, with long-lasting effects on the lives of individuals. Along this thread, the book contains a rich (perhaps too rich) ramification of further interesting but sometimes too minute questions.

Faced with this complex architecture, the best strategy for a reviewer is to first describe the common data source, as this is partly at the origin of the main research questions; then briefly comment the three chapters and finally express an overall evaluation of the book.

The main data set is SHARE, the Survey of Health, Ageing and Retirement in Europe, a multidisciplinary and cross-national panel database of microdata on health, socio-economic status as well as social and family networks of more than 85,000 individuals aged 50 and over from 20 European countries. It consists of five waves, starting in 2004, of which the book utilizes the first three. SHARELIFE, the third wave, conducted in 2008–09, covers 30,000 individuals from 13 European countries, representative of diverse socio-economic clusters such as the Nordic, Central European, Mediterranean and Transition countries and focuses on people's life histories. It links individual microdata covering the respondents' entire life with institutional macrodata on the welfare state, thus allowing an evaluation of the effects of the welfare state provisions and their changes (reforms) on individuals' lives.

SHARELIFE offers a very rich, profound and articulate insight on people's lives, ranging from demographics to family, from housing to work history from health to health care. It also includes episodes of financial hardship, particularly relevant for the research here reviewed. Information on these episodes, which may have occurred at any previous age of the interviewed persons – including infant years – are very important to trace the origins and the consequences of the evolution of income, consumption, but also loss of work, disability and various other negative outcomes. While SHARE and SHARELIFE are used in Chapters 1 and 2, Chapter 3, the most technical of the four chapters, uses instead the European Consumption Household Panel and three country-specific data sets providing longitudinal information on consumption.

From this high-quality database stem the first two chapters. The first is devoted to the analysis of the circumstances, both macroeconomic (economic recession, inflationary periods, financial crises, etc.) and personal (age, gender, education, number of family components, etc.) making it more likely for an individual to enter a condition of 'financial hardship'. It also calculates the number of years necessary to exit such a situation. Dummy variables are introduced for cohorts and countries. Entering the condition of financial hardship is shown to be the consequence of a combination of macro (e.g., recession) and micro (e.g., loss of a job, divorce, particularly for a woman, loss of health) shocks. Given the number of variables and their interactions, generalizations are difficult. It is shown, however, that macro variables play a relatively large role in entering and a relatively minor role in exiting financial hardship. Two further general results are worth mentioning: the first is the importance of unemployment as a transmission device of shocks in recessions; the second is a clear negative gender effect for women in exiting financial hardship episodes.

Chapter 2 is devoted to the analysis of the consequences, particularly long term, of financial hardship episodes on individuals' economic wellbeing. Two main indicators are used for welfare conditions: permanent income and the share of food expenditure on current income. Consequences for health indicators are also measured. The effects on earnings late in life, permanent income and consumption are shown to be highly long-lasting, typically 8–10 years, and sometimes permanent. Country effects, however, stand clearly out, in both the short and the medium/long run. Their interpretation is not straightforward but it is likely to have to do with differences in welfare institutions and arrangements. In the short run, the effects are relatively small, bordering on the insignificant, for France and Southern Europe where 'informal (i.e., intra-family) insurance' is largely present; they are stronger in Nordic countries, irrespective of the presence of highly articulated insurance systems. The opposite however appears to be true for longer-term consequences, particularly on consumption, suggesting that a well-organized welfare state is more effective in offsetting the negative effects of shocks, such as unemployment. Northern European systems seem thus better placed in providing more effective

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means to get out of a financial hardship condition and avoid the negative spillover to permanent income and therefore to consumption.

In Chapter 3 – where the analysis is focused on a more limited number of countries – the authors use household income and, when available, consumption data to establish whether income shocks are temporary or permanent and to what extent they translate into changes in consumption. The analysis stresses the role of temporary versus permanent shocks to earnings in explaining the evolution of inequality in consumption and wellbeing. The main result is that permanent shocks are largely uninsured and so translate one-to-one in reduced consumption while temporary shocks are insured (even though at different levels and with different insurance mechanisms as seen above) and so translate much less in a reduction of consumption and wellbeing.

Finally, Chapter 4 summarizes the previous material and provides some tentative policy implications.

The attempt to understand what makes people more likely to fall into financial hardship, and to exit from it, is certainly a very interesting and very relevant research path. This is particularly so as the European economy is striving to recover growth, after the 'new' Great Depression that – just like the old 20th century one – has dramatically changed the life and the perspectives of millions of European households. The analysis provided in the book is a good start of a research program that has to continue. Particularly valuable are the interrelationships between macro and microshocks and the attempt to draw inferences from cross-country analyses in order to possibly highlight the differential roles of formal and informal (family arrangements) insurance markets as well as the responsibilities of welfare institutions as shock-absorbers. The authors do not lean on any particular theory and, to their credit, are very prudent in drawing general conclusions as well as policy implications. While prudence is understandable, we would be grateful for these studies to continue, to achieve steadier theoretical foundations and to produce sound policy recommendations, which are hardly possible at the present state of knowledge. We know it is largely beyond individual ability to offset shocks that cause financial hardship episodes in their lifecycle but surely it should be a job for governments to better substitute or complement markets in the fundamental role of protecting citizens from the negative consequences of these shocks. It is for economic research to provide a sound basis for these policies and the book here reviewed represents a well-targeted first attempt.

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The U.S. Pension Crisis. By Ronald J. Ryan (ed.). The Leading Press, 2014, ISBN 978-0-615-28758-4, 226 pages. doi:10.1017/S147474721500013X

This volume presents the current large underfunding of US pension plans as the result of accounting that failed to take into consideration either underlying pension liability risks or the risks inherent in the traditional diversified investment portfolio. It argues that the best method to discount pension liabilities is instead through the use of a customized liability index that takes into account both the risk-free (Treasury) yield curve and the mortality of the particular participant population. The book then goes on to argue for the creation and use of investment portfolios that are based on and benchmarked against the liability index.

Its author, Ronald J. Ryan, has long and distinguished experience working with fixed income indices and instruments. He was director of fixed income research at Lehman Brothers, managed fixed income investments and founded several investment advisory firms.

Ryan's current firm creates and sells the indices and advises on the creation of the portfolios recommended in the book. Readers should be aware of this in assessing the author's work.

Much of the book's analysis of the causes of underfunding is sound. The decision by the actuarial profession to discount liabilities based on a median-performance projection of asset

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