description of securitization and longevity bonds, as well as a section on corporate governance and pensions, including international experience and IFC methodology.

The book is most likely to appeal to regulators, managers, consultants, and finance experts, particularly in the Latin region. The latter will, however, probably gather more substance from following industry reports than this book.

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Retirement Provision in Scary Markets. Edited by Hazel Bateman. Edward Elgar Publishing Ltd., 2007, ISBN 978-1-84376-906-4, 256 pages. doi:10.1017/S1474747207003472

This volume consists of a compendium of articles addressing different aspects of "scary" markets across the globe. The combination of volatility in economic and financial markets, an aging workforce, and the shifting of investment risk from employers to employees provide the contributors a framework in which to discuss various "scary" markets and potential strategies for dealing with them.

Despite its nontechnical title, the book's ten chapters include rather sophisticated economic analyses. Several focus on the accumulation side of retirement wealth, with "scary" factors including equity market volatility, variability in lifetime earnings, and outright default of corporate pension plans. For instance, the chapter by Bewley, Ingram, and Livera examines the recent volatility in equity markets in Australia amidst a backdrop of the Asian financial crises and increased terrorism abroad. The authors find that equity markets in Australia are not necessarily more volatile than historical trends in the aggregate, but rather the increased volatility lies in individual stocks. They argue that the key to protecting retirement wealth against volatility is diversification, and equities continue to remain an important component of retirement portfolios. Most interesting is that the asset to which equities are compared is one's home, which of course is more exposed to fluctuating value; current depressed housing markets and volatile stock prices bring this lesson home.

Additional chapters on accumulation processes include one by Brianton who worries about declining bond yields as a growing number of retirees begin to draw down their assets. He argues that this scenario is unlikely to play out due to increased globalization of capital markets. Gallagher discusses how indexed funds can be a sensible strategy for addressing volatility and some of the challenges facing those who manage index funds. Gardner and Orszag examine the impact of prolonged equity market declines (e.g. 1999–2002) on UK retirement saving and behavior. Using survey data, they show that one-quarter of older workers say they postponed retirement due to equity market losses. Of course, other factors might also be influential, including revisions in expectations of longevity.

Another aspect of scary markets, namely the effect of variability in lifetime earnings on household retirement wealth, is taken up in the chapter by Mitchell, Phillips, Au, and McCarthy. Using US longitudinal data, the authors compare income levels and socioeconomic characteristics, and they find that retirement wealth is more sensitive to earnings variability for non-married individuals than for married households. They also conclude that Social Security benefits are not particularly responsive to lifetime earnings variability, but private defined benefit plans are more sensitive. This finding should help guide policymakers who are looking to reform Social Security, retaining its safety net aspect while providing a minimum level of income to retirees.

The book also takes up the question of pension system risk. Asher notes that defined contribution funds have some advantages over traditional defined benefit plans, including the transparency of the relationship between contributions and benefits, and retirees' retirement accruals. Defined contribution plans have also been able to address volatility issues through

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lifestyle and target maturity date funds, which automatically reduce the share of equities, the closer the worker gets to retirement. The chapter by Ferris discusses the collapse of an Australian airline, where, after a long legal battle, pensioners lost nearly 20 percent of their benefits. The article points to the US Pension Benefit Guaranty Corporation (PBGC) as an example of a regulatory entity that insures plans and provides a guaranteed benefit to future retirees in the advent of insolvency. Nevertheless, the author acknowledges that the PBGC faces substantial moral hazard risk and massive underfunding. Turning to Japanese pensions, Usuki explores how Japan has handled pension funds and retirement benefits in a depressed economy. Japan's response has been to share declines in asset prices and economic activity across workers, corporations, and retirees, mainly through changes in pension plan design toward defined contribution and cash balance plans. A similar shift in risk is also becoming evident in other nations, including the US.

Overall, researchers and policymakers in other countries who are experiencing similar situations will find interesting this account of experiences and strategies for dealing with "scary markets."

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