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Reviews

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Stephen J. Kay and Tapen Sinha (eds), *Lessons from Pension Reform in the Americas*, Oxford University Press, 2008, 448 pp., hbk £55.00, ISBN 13: 978 0 19 922680 1.

There are two parts to the book, Part I 'System Design and Implications', and Part II, 'Country Studies', but with an underlying theme throughout, which dominates Part I in particular. I paraphrase: The World Bank got their recommendations for national pension systems wrong; privatisation is not all what we thought it was; we had insufficient information; countries copied a model we applauded but they should have known we didn't mean it; critics did not read our books; we never recommended what you thought we recommended; but we have changed our recommendations anyway; and there are 'lessons' to be learned.

I have many comments on Estelle James' contributions, partly because she led the original World Bank team that wrote *Averting the Old Age Crisis* (1994) for which, basically, this book is an apologia. Blame it on the locals, which one contributor does using behavioural theory including terminology such as 'bounded rationality', or blame unread critics, or economists rather than social security specialists (a rich one this since it was Holzmann, unapologetic contributor to this book and director of Social Protection at the World Bank, who originally argued the case for economists to replace social workers on this project). The World Bank has created an incontrovertible problem in Latin America (just read the quotes they themselves produce in this book). For example, regarding the much applauded Chilean scheme, the 2006 Chilean Pension Reform Commission is quoted: 'The system has low coverage, low density of contributions, it leaves almost 90 per cent of the independent workers outside the system, it shows very little competition and high commission charges, it does not take into account the complexities of the modern workplace, high turnover, high level of informality … and discriminates against women … amongst other shortcomings' (p. 7).

What an initial giveaway from Truman Packard, concerning his team's review. '(T)he first working title that [colleagues and I] came up with for the book [about Latin America] was *A Crisis not yet Averted*'. This refers to *Averting the Old Age Crisis*. 'However we thought that title', Packard continues, 'might make it difficult to get the draft through the internal review process of the World Bank' (p. 171). Estelle James should accept responsibility for most of the disaster (her statement that critics have not read her report is offensive, and no evidence is produced, just insinuations); Holzmann too who, from memory, admitted that although Chilean reforms had not produced the improvements in pensions, they had at least improved capital markets, which, as it turns out, they haven't – and I don't mean a rise in stock prices.

A note on terminology. Robert W Fogel, Nobel Memorial Prize Winner, who is also Charles R Walgreen Distinguished Service Professor of American

Institutions and who wrote the Foreword, introduces us to the concepts of 'biodemography' and 'technophysio evolution' (*sic*). There is more: 'structural reforms' are privatisation, 'parametric reforms' are adjustments, and 'consumption smoothing' is providing a decent pension. Even worse, Estelle James writes, 'small investors are not price elastic' (translation: they were milked by the financial markets and their high fees). Her eloquence continues, 'What, then, should be done?' she asks. 'We do not yet have the full answer to this question' (p. 168). Twelve years since your original work, maybe you should. Consider this: the original World Bank plan was for three 'pillars', but now, according to Holzmann, there are *five* (p. 178). One of the 'lessons' learned, apparently. 'Pension systems must contribute to future economic growth' (*ibid*). Why? I thought it was the other way around.

The final chapter by Olivia S. Mitchell gives this whole ideological game away. 'Financing retirement is actually a very simple concept – at least in theory. That is, people are supposed to set aside money during their working lives, and then draw down the interest and principal during the retirement period' (p. 403). Well that is just not it. She is using, as the World Bank tends to do, classical economics concerning the primacy of savings, before Keynes blew these supply-side theorists to pieces. Pensions have become the independent, not the dependent variable. Mitchell, who is International Foundation of Employee Benefit Plans Professor of Insurance and Risk Management, executive director of the Pension Research Council, and Director of the Brettner Center on Pensions and Retirement at the Wharton School, has never apparently studied the French system and leading French author Bernard Friot. An alternative view is that pensions are a part of the division of society's current product, not a claim on future production which 'savings' are supposed to represent. Instead pensions are the ex-workers' participation in the wages assigned to currently employed workers. The editors' introduction is helpful and relatively impartial. Weyland's and Packard's chapters are particularly well considered. The country studies are extremely useful. The book will have to be read by students of this continuing fiasco.

Reference

World Bank 1994. *Averting the Old-Age Crisis: Policies to Protect the Old AND Promote Growth*. Oxford University Press, New York.

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Caroline Oliver, *Retirement Migration: Paradoxes of Ageing*, Routledge, Abingdon, Oxon, 2008, 208 pp., hbk £65.00, ISBN 13: 978 0 415 37271 8.

There are many forms of retirement migration and of spontaneous retirement communities but one dominates contemporary European and North American