Markets and Mortality: Economics, Dangerous Work, and the Value of Human Life
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Industrial & Labor Relations Review; Apr 1997; 50, 3; ABI/INFORM Global
pg. 519

managers invest efficiently given risk-return trade offs, and as to whether they adopt too "short-term" a perspective in assessing company performance.

There are, however, differences between the United States and the United Kingdom. Blake suggests that the range of index-linked instruments available in the United Kingdom is wider (perhaps because funds have to guarantee at least partial indexation of deferred benefits and of pensions in payment), but that U.K. fund managers tend to use less sophisticated financial strategies and less aggressive interventions concerning company performance than U.S. fund managers do. In the circumstances, it is surprising that U.K. fund managers, particularly internal managers of large funds, have been less prepared (so it is asserted) to take the long-term view concerning a company's prospects. One gets the impression from Blake's book that many U.K. managers of "mature" pension funds are at an uneasy half-way house between U.S.-style aggressive return-maximizing fund management and the more long-term facilitative fund investment strategies used by German and Japanese funds.

On the other hand, there is less evidence of systematic underperformance of the market by fund managers in the United Kingdom than in the United States. Perhaps this is because, as Blake also shows, "active" managers of funds (as opposed to managers who used stock market tracking strategies and similar techniques) actually did somewhat worse in the 1980s than managers who adopted less interventionist techniques, that is, a lower volume (or ratio) of buying and selling relative to the asset stock. Furthermore, there seems to be no positive serial correlation in the performance of fund managers (as opposed to funds), and aggressive hiring and firing of managers, U.S.-style, makes little difference to returns.

The most dynamic, and controversial, sector of the U.K. private pension market is Personal Pensions. Blake has little to say on the current controversy concerning alleged mis-selling of Personal Pensions. (Part of the hype here has been generated by the occupational pension sector to hide its own inadequacies: for example, poor actuarial valuations of pension transfer values by defined benefit schemes, and their poor public image since the Maxwell fiasco.) This omission is somewhat strange, since Blake ends with a plea for a transition to a scheme of individual defined contribution accounts. Here it would have been useful to introduce some comparative analysis—for example, of the regulatory environment in countries that have gone this route, such as Chile (the book makes some mention of Australia, but little beyond that).

The book finishes with a somewhat laughable description of the pension program of the Labour Party circa 1991–92 in the United Kingdom—laughable because the policy of the Labour Party ("New Labour") now appears to be almost completely the opposite of what was proposed at that time. Although pensions are a long-term question, the frequency with which the political parties' pension policies change (as evidenced by proposed and actual legislation amending such policies) seems to surpass even the frequency of elections.

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Markets and Mortality: Economics, Dangerous Work, and the Value of Human Life. By Peter Dorman. Cambridge University Press, 1996. 274 pp. ISBN 0-521-55306-7, $49.95 (hardback).

The majority view among economists is that (1) workers in dangerous jobs receive compensating wages (CW), (2) most studies showing CW exist are reliable, and (3) estimates of these wages can be used to estimate the value of human life. Peter Dorman presents a provocative challenge to the majority view. The arguments and evidence will convince many who have no research investments in CW or value of life estimates that the majority view is wrong. The book should also be welcomed by researchers who advocate the majority view, since competition in the marketplace for ideas hastens rather than inhibits scientific discovery.

One theme in the book is that the majority view among economists is the minority view among non-economists. The author cites surveys, legal opinions, collective bargaining contracts, psychological studies of people facing risks, and historical case studies to demonstrate that most non-economists reject the CW hypothesis. One of his most telling case studies is the history surrounding the Triangle Shirtwaist Company fire in New York in 1911, which killed 146 workers. Citing fires from 1902 to 1910 and worker demands during strikes, Dorman argues that the workers at Triangle knew there were

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considerable fire risks. According to the CW hypothesis, the Triangle workers voluntarily took the risks in return for a compensating wage, and therefore neither the sewing workers, nor families of the deceased, nor the public had cause to feel indignation on behalf of the victims. Yet the reaction of the surviving workers, their families, and the public was horror and outrage.

The same reaction of horror and outrage followed the fire at an Imperial Chicken processing plant in North Carolina where 25 employees died. Although not mentioned by the author, a similar story could be told about the May 1996 crash of a Valujet plane. According to a corollary of the CW hypothesis, passengers took a risk in exchange for a low-priced ticket. The crash of the Valujet airline should not have caused much concern, according to this corollary. But it did.

The author claims that nowhere else in the application of conventional economics are the views of so many economists at odds with the views of so much of the public. The factor that most accounts for the disparate views between many economists and the public is moral outrage. The idea that managers or owners of Triangle Shirtwaist Company or Imperial Chicken or Valujet would consciously sacrifice safety for profit is objectionable to much of the public. Dorman refers to this as the Kantian view, after the philosopher Kant. This is the first theoretical argument of the book. Most of the public are Kantians. They believe that the distribution of risks should be guided by morals and laws, not markets. Dorman cites numerous psychological studies in which people refused to allow any trade-off of risks for income or profits. To many economists who believe that everything has a price, this outrage is viewed as irrational.

For example, one study involved asking respondents whether they would allow a radioactive waste repository in their city in return for a large sum of money. Nearly three-quarters of respondents refused to make the trade-off. These three-quarters did not change their minds even as the sum of money was tripled or quintupled.

Reference is also made to the volumes of studies on voluntary versus involuntary exposure to risks. In the majority economics view, this distinction is irrelevant. It makes no difference to "the agent" if he takes a truck-driving job that exposes him to a 38/100,000 annual chance of dying in a vehicle crash versus a dry cleaning job with a 38/100,000 annual chance of dying from chemical poisoning. But the psychological studies make it clear that most people view involuntary exposure (poisoning) as far more objectionable than voluntary exposure (driving).

Chapter 4 discusses legal and collective bargaining arguments surrounding CW. Dorman points out that for over 200 years, American, English, and German law has evolved from a *caveat emptor* doctrine for workers to a doctrine of gradually establishing more responsibilities for employers. The simple fact that Workers' Compensation and some form of an Occupational Safety and Health Act (OSHA) exist in these three countries underscores the belief that markets fail. The history and current practice of collective bargaining also highlight negotiators' dismissal of CW as irrelevant. Dorman describes studies showing that bargaining contracts rarely, if ever, cite "hazard pay" as an acceptable method of dealing with job risks.

The second theoretical argument against CW is institutional. Dorman rejects the view that workers trade wages for risks in spot markets. His view is that job risks are best understood in repeated games where multiple equilibriums are the norm. Bounded rationality and the strength of bargaining units thwart attempts of "the market" to generate CW.

A number of tantalizing facts and stories greet the reader throughout the book. (1) In recent years, rates of fatal job-related injuries have been dropping while rates of non-fatal injuries have been rising. The author suggests that improved medical care may be turning what once would have been fatalities into non-fatal injuries. (2) John Stuart Mill had an interesting reaction to Adam Smith's CW hypothesis. In his early years, Mill supported the hypothesis. In his later years, he rejected it, especially in times of high unemployment for semi-skilled or unskilled workers. A long passage from Alfred Marshall is quoted that supports and extends the mature Mill's argument. (3) A brief history of hedonic empirical literature reveals that Zvi Griliches was the first to try to estimate implicit prices. It was the intuition of an empiricist (Griliches) that provided the basic insight into the elaborate theory of implicit prices and hedonics later developed by Lancaster and Rosen. (4) The average OSHA fine was less than $100 in the 1980s. (5) The United States has more fish and game inspectors than OSHA inspectors.

In the longest chapter in the book (Chapter 3), the author critically reviews the empirical

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literature on the value of life. A major point is that widely cited estimates of CW and the value of life do not adequately account for inter-industry wage differentials (J. P. Leigh, "Compensating Wages, Value of a Statistical Life, and Inter-Industry Differentials," *Journal of Environmental Economics and Management*, Vol. 28, 1995). These differentials can be easily accounted for using dummy variables for industries. When dummies are excluded, evidence for CW appears strong. When they are included, evidence is weak or nonexistent. Moreover, this pattern holds for all groups of workers, including clerks and professionals. Yet the latter two groups are not likely to face great variation in risks across industries. The fact that the pattern holds for professionals and clerks is especially damaging to the CW hypothesis.

The author argues for strengthening the OSHA provision establishing Councils on Occupational Safety and Health that keep workers informed, as well as other OSHA provisions giving workers the rights (1) to refuse dangerous work without fear of recrimination from employers (2) to be kept informed of how new technologies, including chemicals, may affect Occupational Safety and Health (OSH), and (3) to sit in on board meetings in which OSH issues are being discussed. He argues that Workers' Compensation is useful as an insurance plan but is skeptical of its use as an inducement to business to offer safer workplaces. The premium-rating scheme is too blunt, since many small and medium-size firms are community rated rather than individually rated. On a related point, he observes that many economists are quick to allege that workers lie about injuries to receive Workers' Compensation benefits but reluctant to observe the hidden costs of filing legitimate claims: workers can be tagged as "accident-prone"; co-workers might lose a bonus if their work group reports an injury; too many absences can affect chances of promotion or layoff.

The book crackles with creative writing. Coase's Theorem is referred to as "Coase's Conjecture" (p. 89). Respondents who refuse to answer survey questions forcing them to state their marginal rate of substitution between income and risks are referred to as "refusniks" (p. 67). The CW hypothesis is referred to as a "doctrine" (throughout the text), and the invisible hand that generates the CW is compared to the invisible rabbit in "Harvey" (p. 129).

There are some distractions in the book. The organization could have been improved. Some passages are repetitive, especially those referring to Kant and the psychological versus the economic approach to how people view risks. The claim that a critical review of the CW hypothesis illustrates "the weaknesses in economic theory itself" (p. 234) is inflated. Yet the distractions are minor.

Most economic analyses of compensating wages and OSH policy have minimized the possibility that markets can fail. This book provides some balance by supporting the views of much of the public, who acknowledge that market forces can play a powerful role but believe markets often fail. The arguments and evidence are sound and thought-provoking. The book should be "required reading" among policy-makers and economists involved in OSH issues.

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Sizing Down: Chronicle of a Plant Closing. By Louise Moser Illes. Ithaca, N.Y.: ILR Press/ Cornell University Press, 1996. 228 pp. ISBN 0-87546-351-7, $29.95.

The position occupied by managers during a layoff is paradoxical. Managers involved in a downsizing function both as change *agents*, responsible for carrying out the practical steps in a restructuring, and as change *recipients*, affected like others by the wholesale forces and pressures surrounding a layoff. The interplay between these two roles is complex and critically important to the effectiveness of the restructuring process.

In *Sizing Down*, Louise Moser Illes offers a highly personal account of a semiconductor plant closing from the perspective of a manager who helped plan and implement the closing only to lose her job at the conclusion of the process. Unlike previous accounts depicting a plant closing as a discrete event, Illes's book is a fully detailed picture of the numerous intricate steps (both practical and psychological) leading up to a plant closing. *Sizing Down* is excellent reading for people who might implement a plant closing and for researchers who wish to study plant closings.

Twelve of the book's fifteen chapters give a month-by-month narrative of the year between the announcement of the plant closing and the time the factory ceased normal operations. Each of these chapters begins with a summary of the

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