



SOCIETY OF ACTUARIES

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Letters

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Internal Revenue Service has indicated informally that if employees first become eligible to retire at a later age, the age in which they first become eligible to retire may be used instead of age 65.

Donald S. Grubbs, Jr.

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Idea for Transactions

Sir:

On a newspaper a professional writer, the reporter, assembles the facts of his assignment and writes his article. This then goes to a rewrite man for a thorough overhauling before it goes to the editor for final changes. How different this is from our *Transactions* where editing is minimized to the greatest extent on the not unjustifiable assumption that he who advances the frontiers of our knowledge is entitled to choose his own words. Small wonder that some of us may think of the *Transactions* as a reference work rather than as a means of keeping up with developments in the many aspects of our profession.

Your February editorial emboldens me to suggest a change to improve the *Transactions*. My idea is that gradually the Committee on Papers would develop a panel of individuals found competent to rewrite the papers submitted. The rewrite panel member would send his version, plus comments, to the author. The author would then decide what changes he would make and return the paper to the Committee. Experimentation might eventually show whether or not the rewrite version would be given to the Committee to guide its decision as to the author's final version.

The only safeguard that occurs to me as necessary is that an author should make his first attempt reasonably acceptable. It is not the function of the rewrite man to prepare a finished product from a hasty draft.

I think all I am suggesting is that two heads are better than one. It may follow that improving the *Transactions* will encourage more members to write papers for it.

Ralph E. Edwards

WHAT'S AHEAD FOR BUSINESS

— EFFECTS OF INFLATION

by David A. Jeggle

A meeting of the Actuaries Club of Philadelphia was held on April 15. Lawrence C. Murdoch, Jr., vice president and senior economist of the First Pennsylvania Bank spoke on *What's Ahead for Business*.

Mr. Murdoch discussed some of the effects of inflation. Obviously this includes the declining purchasing power of the dollar but some additional problems are created:

- Profits and taxes are overstated in view of the rising prices. Between the time materials are purchased and the time they are sold as part of a finished product, the sales price may well be higher than that justified by the original cost of materials.

BOOK REVIEW

F. Bayo, *Termination Experience of Disabled Worker Benefits Under OASDI, 1957-1963*. Actuarial Study No. 65, March 1969, Social Security Administration, Washington, D.C. pp. 27.

This study presents the first analysis of the disabled-worker benefit termination experience that has been observed under the Old-Age, Survivors, and Disability Insurance program. An analysis is made in broad form (all ages and sexes combined) of the death and recovery experience by calendar years for 1958-67. The gross death rates have been decreasing slowly, while the gross recovery rates have been increasing slowly. The gross total termination rates (deaths and recoveries combined) have remained relatively stable in the last seven years.

A detailed analysis is presented by sex, age, and duration of disability based on the combined experience for cases that started in 1957-63. The termination rates are compared to those obtained in the Railroad Retirement system and are about 5 to 10% higher. Annuity values based on these rates are presented for various ages at onset of disability, at several interest rates.

A copy of this report may be obtained gratis by writing to Robert J. Meyers, Chief Actuary, Social Security Administration, Washington, D. C. 20201. □

- Depreciation schedules are inadequate to cover replacement costs.

- Business plans, especially factoring and home construction, are accelerated in anticipation of continuing inflation.

- Retail sales are reduced. We are actually in a period of declining sales, measured on a per capita basis and adjusted for inflation.

- Interest rates must be increased (a) to offset the reduced value of money that is used to repay obligations, and (b) in response to the usual laws of supply and demand.

- An unhealthy emphasis is placed on the performance of common stocks rather than on earnings, dividends, etc.

It is very difficult to judge when and how fast to move away from inflation.

One of the primary reasons for the recent weakening in the stock market is that investors are convinced that the government is going to attack inflation. As the inflationary psychology diminishes, blue chips will benefit but performance stocks will suffer.

Mr. Murdoch sees the following situation for the coming year:

The overall economy will level off largely because of the action taken by the Federal Reserve Board last December; this has corrected the error they made last summer. No downturn is expected during 1969.

There will be a seasonal decline in interest rates. However, we are now on a new plateau and the demand for funds will keep interest rates at about their current level.

The current unemployment rate of 3.4% will increase to 4% or 4½% by the end of 1969, as a result of the slower economy referred to above. About one-half of the unemployed are simply between jobs.

The stock market, by next April, will be higher than this April.

The dollar will eventually be devalued, because the price of gold is staying out of line. We will gradually move away from the gold standard, which is now meaningless except for the psychological impact. However, it may take 20 years to complete this process because of political pressures.

So many people are interested in the Federal budget that President Nixon will not be able to cut it effectively. There may be a small surplus, but not \$5.8 billion. □