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## KEYNES AND INFLATION

by Arthur Pedoe

Rarely a day passes without the name of Keynes being mentioned in the financial press. We now have President Nixon's announcement of the price and wage freeze, the cutting loose of the American dollar from gold, etc. Reading the comments on the President's action, one seems to be reading again the discussions and criticisms of John Maynard Keynes' theories and suggestions. Keynes died 25 years ago.

In the February 1971 issue of *The Actuary*, Keynes name is mentioned in a review by Ed Wells of my text on life insurance and pensions. I quoted Keynes' views on debauching the currency as a heading to the chapter on Inflation. Ed Wells thought it curious that Keynes got a peerage for pressing views on government expenditures resulting in the debauching of the British pound which he had so strongly condemned. A re-examination of Keynes' idea is important in view of President Nixon's action, particularly to actuaries.

The quotation is from *The Economic Consequences of the Peace* in which Keynes, attached to the British delegation involved in the Treaty of Versailles following World War I, attacked the Treaty. It was prophetic about the evils of inflation:

"Lenin is said to have declared that the best way to destroy the Capitalist System was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. . . . Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hid-

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## WELCOME

We welcome to the Chicago Office, Mr. Bernard A. Bartels who took office on January 1 as Administrative Officer of the Society.

## ACTUARIAL SCIENCE PROGRAM AT GEORGIA STATE UNIVERSITY

by Robert W. Batten

Georgia State University in Atlanta has been the center of actuarial education in the Southeast since 1958. Aided by both the financial and moral support of the Southeastern Actuaries Club, the University's program at present includes approximately 80 students working toward a Bachelor's, Master's, or Doctor's degree.

The actuarial science program is part of the Department of Insurance in the School of Business Administration. An advantage of being a part of the Business School is that an actuarial science student is able to enroll in courses in insurance, economics, finance, accounting, business law, computer sciences, management, marketing, international business, and real estate—courses not provided in the School of Arts and Sciences. However, the student takes all of his basic mathematics courses from the Department of Mathematics and takes about one-third of his total course work in other departments of the School of Arts and Sciences. So he has the best of both worlds.

The undergraduate student's program consists of background courses in the humanities, social sciences, and business-related disciplines, and of 45 quarter hours in actuarial science courses covering basic actuarial principles and all ma-

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## CONSUMERISM IN CINCINNATI

by Thomas Mitchell

Three topics on the relationship of consumerism and life insurance were discussed by a panel at the Oct. 6 meeting in Cincinnati of the Actuaries Club of Indiana, Kentucky and Ohio. Panel members were Kenneth E. DeShelter, Director of Insurance for the State of Ohio, Dale R. Gustafson, and Abbas Yoursi, Ph.D., Chairman of Insurance Department at the University of Cincinnati.

Judge DeShelter suggested the areas where the life insurance industry was most vulnerable to attack from consumer advocates were: (1) misrepresentation of product (basically advertising and sales presentations); (2) inability to find a legitimate basis of cost comparison; and (3) failure to bring pressures to bear in controlling medical costs.

Mr. Gustafson mentioned four areas of vulnerability, but made it clear that vulnerability does not imply guilt. Three areas are the size and accumulation of assets and economic power by the industry, aloofness and slowness to change in the past, and the public image of the insurance industry. The public does not distinguish between the various kinds of companies, auto, life, health, etc. but sees the industry as a whole and transfers criticisms of one branch indiscriminately to all.

The fourth area is our distribution system. Insurance is a "highly touted socially desirable product that nobody wants to buy." This results in an adversary sale situation, which in turn gives rise to higher distribution costs and makes it more difficult to control sales excesses.

Professor Yoursi pointed to the unmet needs for useful social investments, particularly in urban real estate, and also mentioned the accumulation of wealth.

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## Consumerism in Cincinnati

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also pointed towards need for reform of credit life insurance, and suggested the life insurance industry never made a sufficient push for highway safety.

The second question related to the accuracy and completeness of information received by consumers on insurance. Mr. Gustafson pointed out that disclosure of premiums, benefits, cash values, and illustrative dividends, is complete price disclosure, but that the cry is for a comparison of "worth," which goes beyond simple price disclosure. Professor Yousri pointed out that the prospect does not know the expenses and commission charges levied against his policy. He posed the question "Should he know?"

Director DeShelter said the answer to the problem can be found only by investigating individual transactions. The consumer is vulnerable because his only reference background in making an intelligent decision comes from the agent. Hidden differential commission rates make the prospect even more vulnerable. Judge DeShelter criticized agents' business cards which do not use the word insurance. He spoke to the problem of balance protection of a vulnerable consumer vs. the buyer's responsibility to make his own decision.

Professor Yousri felt that the industry could improve its consumer relationships by presenting a more confident image on campus through better qualified recruiters and better qualified agents. He also proposed policies linked with equity or property investments.

Mr. DeShelter asked that we hear the call of consumerism and the public, and that we work to improve the health delivery system. The industry should develop better ethical standards, he said. Although current investigations in Ohio center around agents, many of the patterns coming to light are obviously set in corporate offices, he maintained.

Mr. Gustafson questioned the real-life practicality in the past of insurance companies bringing pressures against medical costs. He also reviewed the insurance industry's Urban Investment Program, which involved 10% of cash flow (certainly not tokenism), but proved to be peanuts from the national viewpoint. He thought that much of the improvement of relationships with the public would have to come through local corporate citizenship. □

## COMMITTEE CHAIRMEN: JANUARY 1972

We are glad to provide an up-to-date list of chairmen of committees in advance of publication of the Year Book. New chairmen are indicated by an asterisk.

<i>Standing Committees</i>	<i>Chairman</i>
Advisory Committee on Education and Examinations	Paul T. Rotter
Continuing Education	Walter N. Miller*
†Cooperate with Governmental Demographic and Statistical Agencies	Walter Shur*
Education and Examination	John A. Fibiger*
Elections (a)	Ernest J. Moorhead*
Fields of Activity	Anna M. Rappaport*
Investments	John T. Birkenshaw*
Mortality and Morbidity Among Lives	
Individually Insured	Joseph C. Sibigroth*
Mortality under Ordinary Insurances and Annuities	Charles A. Ormsby*
Experience under Individual Health Insurance	Robert L. Whitney
Aviation	Donald J. van Keuren
Liaison with Assn. of Life Insurance	Edward A. Lew*
Medical Directors	
Mortality and Morbidity under Group and Self-Administered Plans	Richard H. Hoffman
Group Life and Health Insurance	Burton E. Burton
Group Annuities	Robert F. Link
Self-Administered Retirement Plans	Arthur F. Parry
Papers	William B. Waugh
Pensions (b)	James A. Attwood*
Press	Walter S. Rugland*
Professional Conduct	Kenneth H. Ross*
Public Relations	Herbert J. Boothroyd
Relations with Colleges and Universities	Russell H. Smith, Jr.
National Science Foundation Summer Institutes	Benjamin R. Whiteley*
Research	Cecil J. Nesbitt*
Review	John H. Biggs*
Standard Notation and Nomenclature	John M. Boermester
Editorial Board for <i>The Actuary</i>	Andrew C. Webster
Editorial Board for <i>Transactions</i>	Floyd T. Beasley
<i>Special Committees</i>	
†Consider Providing Career Consultation	Wendell A. Milliman*
†Explore Details of Alternate Route	Harry D. Garber*
Professional Development	Paul A. Campbell
Study Educational Facilities for Actuaries	Robert C. Winters
Study Relations Between Society and Local Actuarial Clubs	Walter S. Dewar*
†Study Society Memorial Fund	Morton A. Laird*
†New committee.	
(a) Formerly the Nominating Committee.	
(b) Formerly Special Committee to Study Pension Plan Problems.	

## Social Security Note

Daniel F. Drennan. *Occupational Difference in Separation Rates for Railroad Workers, 1965-68*, RRB Actuarial Study No. 9, Railroad Retirement Board, July 1971.

This 39-page booklet presents separation rates by occupational group using nine occupational groupings and also rates for two supergroups, that is, all operating employees and all nonoperat-

ing employees. The rates given are those pertaining to nondisability retirement, disability retirement, final withdrawal before retirement, and death while in active service. The study gives age distributions and service information.

(Free copies may be obtained from the Office of the Chief Actuary, Railroad Retirement Board, Chicago, Ill. 60611).