



SOCIETY OF ACTUARIES

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Inflation Sickness

(Continued from page 4)

An example given is that of a man who retired ten years ago on a yearly fixed income of \$8,000. For him, the income tax due under present rules might be \$329. But under the plan he would declare a cost-of-living adjustment of \$7,120, raising his gross income to \$15,120, on which the computed tax would be \$2,293. Since \$7,120 would be considered already paid, he would claim a tax refund of \$4,827.

This method, says its designer, would have salutary effect on Congressional and Executive Branch dedication to inflation fighting, as they see inflation recycled right back through the system that created it.

Actuaries, even those among us who are completely or substantially protected from the ravages of inflation, have as our professional mission the designing of trustworthy security instruments for the public. Surely we ought to examine selflessly a plan such as this one, and to announce our verdict on whether it would be effective in enabling the unwritten promises of private pensions to be realized by their participants. □

WAGGISH KILBOURNE

Ed. Note: This was contributed to the newspaper of the 1980 International Congress by Frederick W. Kilbourne.

Congress Echo wishes to recognize those papers that were regretfully rejected, namely:

—a paper that tested the hypothesis that male mortality exceeds female because men are slowly strangled by their neckties;

—an application of generally accepted statistical standards to observations of Zurich driving habits, proving conclusively that all Zurich drivers have been killed in auto accidents and the cars seen on city streets are proceeding of their own free will;

—developing the theoretical foundation for volcano insurance to be sold in the U.S.A. (paper withdrawn; revised version in process);

—an original actuarial opera, entirely in actuarial notation, based on a tragic triangle whose points were a young actuarial student, her instructor, and her supervisor. □

FEDERAL STATISTICS

Copies of the following may be had for prices shown, from Superintendent of Documents, U.S. Govt. Printing Office, Washington, DC 20402:

Money Income in 1978 of Households in the United States, P-60, No. 121, \$4.25.

Changes during the 1970's in median and per capita income are analyzed by the Census Bureau and related to changing household composition, race, ethnic origin, etc. The report also looks at changes in real income adjusted for inflation.

Marital Status and Living Arrangements, P-20, No. 349, \$3.75.

During the 1970's young adults waited longer than formerly before marrying, says this Census Bureau report of a 1979 nationwide survey. It also shows the extent to which young women are not marrying or are delaying marriage. About 1.3 million households were shared by two unrelated adults of opposite sexes in 1979, more than twice the 1970 number. □

VOLUMES YOU MIGHT DONATE

Our headquarters library in Chicago would welcome donations of the following volumes and numbers of the *Transactions of the Society of Actuaries*:

Bound volumes I, II, IV, IX, XIII, XXVI.

Paperbacks, nos. 31, 74, 75, 76.

On the theory that beggars can be choosers, it is asked that such items be in excellent condition unmarred by scribblings and that donors assume shipping costs. In return, a donor will receive an acknowledgment letter stating the gift's value to support a charitable deduction.

Thanks To Our Algebraists

Our May issue had an appeal for help with a problem pestering the Part 3 Examination Committee.

The 36 repliers lined up thus:

Favoring Proposed Definition I	12
Favoring Proposed Definition II	20
Raised Eyebrows	4
	36

Messrs. Lowrie and Dicke will tell us more in a later issue. □

BOOK REVIEW

Peter G. Moore, *Reason By Numbers*, 406 pp., Pelican Books 1980, paperback \$5.95.

by E. J. Moorhead

This is an imaginatively organized and well-written text. We can be pleased that its author is an actuary.

Peter G. Moore, F.I.A., is Deputy Principal and Professor of Statistics and Operational Research at the London Business School. He is active in the affairs of the Institute of Actuaries, currently a member of its Council.

Unless one delves into this paperback, one might be forgiven for dismissing its jacket message as exaggerated:

"Guesswork, however inspired, is no substitute for a sound working knowledge of probability, sampling, decision analysis, risk profiles—in a word, for numeracy. In this Pelican, Peter Moore looks at the ways of gathering, presenting and interpreting information and explains the essential arithmetic of resource allocation, planning and decision theory."

But the book fully lives up to its blurb. The author succeeds, with few words wasted, in conveying the essence of these concepts and applications. He has furnished many practical examples (some whimsical), and has rounded out each of his fifteen chapters with exercises, solutions to which are given.

To convey an idea of this book's scope, one need only list some chapter titles, viz.,

- Chap. 1. Beginners, Please
- 3. Algorithms
- 6. Mathematics For Planning
- 8. Statistical Interpretation
- 9. Probability — Fact or Fiction?
- 13. Decision Analysis
- 14. Simulation and Risk Profile

Written for "those working in business or commerce at any level of managerial or supervisory responsibility," this is a book from which many an actuary, including this reviewer, can learn, and one that an actuary can confidently present or recommend to anybody who hasn't yet been faced with, or is a fugitive from, business mathematics. □