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EDITORIAL

DOUGHTY PROTAGONIST

THE complaint that actuaries say nothing in rebuttal of published proposals they perceive to be actuarially unsound does not apply to one of our retired members—Ray M. Peterson, F.S.A. 1927.

Mr. Peterson and his typewriter sprang into action when he read the following in the New York Times of June 29th:

> , ... surely it's time to stop pretending that Social Security is an insured system, with workers paying their own way. Why not forgo those economically unsound increases (in payroll tax rates)—24 percent at the maximum level—and move at last to judicious use of general revenues to supplement the most basic social program we have? That would be good for inflation, good for recession and good for Social Security.

Our champion's letter dealt succinctly with several principles familiar to actuaries, but majored on two, namely, drawbacks in recourse to general revenues and the true lesson that we should learn from knowing that the payroll tax rate is headed toward 24 percent. But first Peterson described the system in these words:

> Social Security is a social insurance system involving, at its heart, an implicit social contract between successive generations (in which) present workers (and their employers) contribute from earnings for the benefit of the present elderly persons (formerly contributors) with confidence that such workers, when they are among the elderly, can rely . . . . on the contributions with respect to future workers.

On the drawbacks implicit in general revenue financing, he said:

> Persons not covered by the system—i.e., all Federal government employees, members of Congress and many state and local government employees—would be required to contribute but with no benefits . . . .
>
> Also, presently and future retired persons receiving old age income derived from personal savings and employer contributions under private plans (savings that established legitimate claims on future national income) would be required to pay increased taxes on such income. . . . In view of these effects can there really be, in the very nature of things, a judicious use of general revenues?

Concerning what the predicted 24 percent payroll tax rate ought to be telling us all, Mr. Peterson's observations were these:

> (Your columnist should) recognize that the "24 percent" . . . constitutes a vital warning of the ultimate costs of scheduled benefits, regardless of how they are financed. . . . A prominent and wide-spread publication of that 24 percent is a necessary red light to warn of the future costs of the system (which) can be lessened only by reduction of benefits.

It would be rash for us to assume that this was the only letter that the New York Times received from a Society member. Nor do we take for granted that every reader will unhesitatingly support every one of these particular arguments. We do commend this action to others as a better course than just throwing aside the newspaper with a sigh or an imprecation.

E.J.M.

LETTERS

Academy Is Moving Too Fast

Sir:

There are grounds for major objection to the Academy's proposal to adopt the Report of its Committee on Dividend Principles and Practices while that Report is still in its present seriously incomplete form.

Its incompleteness is of two kinds:

First, it attempts to make recommendations for two of the three types of business now called participating, while postponing judgment on the third type. That third type is business of stock companies that isn't subject to the stockholder limits set forth in the Committee's para. 1.2. This would certainly brand the large number of such companies with the implication that their practices are inferior or unfair.

Second, it asks our professon to accept recommendations with the promise that interpretations of them will follow. This is unjust because there apparently are large, maybe irreconcilable, differences in the ways that different actuaries now interpret the promulgated wordings; actuaries who now think they can support the Recommendations will later discover that they cannot.

The Academy Board must postpone its approval of this Report until these questions are cleared up.

Claude Thau

Ed. Note: Mr. Thau will happily send a memo dealing with these points to any reader requesting it to his Year Book address.

* * * *

Public Expressions

Sir:

Paul H. Jackson (May issue) correctly objects to Academy committees almost always expressing a single viewpoint. To explain this failure to portray diverse actuarial thought, Academy leaders have said that we as a small profession should "speak with once voice."

As good an explanation can be found in our insurance company "follow the leader" heritage, a one-voice syndrome evidenced also by some consulting firms whose spokesmen pretend in public tha their opinions are shared by all their people.

I am convinced that incomplete statements of actuarial thought expressed by

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