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UNITED KINGDOM RESPONSE TO INFLATION

by William Vickers, B. Comm., Toronto

Ed. Note: Mr. Vickers, Senior Compliance Officer of Manufacturers Life Insurance Company, kindly contributed this at the invitation of our Economics & Finance (Continuing Education) Committee.

How to deflate overheated economies, and at the same time to stimulate productivity and maintain high employment, are difficult challenges facing many governments. The results of Prime Minister Margaret Thatcher's monetary and fiscal policies to achieve these goals are therefore of no little interest abroad.

Inflation's Perceived Roots

It is widely accepted that inflation is sparked by excessive growth in the money supply at a point (called the "inflationary gap") where there already is full employment, i.e., no excess productive capacity. Such growth, which may arise from government spending, new investment, or consumption, is deemed inflationary because it increases aggregate demand without increasing production. Labour cost-push and monopolist price-push theorists attribute inflation to excessive wage and price increases created by union and monopolistic power, respectively. Structural-rigidity theorists consider that prices can increase but never decrease, because prices in contracting sectors of the economy stay the same because of economic structural rigidities, and prices in expanding sectors rise. Many attribute inflation's persistency to expectations that it won't be stopped; hence wage and price contracts reflect inflation that has not yet happened.

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NEWSLETTER NEWS

Among actuarial newsletters these days, we have one that's new; one that's using a computer; one that sports a new editor; and one that has both a new editor and an increased issue frequency.

FRESH AIR—AIR stands for Actuaries In Regulation—has been launched. Its Editor, R. Michael Lamb of Salem, Oregon, tells us that it's intended to appeal to casualty people, but an occasional item may merit attention of life and pension actuaries. He cheerfully permits us to relay such pieces.

The October 1981 issue of John H. Miller's **DISABILITY NEWSLETTER** was produced on their newly acquired equipment, consisting of a TRS-80 II computer, TRS-80 Daisy Wheel Printer II, and Scripsit Word Processing, Model II. As well as meriting our respect, this gives food for thought for this journal which is edited in North Carolina, produced in New York, and distributed from Chicago. Comments from readers on what you might do if you were in our shoes will be welcomed.

FIASCO in London, skillfully edited these past two years by Peter J. Turvey, advertised in its October 1981 issue for a successor, and promptly announced appointment of R. David Campbell of Epsom, Surrey. We count upon enjoying the same reciprocity with him as with his genial predecessor.

The **ACADEMY NEWSLETTER** now has Mary H. Adams at its editorial helm, and will have twelve issues in 1982. We expect this latter to result in rather less duplicating of articles and announcements between us than in the past.

E.J.M.

SCOPE OF SOCIETY RESEARCH

Ed. Note: This is little more than a teaser excerpted from a three-page statement of policy adopted by our Executive Committee in September 1981. Interested readers are invited to obtain the full text from James L. Cowen, Director of Research at the Society Office, and to direct comments and questions to him or to Dwight K. Bartlett, III, c/o National Health & Welfare Mutual Life Assn., 666 Fifth Avenue, NYC 10103.

Actuarial research efforts of Society members may be classified generally into three categories as follows:

Experience:

Collection, analysis and reporting of . . . data pertaining to actuarial science . . . including preparation and graduation of experience tables, and development of projection factors.

Theory:

Discovery and refinement of mathematical and statistical theories and techniques . . .

Practice:

Research and development relating to actuarial principles and business practices affecting . . . insurance companies, employee benefit plans and government programs.

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The Practice category includes much of the work of the various committees on dividend practices, valuation principles, and pensions, as well as much of the research of individual Society members. It is important to distinguish between two phases of Practice category projects as follows:

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