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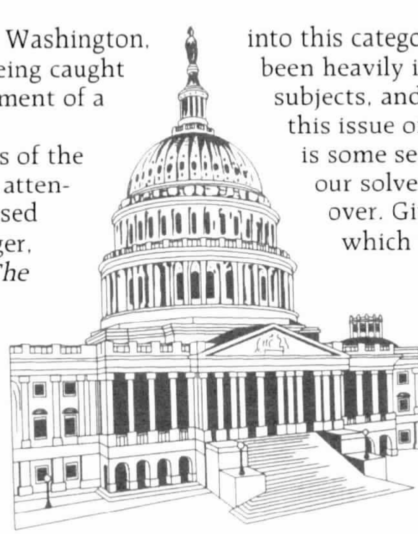
Editorial

New cycle, new challenges

by Anthony T. Spano

It's hard to be in Washington, D.C., without being caught up in the excitement of a new administration.



The political events of the past year have focused attention on a theory discussed by Arthur M. Schlesinger, Jr., in his 1986 book, *The Cycles of American History*. The theory holds that historic events follow a recurring cycle, which he defines as "a continuing shift in national involvement between public purpose and private interest." Others have described this as a shift between innovation and conservatism or between activism and passivism. A full cycle runs for one generation or about 30 years. Applying this theory, Schlesinger predicted in 1986 that:

> At some point, shortly before or after the year 1990, there should come a sharp change in the national mood and direction — a change comparable to those bursts of innovation and reform that followed the accessions to office of Theodore Roosevelt in 1901, of Franklin Roosevelt in 1933, and of John Kennedy in 1961.

The rationale for these alternating swings is rooted in basic human behavior. We long for something, achieve it, realize that it doesn't make us perfectly happy or solve all our problems, and long for something else. This is an oversimplified explanation; other factors play a role. The principal point is that strong evidence exists that the pendulum has swung to the activist side of the spectrum.

The implication for actuaries is clear. We've all noticed, for example, the increased regulatory activity by the NAIC, state legislatures, and state insurance departments, much of it stimulated by concerns over industry solvency. The valuation actuary concept, risk based capital, the asset valuation and interest maintenance reserves — all these developments fall into this category. Many of us have been heavily immersed in these subjects, and they are discussed in this issue of *The Actuary*. There is some sense that the worst of our solvency problems are over. Given the direction in which the social and political mood is swinging, however, it would be a serious mistake to assume this will slow the regulatory pace.

On the day before President Clinton's inauguration, the *New York Times* published the results of a national poll on the public's expectations for the new administration. One finding was:

> The public's high hopes for Mr. Clinton's term include one critical and difficult expectation: that he keep his campaign promises to change the nation's health-care system. While the poll suggests much indifference to campaign promises, health care is the exception.

The poll results support a growing feeling that significant changes in the health care field may be at hand. Add such subjects as employee benefits, taxes, reinsurance, liability laws, and sales illustrations, and we see an almost endless array of issues for increased governmental interest. On many, actuaries can make solid contributions to the expected debates.

Some recent developments are, I think, encouraging. We are participating more — witness the extensive involvement of many of our members in solvency-related projects and in long-term care issues. The Forecast 2000 public relations program has done much to enhance our professional visibility, convey information about what we do, and show how we can be helpful in the public sphere. And, we're more conscious of the need to establish a productive dialogue with those outside our profession.

I'm confident we'll respond effectively to our increased challenges as we swing into this new cycle.