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BOOK REVIEW

Changes in professions call for re-evaluation of values

by Etienne Dupourque

The Cost of Talent: How Executives and Professionals Are Compensated and How It Affects America, Derek Bok. Published by the Free Press, 866 Third Ave., New York, NY 10022; \$24.95, 1-800-257-5755. 1993, 320 pp.

In his book, *The Cost of Talent*, Derek Bok attempts to shed some light on the critical question of the influence of professions in the United States. Six professions are studied:

- Corporate executives
- Doctors
- Lawyers
- University professors
- Teachers
- Federal officials

Actuaries are directly affected by the evolution of these professions, either as participants in corporations, governments, and universities or as recipients of our educational system.

Because Bok is a former president of Harvard University, his approach to the subject is predictable: the best measure of talent is Phi Beta Kappa, and universities will always be the bedrock of an advanced society. Much of the book is devoted to the changes in the distribution of top college graduates relative to the number of graduates that each profession can attract. The numbers do not bode well for public education.

The changes professions have undergone and their ability to attract talent and money make the book fascinating reading. Corporate executives have gained more control of their spectacularly rising compensation, even while the supply of MBAs is increasing dramatically. The advent of Medicare was to be a progression of social insurance, and it proved to be a boon to doctors. Lawyers' influence is not always coincident with a fair and

efficient legal environment. The size and use of contingent fees often divert the purpose of the fees, because most plaintiffs are not educated in the legal system and many lawyers are well versed in profit-taking. Trial lawyers also are successful in limiting the spread of no-fault insurance. University professors know well that corporate consulting pays more than teaching students, so they get out of the teaching profession and leave teaching to poorly prepared aides. The roles of public school teachers are less that of educators than of managers of scarce and deteriorating resources, both material and human. Federal officials are still the pawn of elected politicians, both from an image standpoint as scapegoats for government incompetence, and from a financial standpoint, with pay linked to Congressional salaries.

Through a brief and clear review of the professions and a relative comparison of each, Bok presents a good analysis of the changing values in this society. These values are questioned, and many contradictions in our present system are apparent. If we want less government intervention, why do we need mediocre government? If free market is so critical, why do so many want control, by any means? If money is all-important to talent, why did basketball star Michael Jordan give up millions of future income? If equality in opportunity is deemed a right in our society, why is quality education increasingly ignored by the public sector?

Of the solutions Bok presents, one already is in place: OBRA93. The increase in tax for high income is supposed to rectify an increasing disparity in wealth distribution without abetting incentives to seek higher incomes. A necessary part of any

solution, however, is an individual commitment to change from primarily monetary incentives to result-oriented incentives where compensation is just one of the rewards. This is where the author challenges the reader to re-evaluate prevailing values, because a fast-changing environment imposes its own set of new values.

The Cost of Talent is an intriguing, very well-researched and documented, yet biased, book. Other books that complement this topic are:

- *Boiling Point*, Kevin Phillips, Random House, 1993. Phillips, a Republican pundit, describes how so many of us were hard of hearing in the 1980s when the Reagan Error was misunderstood for the Reagan Era. Phillips focuses on the redistribution of wealth and how the United States is following the lead of the United Kingdom and the Netherlands as a financial intermediary, leaving the technological and cultural leadership to others.
- *Secrets of the Temple: How the Federal Reserve Runs the Country*, William Greider, Simon & Schuster, 1989. Greider tells how one federal official, Paul Volcker, single-handedly caused a new actuarial specialty and should have copyrighted a new video game: *The Interest Rate Curve Surfer*.
- *The Wish for Kings: The Passing of the Democratic Spirit in America*, Lewis Lapham, Grove Atlantic, 1993. Lapham, editor of *Harper's Magazine*, may have a disturbing answer to Bok: sorry, nice try, but we are becoming a nation of courtiers, with our kings being those talents for whom wealth has taken second place to power.

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