

The Public Is Interested

The article on “Professions and the Public Interest” (September/October 2004) is most welcome, particularly if it is the start of a series. No one is more qualified to write about this subject, as it relates to the actuarial profession, than Lauren Bloom, which makes the article doubly welcome. My own awareness of these issues developed very slowly over the course of my career, and has evolved more rapidly as a result of teaching required professionalism courses for the Society of Actuaries.

Ms. Bloom points out the difficulty of figuring out who makes up “the public.” You could also say, figuring out who makes up “the various publics we must deal with.” I would like cast my vote for setting one particular public above the others, in terms of our responsibility to the public interest. That public is the beneficiaries of the financial security programs we advise and/or manage.

In an insurance company, there may be controversy between a corporate executive and the company actuary. The corporate executive may be focused on next quarter’s earnings, as demanded by the board of directors. Actuaries, however, must look long term, at least if they’re serving the public interest. The unique actuarial responsibility here is to determine the amount that must be held by the company’s financial security programs (the actuarial reserves) to maximize the probability that all future benefits will be paid when they come due. There are several stakeholders in this illustration, but our unique responsibility is to beneficiaries of our programs. Valuation actuaries even have some legal clout to back them up if, say, reserve strengthening is called for.

In a benefits situation, things are not so much different. The corporate executive may want minimal contributions (quarterly earnings again), but the actuary will determine how much must be contributed to the benefit plans for long-term solvency. No one else has this professional responsibility (the Joint Board shares it for pensions in the United



States). There are others who can look out for the other stakeholders, but not for plan participants.

When people ask me what an actuary does, I briefly mention insurance, pensions, and mathematics. Then I say, “If you’re receiving a pension when you’re 80 years old, and the money to pay the pension is there month after month, it means an actuary did his or her job decades ago.” People seem to like that. And if we will recognize this particular “public” as our primary one, I think it’s true.

LINDEN N. COLE
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Varieties of American Experience

Mr. Crompton’s article on nationalization (July/August 2004) is full of fallacies and unsubstantiated opinions, few facts, and few demonstrations. There’s no definition of “satisfactory profitability.” His chart for only three insurers indicates profitability is improving. Experience in 2004 continues net income increases, in some cases dramatic increases. The premise that nationalization must occur is based only on some limited experience of European telephone companies, quite an extrapolation. There are plenty of examples of American industries with unsatisfactory profitability, e.g., commercial airlines, where nationalization isn’t viewed as the inevitable outcome.

Speaking of extrapolations, I haven’t seen the stats about the growing percent of GDP since the Clintons; they’re just as fallacious now as they were in 1992.

The concept that there must be a fixed limit is only an assumption. It’s not too difficult to imagine that breakthroughs in cancer and cardio research will extend our life spans and that our affluence will create a society of retirees, not all at once but gradually. This implies that larger percents of GDP will be spent on leisure activities and health care.

Instead of assuming that nationalization must occur, the implication is far more limited—just that the pay-as-you-go aspects of systems like Medicare and Social Security must adapt. Note that proposals to fund national systems with payroll-based taxes are flawed because that tax base will necessarily be declining.

The current third-party payers must adapt also. Here, the breakthrough is outcome analysis that definitively identifies efficient providers and efficient courses of treatment. When combined with advances in medical technology, the quality of care improves while the cost increases are moderated. This is the science of medicine, and it supplements, not replaces, the art of medicine, the touchy-feely relationship between physician and patient.

Whether costs can be controlled is of course problematic, but it’s certainly a viable alternative to draconian nationalization. One lesson from the fall of communism is that such advances are more likely to occur in the private sector where profit motivation fosters innovation.

The entrepreneurial spirit is part of the American experience. Picture Bill Gates working out of his garage. Despite its weaknesses, the private sector cannot be so blithely abandoned.

Mr. Duncan's article (July/August 2004) on high-deductible plans is also disappointing, although the article is labeled "commentary." That's true; the anecdotal sample size of one is hardly analytical. It would be easy to recount another anecdote where the spending account is abused. But the real question is whether it's reasonable to expect lay people to understand enough in a short time to make good economic decisions. After all, we're talking about people who think 99 cents is less than a dollar.

Ms. Kwiatowski's article on health care proposals reminds us that the work of political science is to substitute opinions for facts. Any proposal will not be viewed in terms of its aggregate effect but in terms of the sum of the effects on individual special interest groups. Unfortunately, that's part of the American experience, too.

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A Change in the Lineup

Regarding Mr. Mech's letter in the July/August 2004 issue ("All-Star Game"), this appears to be a case of "nothing new under the sun." The statistic that Mr. Mech is proposing had already been proposed in a 1998 article in the *Baseball Research Journal* (a journal published annually by the Society for American Baseball Research). In that article, Gaylord Clarke proposed a statistic he called the "modified offensive average." It was essentially the same as that proposed by Mr. Mech, except for the relatively minor adjustments for caught stealing and grounded into double plays.

When re-reading Mr. Clarke's article, I was struck by the large differences between the figures he offers compared with those in Mr. Mech's letter. Closer inspection reveals that Mr. Mech's calculations may have been based on a misinterpretation of the baseball data.

In particular, his figures are the same

as those one would get assuming that the number of "hits" in a batter's record is the number of one-base hits or singles. In fact, it isn't. In the traditional reporting format, the number of "hits" is the total number of hits, including the extra-base hits that are detailed elsewhere in the record.

Regarding the usefulness of the Clarke/Mech statistic, one cannot dispute Mr. Mech's implicit contention that his list contains some of baseball's greatest batters. (Although I'd quibble with the inclusion of Helton, because his major-league career began in 1997 and I'd prefer to wait a few more years before including him in any gallery of greats.)

Nonetheless, for most players, the figure for total bases is, by far, the dominant item in the numerator of the Clarke/Mech statistic. As a result, Mr. Mech's list is pretty much the same as the list that would be produced using the traditional "slugging average" statistic (defined as total bases divided by official at-bats).

On the other hand, the Clarke/Mech statistic does augment the traditional batting statistics by including a more complete measure of the player's baserunning ability. I found it interesting to note that Ricky Henderson (the all-time leading base stealer) has a modified offensive average that's almost the same as Joe DiMaggio's, a similarity that isn't produced under any of the traditional batting measures.

The ninth edition of the *Baseball Encyclopedia* provides statistics on many who played in the now-defunct Negro Leagues. Much of the original data hasn't survived, but baseball researchers have worked at retrieving such information as can be gleaned from newspapers and other archives.

It's generally acknowledged that one of the greatest batters in the Negro Leagues was Josh Gibson, whose prime playing years were in the late 1930s and early 1940s. Applying the Clarke/Mech formula to the *Encyclopedia* data gives Gibson a modified offensive average of 0.724, second only to Babe Ruth's 0.763.

However, this isn't a fair comparison.

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Putting aside any questions of statistical variance or sampling error (Gibson's reconstructed record comprises only about 1,700 official at-bats, one-fifth of Ruth's) the Negro League data in the *Encyclopedia* doesn't include the number of walks a batter receives. Batters of the caliber of those listed in Mr. Mech's letter typically accumulate walks at a rate of one for every five to 10 plate appearances. Assuming that Gibson had also drawn walks at this rate, we can impute to his record some 200 to 400 walks.

Using the low figure of 200 gives Gibson a modified offensive average of 0.753, still second to Ruth. Using the higher figure of 400 walks puts Gibson at the top of the list with 0.777.

During his career, Gibson was often called the black Babe Ruth, and there was (and still is) endless speculation as to whether Ruth or Gibson was the greater batter. It's one of the tragedies of baseball history that we'll never really know. Still,

the data strongly suggest that Gibson belongs somewhere high on the list of baseball's greatest batters.

EDWARD SYPHER
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Too Much Babel

I was disappointed by the Endpaper article, "Book Me a Room at the Tower of Babel" (September/October 2004). The author provides little support for his position, relying on a few appealing anecdotes. He states that "Montreal had not devolved into chaos." He does not tell us that Montreal was Canada's leading city until the 1970s, when its secessionist movement caused a mass emigration of people and industry. He waxes for the European Union and its kaleidoscope of cultures without telling us about the resentment and racial tension that have led to the rise of anti-immigrant parties in France, Netherlands, Austria, and other

countries. He also ignores the EU's difficulty in getting its member countries to ratify the Maastricht Treaty.

I would challenge Mr. Zatorski to find any country that has done a better job than the United States of assimilating immigrants over the past decade, the past 50 years, or the past two centuries. I believe that the reason we have done so well integrating diverse cultures, and had such a successful economy, is the existence of one common language.

In addition to these complaints, I felt that the article was out of place in *Contingencies*. I did not see any angle that made it particularly relevant to actuaries. All of your readers have many opportunities to read opinion pieces on demographics and other contemporary issues in the mainstream media. I look forward to *Contingencies* for articulate and well-documented articles that discuss "actuarial issues" or contemporary issues where "actuarial science" brings some novel insight.

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In the September/October issue of *Contingencies*, your "Endpaper" contains an article by Richard T. Zatorski in which he quotes political scientist Samuel Huntington as follows: "The persistent inflow of Hispanic immigrants threatens to divide the United States into two peoples, two cultures, and two languages." Huntington goes on to say... "they are... forming... their own political and linguistic enclaves and rejecting Anglo-Protestant values that built the American dream." Zatorski then proceeds to take an opposing position. It is his opinion that a bicultural (or even multicultural) United States is not a bad thing. He apparently sees potentially great positive values in Huntington's "enclaves."

Mr. Zatorski works in Wilkes-Barre, Pa. I have no idea what the Latino/Anglo mix in Wilkes-Barre may be, but I do know that the percentage of Latino/Hispanic people in Pennsylvania is approximately 3 percent. The number of Latino/Hispanic people in the state of New Mexico, where I live, is, percentage-wise, much greater. New Mexico

is No. 1 in the United States with a Latino/Hispanic population of 42.1 percent. As Huntington indicates, many of these people appear to be intent on establishing and maintaining their own cultural enclaves. Before Mr. Zatorski spreads his thoughts about expanding the number of such enclaves around the United States, there are some statistics he should consider. These are mainly from recent census data:

- New Mexico is third in the nation in percent of people living below the poverty level.
- New Mexico is fourth in the nation in per capita violent crime. In Albuquerque, where I live, gangs (almost all Latino) are numerous and apparently uncontrollable. Shootings and knifings are everyday occurrences.
- New Mexico is fifth in the nation in terms of per capita federal aid. In other

words, the rest of this country is subsidizing New Mexico to a significant extent.

- New Mexico is ninth in the nation in traffic fatalities per mile driven.
- In the state and city publication "Smartest States," put out by a company called Morgan Quitno Press, which considers 21 factors related to education, New Mexico comes in dead last of all 50 states.

I could go on, but I think my point is clear. I strongly believe that the Latino/Hispanic communities would be much better off economically if they would focus on joining the mainstream of United States culture (including language) instead of focusing so strongly, as many do in New Mexico, on enclaves designed to preserve their native cultural heritage.

Finally, I consider Mr. Zatorski's reference to Montreal as support for his position to be misguided. Montreal and

Quebec often appear to be hell-bent on tearing Canada apart.

ROBERT B. KOCH
ALBUQUERQUE, N.M.

Mr. Zatorski responds: I'd like to thank Mr. Atkins and Mr. Koch for noticing my article and taking time to comment. Discourse in any language is a welcome way to express (and perhaps to resolve) views that differ.

I chose to write about this topic because I believe there are seismic demographic shifts occurring both here and abroad that will continue to push diverse cultures into close proximity. We ignore these changes at our peril. I feel that we need to develop more enlightened solutions to bridge the language gap than demanding that everyone "walk and talk" like us.

Mr. Atkins cites several negative consequences (emigration, resentment, and social tensions) that he attributes to the clash of languages in Ontario and Europe. I'd suggest that these consequences arise more out of "fear of the other" and that bilateral sensitivity to each other's languages and cultures can help to break down such barriers. He further notes that the United States has done an admirable job of assimilating immigrants during its history, and I agree with him up to a point. Certainly my grandparents and their fellow European immigrants successfully navigated this transition. I'm not sure that the experience of those who have come from Africa and Asia and, more recently, from Arab cultures has been as smooth.

Mr. Koch cites some difficult census data from his home state of New Mexico and suggests that this is causally related to the high percentage of the Latino/Hispanic population. I'm afraid I'm unwilling to accept that we should "blame it on the Latinos." Perhaps poverty is a related cause but certainly not ethnicity. What Mr. Koch fails to add is that California, Texas, and Florida are three of the top five states in percentage of the population who speak Spanish, so the performance of those states should be considered in any unbiased, statistical analysis. ●

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