LEGACY: AN AMERICAN ODYSSEY
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This paper examines the enduring legacy left by successive generations of American public policymakers, and the contributions of actuaries to that legacy. It is particular to the United States of America, but echoes may be found in many other countries.

America has been with us for about nine generations, and its actuaries for nearly as long. My goal in writing this paper has been to identify the predominant legacy that each generation of policymakers has left for future generations, and to examine the corresponding contribution of the actuarial profession to that legacy. My findings and ponderings have led me to conclude that, for this purpose, the nine generations break naturally into three sets of three generations each, with each set a sort of trimester of the American experience. The organization of the paper will follow that conclusion.

TRIMESTER I – THE REVOLUTIONARY WAR TO THE CIVIL WAR (1775-1865)

Liberty for current and future generations was very much on the minds of early American policymakers. At considerable risk to themselves, they endorsed a Declaration of Independence (1776), which led to a Revolutionary War (1776-83), and thence to actual independence from the British Empire. The new nation came to be governed by the Articles of Confederation and Perpetual Union, which loosely bound the 13 states (former British colonies) for about seven years (1781-87). When the ties proved too loose for effective nationhood, the Articles were replaced by the US Constitution (1789) – which in turn, however, was quickly amended by the Bill of Rights (1791), which affirmed the freedom of states and individuals from potential federal tyranny. Not all individuals were guaranteed liberty, however, with the particular exception of slaves, persons who were legally owned by other persons. This was ended, again at considerable risk and cost, by the Civil War (1861-65). With these two wars and their results as bookends to the trimester, it is clear that the predominant legacy of the policymakers of the era was **freedom.**

The contribution of American actuaries up to and including the middle of the 19th Century was minimal, due largely to the fact that there were no more than two dozen actuaries in the country even as late as the Civil War. This is not to say that the period was a total actuarial wasteland, however, for the life insurance industry was established, and the American Experience mortality table (1861) was developed. The enduring nature of that mortality table became clear to me a century later (1968), when I learned that a new client insurer was still using the table to value its life pensions. From the perspective of history, the primary contribution of these early actuaries may fairly be said to have been the **birth** of the actuarial profession.

TRIMESTER II – RECONSTRUCTION TO THE ROARING TWENTIES (1865-1930)

The middle set of three generations of policymakers witnessed amazing changes in the country. Along with problems, to be sure, there was major progress in technology (from the telephone to the airplane, for example), as well as portents of great progress to come in medicine and public health. Credit goes more to the innovators than to government, however, leaving us to search further for affirmative action by policymakers with considerable impact on future generations. The search is rewarded by seeing the stewardship of the land as practiced during the period. President Abraham Lincoln in 1864 signed legislation to protect the Yosemite Valley and nearby giant sequoias. President Ulysses Grant in 1872 signed legislation establishing Yellowstone as the first national park in the world. Other new US national parks included Mesa Verde (1906), Grand Canyon (1919), and Carlsbad Caverns (1930). With these, along with many other federal lands and state parks, established during our second trimester, it's fair to say that the predominant legacy of the policymakers of the era was public (national, state, local) **parks.**

The contribution of American actuaries during the late 19th and early 20th Centuries was substantial. Actuaries were the architects and more of the many life insurance products that proliferated during the period. When problems developed around the turn of the Century, actuaries played a prominent role in public responses, such as the Armstrong Investigation (1905), and in regulation of the industry. Social insurance also proliferated during the period, again with substantial actuarial involvement. For example, the original line of American social insurance, workers compensation, led to the formation of the Casualty Actuarial Society (1914), substantially by Dr. Isaac Rubinow, who also laid much of the intellectual groundwork for subsequent social insurance lines including unemployment compensation and Social Security. The predominant contribution of actuaries during the trimester at hand arguably was **innovation.**

TRIMESTER III – WORLD WAR II TO THE PRESENT (1930-2010)

It is an important function of policymakers in a democracy to debate alternative levels of government expenditures and revenues (i.e. taxation), and to strike a balance deemed appropriate by the outcome of the debate. Exceptions may be made in cases of dire national need (e.g. war), with accrued debt subsequently reduced over ensuing years. This was done throughout the first six generations of the USA – but has changed dramatically since then. World War II was perceived to be an existential threat to the country, and costs incurred to win that war brought the national debt, for the first time, above 100% of the annual gross domestic product (GDP). More or less contemporaneously, however, policymakers found that they could finesse the debate by hiding or underestimating future expenditures. This misleading of the public has been found generally to pay off at the ballot box, and accordingly has escalated throughout the trimester at hand. The nominal national debt was reduced following World War II, but off-book and unfunded liabilities (such as public employee retirement benefits and social insurance obligations) have led to real public debt that is a multiple of GDP, and to the inescapable conclusion that the predominant legacy of the policymakers of the current era has been **debt.**

Some American actuaries over the past several generations have argued that we, as experts in the analysis of future costs, should alert the public to the accruing debt being run up by the policymakers. Others counter that few of us are truly expert in social insurance and public finance, and that we should instead concentrate on the more narrow fields in which we work. Influencing the debate is the growth of government and thus of government regulations in recent generations, for many if not most American actuaries now make much if not most of our income from employers and clients who are struggling to comply with those regulations. Some of us may not want to "bite the hand that feeds us", and some of our actuarial organizations may not want to jeopardize their "place at the table", by criticizing the government. While it would be largely unfair to accuse actuaries of complicity in the damage to the future that is the predominate legacy of our politicians, it does seem clear that our primary activity and contribution during the current trimester increasingly has been **compliance.**

THE FUTURE – WHAT LIES AHEAD, AND WHAT CAN BE DONE?

The public books will be balanced, since arithmetic cannot be repealed, nor forever deferred. The process will be painful, however, to an extent far beyond what is currently imagined. Taxes will be massively increased. Projections of the cost of government show it far exceeding 50% of GDP within a generation, which implies an *average* tax rate in excess of 50% of income, since borrowing is unavailable to a pauper. Cash benefits will be massively reduced, and public employees (federal, state, local), retirees (Social Security, public plan pensioners), investors (bonds, FDIC, etc), and other recipients of public funds will not be spared. Public healthcare spending (Medicare, Medicaid, Affordable Care, etc) is likely to be balanced by means of politically-based rationing of a dwindling supply of medical services and products. Protestations that the foregoing is unnecessarily extreme should be accompanied by a specific plan, that can stand up to actuarial scrutiny, to retire $100 trillion of debt. Civil society, civil service, and civil rights will all become increasingly uncivil as the 21st Century unfolds.

A few prominent social insurance actuaries have attempted to alert the public to the looming actuarial collapse of the country. Rulon Williamson in the middle years of the 20th Century, Haeworth Robertson in the late years of that century, and Rick Foster in the early years of this century, are among those few. Other actuaries have also tried to speak actuarial truth to power, including most social insurance actuaries, many volunteers who've been allowed a podium, and some public plan actuaries. All have failed, as measured by results. Rigorous projections of our economic future will have to reflect probable decreases in GDP and fertility, and probable increases in inflation and dependency. Hostile outsiders will do their best to take advantage of a weakened America. Wall Street Occupiers who are now outraged by the size of their student loans will understandably become even more uncivil when they can't find healthcare or feed their families. Plausible scenarios for the years ahead will all be painful, but some will be less so than others. Assuming eventual voter repudiation of the political model of the past several generations, actuaries may be able to help select the best of a bad bunch of scenarios, and thereby soften the pain that has been bequeathed to future generations.

APPENDIX – ONE ACTUARY'S (FAILED) EFFORTS TO ALERT THE PUBLIC

Newspaper articles:

- 1964 – letter to the editor, Los Angeles Times (Medicare will bring a trillion-dollar debt).
- 1996 – op-ed piece in the San Diego Union-Tribune (Medicare is $10 trillion in debt).

Chair of actuarial committees:

- 1974 – Image of the Actuary (SOA) and Public Relations (AAA).
- 2009+ Public Interest Committee member (Academy).
- 2010 – Social Insurance and Public Finance Section (Society).

Public presentations:

- 1983 – CAS Presidential address (social insurance future cost estimates shouldn't be based on pray-as-you-go assumptions).
- 1993+ talks to actuarial clubs and others about the *real* national debt (it is a major multiple of the national debt of popular discourse).
- 2007 – acceptance speech on receiving the AAA Jarvis Farley award (the actuarial collapse of the country is imminent).
- 2008 – keynote speaker at the annual meeting of the International Association of Black Actuaries (the *real* national debt is about $75 trillion).

Panel moderator:

- 1994 – health care reform panel at the annual meeting of the Casualty Actuarial Society (increased healthcare coverage will lead to increased costs).
- 2009 – panelist on social insurance panel at annual meeting of the SOA (sound-clip of LBJ saying "the fools had to go projecting Medicare costs out five or six years").
- 2010 – international social security accounting panel at the International Congress of Actuaries (politicians pillage future generations because they don't yet vote).

Book reviews:

- 1997 – *The Big Lie*, by Haeworth Robertson (the US government is making financial decisions that will impoverish future generations).
- 2001 – *Working Through Demographic Change*, edited by William Zinke (Social Security has so well stamped out senior poverty as to impoverish others).
- 2007 – *Boomsday*, by Christopher Buckley (a novel about an impending generational chasm gone wild).

Articles:

- 1993 – *And Forgive Us Our Debts*, a letter to my grandson about public debt (I foresee the collapse of the country due to the lust for power, in the guise of compassion).
- 1995 – *The Emperor's Wardrobe*, about proposed compliance guidelines for actuaries (the profession should not give tacit support to actuarially unsound programs).
- 2000 – *The Cost of Government*, at all levels, relative to GDP (this pre-Enron, pre-9/11, and pre-Great Recession projection foresaw a 75% of GDP cost by 2100).