



The Actuarial Profession

making financial sense of the future

Editor
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Reference:

Sir

Messrs Lepetit, Boris and Marteur (comment, 29 July) raise an important issue: that fair value might not seem fair in a financial crisis, if calculated with reference to market prices. Indeed, research carried out by the Actuarial Profession has concluded that marking to market can create pro-cyclical effects that amplify volatility. However, the extent to which market prices ought to be adjusted to reflect these short-term factors is by no means clear. In this sense, market prices are to accounting measurement as democracy is to government, and to quote Winston Churchill, "democracy is the worst form of government except all those other forms that have been tried from time to time".

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