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REVIEWS

Three Score Years and Twenty. BY WALTER C. BALMFORD (Unpublished).

These are the memoirs of an actuary written as he approached his eightieth birthday.

Whilst the events recalled are, in the main, not connected with actuarial matters, the story will nevertheless be of interest to many actuaries.

The intention was that these reminiscences should be of interest primarily to the writer's descendants. Underlying this is the opinion expressed in a foreword to the booklet that wider publication was not intended. Despite this, there are sections of the story, particularly those relating to the progress of an actuary in the profession during the 1920s and 1930s which provide a small but valuable addition to the human side of actuarial history.

Much of the charm of the booklet lies in the direct and modest approach to matters both actuarial and non-actuarial.

Walter Balmford was one of the select few to engage in active service with the Royal Flying Corps during the First World War. This part of the story is told in more detail than would otherwise have been possible because he was fortunate in retaining possession of his Pilot's Log Book.

He entered Government service through the Civil Service Examinations and continued with the actuarial examinations whilst working in the Government Actuary's Department. He remained with the G.A.D. from 1919 to 1938.

In 1938 Walter Balmford was offered, and accepted, a post in Australia to assist in the introduction of a scheme of National Insurance (which was never, in fact, established).

Following the outbreak of war he was given responsibility for the administration of Capital Issues Control in Australia and he was connected with this until 1945.

During 1944 and 1945, Balmford was largely responsible for the drafting of a Life Insurance Bill and was appointed Australian Life Insurance Commissioner.

On his retirement from the government service at the end of 1957 he was appointed Chairman of the Legal and General Assurance Society in Australia at the time the Society commenced writing life assurance business in that country.

Walter Balmford died on 14 May 1979.

R. W. SCADDEN

The Taxation of Industry (Fiscal Barriers to the Creation of Wealth). BY BARRY BRACEWELL-MILNES [Panopticum Press, London, 1981]

In his latest book on taxation Barry Bracewell-Milnes studies its effect on the creation of wealth. He makes the point that the tax process is not neutral and can cause the destruction of wealth. He considers the various types of taxation from various aspects and concludes that taxes on consumption are least harmful. He firmly believes that all taxes on capital reduce prosperity and the rate of creation of wealth.

Comparative figures for E.E.C. countries are updated to 1981 and show the U.K. system as having the greatest bias against savings. The author links this with our relatively poor growth performance.

Actuaries are unlikely to be happy about the way the author rejects normal definitions and methods. Market values as a measure of the value of wealth is 'naïve' because all wealth could not be realized at once, and the concept of wealth as a discount of a flow of future income 'should be modified to recognize the fact that in a taxless world the discount rate is irrelevant to the value of old saving held in perpetuity . . .'. The idea of equating market value with the future flow of income to determine the relevant discount rate, net or gross of tax, does not seem to occur.

Again, the author uses involved verbal arguments to make deductions from what are probably quite simple mathematical relationships. It is difficult to be convincing when describing the results of an accounting process and some of the conclusions like 'wealth is created out of thin air by the purchase of second-hand goods' are distinctly dubious. Normal accounting methods have been developed to record the creation and distribution of wealth, which is the sum of items listed in the appropriate balance sheet, the values of which vary from day to day. When a worker exchanges the product of his labour for a wage his own balance sheet increases by that amount, although his employer's does not having merely exchanged cash for work in progress. If the worker then spends part of his wage on consumer goods and saves the rest, the net effect on his balance sheet is the increase in personal saving matched by an equal increase in cash. The company which sold the goods will show an increase in assets (wealth creation) equal to the cash received less goods at cost, matched by its profit on the transaction. The author uses the somewhat inelegant description of this process as 'brute force' in spite of its entirely civilized nature. He says the usual preference for this method of wealth creation is superstitious and has no rational foundation.

On taxation methods the author is, of course, an expert and he produces interesting tables of international comparisons and discusses conditions for maximum revenue yield. He makes no secret of his dislike of state-owned enterprises and his belief in economic efficiency through free markets and competition but, surprisingly, says nothing about the tendency of such a system to swing between booms and slumps, and nothing about the destruction of wealth in the depression of the 1930s. He does not seem to like Keynesian deficit financing in times of recession in spite of its tax-cutting implications and it would have been interesting to know whether he would favour tax increases merely to increase revenue surplus in times of economic boom conditions.

JOHN R. HEMSTED

A Guide to Insurance Accounting. BY ANDREW L. MCCRINDELL. [Buckley Press Ltd].

The book is intended to be a comprehensive guide to insurance accounting and is aimed at all those engaged in the insurance industry. This wide-ranging subject is divided into twenty chapters covering almost three hundred pages of well written and easy to read text.

The first six chapters, which occupy some 35% of the book, cover a history of insurance company legislation, company accounts, and book-keeping. The author makes no apology for including the chapters on book-keeping theory since, in his experience, students approaching any aspect of accounts without a grasp of elementary book-keeping have little chance of success.

Insurance company revenue accounts are then examined covering both life and general insurance and much of the material on technical reserves will be familiar to those who have studied for the B3 examination. Some discussion of the treatment of general branch investment income is included and an opinion is given that to take investment income into account when pricing would be an irresponsible subsidy of the underwriter! A chapter on mechanization includes a detailed description of the records required to transact GB business. Expense allocation is touched upon and it is suggested that some effort should be made to allocate overheads to different lines of business in order to be fair to policyholders and so that profitability may be measured. It is a pity that the author does not at this point discuss the concept of contribution to overheads, since this can often be more meaningful than profit when making short term decisions.

Accounting methods for both OB and IB business are described in detail and a brief section on group pensions is included for completeness. Overseas business and foreign exchange, reinsurance and taxation receive a chapter each and there is a chapter on investments, although this is very elementary.

Towards the end of the book are forty-five pages covering current legislation regarding solvency, asset valuation, and DoT returns. For those who require only infrequent reference to such regulations these pages provide a very useful and easy to use summary, including the 1981 Act. Numerous flow-charts are included showing the various forms to be completed and their inter-relationship with each other.

Finally, there are chapter covering accounting in Lloyd's and brokers' accounts.

In his introduction the author states that the purpose of the book is 'to embrace the whole spectrum of the British insurance market'. Because of this very broad approach most people working in insurance will find something of interest in the book but, by necessity, many areas are covered only superficially. I feel that the book's usefulness and appeal would have been increased by the inclusion of a reading list after each chapter for those who might require further information.

Despite this minor criticism, I am sure that *A Guide to Insurance Accounting* will be a worthwhile addition to any insurance office library.

STEPHEN PRESNELL