

class debentures are liable to illustrate the Duke of Wellington's maxim, "High interest means bad security." The shores of the real estate loaning business are strewn with the wrecks of those who have lost the principal by grasping at a high rate of interest. The first, the paramount duty of a life assurance company in regard to investments, is to "make assurance doubly sure" by placing the funds held in trust for its policyholders in such securities as are not merely unquestionably sound when acquired, but, as far as is possible, are free from contingent risks which may involve losses discreditable to the judgment and dangerous to the stability of the investor.

PROBABLE FUTURE COURSE OF THE INTEREST RATE.

VIEWS EXPRESSED AT THE CONGRESS OF ACTUARIES.

Few questions have more importance to insurance companies than the rate of interest on investments. The following is a synopsis of the discussion, as reported in "The Spectator," relating to this question, which took place at the recent Congress of Actuaries.

A paper was presented by Mr. J. Burn, F.I.A., on "the probable future course of the interest rate," in which he said: "The increase in endowment insurance, the issuance of sinking-fund policies and various investment contracts promising a guaranteed accumulation extending over a possibly long period of years all demand that a satisfactory rate of interest be provided and maintained if possible." Mr. Burn considers that experience shows there is a tendency for interest rates to fall continuously, but that the continuity of the fall is disturbed by periods varying considerably in duration, but the general tendency being eventually resumed. He referred to the war in South Africa as one such period of disturbance during which the rate of interest was raised following a period, 1895 and 1896, when rates were abnormally low owing to decline in trade. The normal rate he considers it to be found between the extremes of high and low. The paper concludes as follows:

"The most probable future course of the rate of interest (providing no exceptional disturbances occur) would therefore seem to be: A fall, small, but rapid, within the next year or two; then a less rapid fall lasting possibly for several years, and gradually settling down to a general tendency to fall at a slower and slower rate."

Mr. Gunn thought the fall reached in 1896 was not likely to recur as investors now had more experience.

He pointed out the advisability of the companies investing in long-dated bonds on good properties in order that the highest rate could be earned for many years to come. There were still many op-

portunities for investing funds, and the demand is great enough to prevent the rate from falling. The speaker instanced the effect of the present almost universal good trade conditions, of the development of new nations, such as the Argentine and other South American republics, and also the effects of wars, which are not likely to disappear altogether.

Mr. Van Cise explained that the United States Government bonds earned a low rate because they were not taxable; that the debt was a comparatively small one, and that there was a forced market for them, owing to their use by the national banks as security for the circulation of notes. The large increase in various forms of investment and installment policies under which life insurance companies became trustees for large numbers of beneficiaries, made the interest question still more important. He believed there would not be the same decline in the future in the interest rate on farm mortgages. The question was world-wide, owing to the facility with which money can now be transferred from one part of the globe to another wherever the demand for it is greatest.

Mr. T. B. Macaulay is reported to have expressed his belief that the recent rise in the rate of interest had reached its zenith, and to have given as reasons therefor the fact that the two recent wars had been concluded, and that, although the industrial affairs were still in a highly prosperous condition, there were indubitable evidences of a slackening off in commercial expansion. The recent troubles in monetary circles were financial, and not industrial, as the manufacturers were able to use all their capital without resorting to Wall street speculation. Capital was still needed in the development of the country, as shown by the large amounts of so-called undigested securities. These securities, he said, were not all bad, for while indigestion may be caused by bad food, it can also come from too much good food with a little bad. He would not attempt to prophesy the future course of the interest rate, but felt certain it would be some years before it again reached the present high point.

Mr. Charlton T. Lewis, of New York, claimed that the fundamental cause of high interest rates was the sanguine expectations of mankind that profit would come from its ventures which was responsible for and controlled a high rate of interest. This, he said, was a supreme fact, and pointed out that when men's hopes were low and the commercial spirit crushed there was no demand for the conversion of moveable capital into fixed capital, and only a low rate could be obtained. History, he said, proves this statement, for in the period from 1815-1845, the rate of interest declined to as low a point as at any time since; from 1845 to 1871 there was a great development commercially and a progressive rate of increase was shown, while from