

to form a good-sized insurance convention! Now, all this means an enormous expense in the aggregate, and, in a majority of cases, an entirely useless expense. By a very simple co-operative arrangement, two or three good, expert adjusters could be trusted to look after the interests of all the companies, and to do it better than a dozen or twenty. The fact is that the really important work—that which counts—in the adjustment of a loss at a big fire where twenty or thirty representatives of the companies appear on the ground is always done by two or three of the number. Not very long since, the writer saw ten adjusters and specials gathered in a small city to look after an eighty thousand dollar loss. We then thought and still think there were just nine more than were needed.

Something, and something worth while, can be done in the line of expense-saving; but it is chiefly in the line of a decreasing loss record that the efforts of underwriters are to be directed if substantial improvement is to be realized. There is altogether too large a percentage of extra-hazardous risks taken at non-hazardous rates, or, in other words, the prevailing classifications are exceedingly faulty in practice, and in the great strife for business discrimination is given a free rein, the result being that, in the expressive phrase of the period, "everything goes." Inherent physical hazards are too often ignored or superficially examined, on the plea that "the other fellow will take the risk if we don't," and it all helps the drift for big business. We are among those who believe that there is such a thing as scientific fire underwriting, and that the prevailing errors in the placing of risks are not due to inadequate data nor lack of underwriting intelligence half as much as to a semi-reckless habit of taking a questionable risk for the sake of increased volume. And so the easily determined physical hazards and the more uncertain but approximately ascertainable moral hazards are scanned with an indulgent eye, and luck trusted for the result in a too large percentage of cases.

Theoretically, and according to the edicts of the various underwriting associations, the classification of risks and the rules and instructions governing risk-takers are excellent, leaving little to be desired; practically, board definitions and instructions are more honored in the breach than in the observance. Until the time comes when theory and practice shall join hands and honest loyalty to easily made compacts becomes the rule, fire underwriting will continue to make the unsatisfactory record which has marked its career for the past two or three years. As risks run and as losses go, of course the rate is too low; but with improved methods and practices in risk-taking, resulting in a material decrease in the loss ratio, there would still remain, at present rates, a fair margin for profit in the business. What is needed just now more than anything else is the courage on the part of the companies to call things by their right names, and to refuse to take certain risks at any price and to take certain others at a rate which fairly measures them. The sifting process is what the times demand, and if judiciously and fearlessly applied will, we believe, speedily turn disaster into success.

THE RELATION BETWEEN POPULATION AND RATE OF INTEREST.

The Committee of the State Insurance Officials Convention held at Chicago last month presented a report, in which an argument occurs based on the theory that an increase of population and decrease in rates of interest are necessarily connected as cause and effect. When two things show in their rise and fall equal percentages of decrease and increase which correspond in time, it is natural to conclude that such correspondences prove a causal relation the one to the other. But this conclusion as a general principle is fallacious. Two bodies of water, for instance, may be noticed the one to rise as the other falls. This seems proof of their being connected, but it may be that they are each being acted upon by other influences whose motions coincide. Lake A. rises as Lake B. falls, "certainly connected," says an observer, but one of wider observation may know that Lake A. is so affected by changes in Lake C., and those in Lake B. by changes in Lake D., or the whole four may owe their fluctuations to more remote sources. The report, with truth, states that large investments can be more economically handled than small ones. It then proceeds to say that the history of the United States strikingly confirms the principle, that with increase of population comes decrease in rate of interest. The following census returns are adduced in proof of this:

Year.	Population.	Rate of increase.	Average gross interest.
1850	23,191,876	36 per cent	7 per cent
1860	31,443,321		
1880	50,155,783	25 per cent.	5 per cent
1890	62,662,250		

On the above the remark is made: "The rate of increase in population during those decades, twenty years apart, has decreased 30 per cent, and the rate of interest has decreased 28 per cent.—a concurrence truly remarkable." Such coincidences are occurring every day. From this concurrence the conclusion is drawn that a corresponding *decrease* in the rate of interest will take place in the next thirty years in like proportion to the *increase* of population. This we regard as a speculative guess, as the conclusion is not a necessary one from the data furnished. Between increase of population and a greater supply of capital in proportion to their needs there is no natural connection. The population of a country may increase while its wealth is running to waste, or wealth may be accumulating while population is declining, or stationary. Much depends upon the habits, the occupations, the opportunities of a people, much also on the natural resources of the land they occupy, and much upon the political and social conditions of a country, which may either be so unstable as to weaken confidence in all its financial enterprises, or to attract capital by the confident assurance of those enterprises resting on a sound, enduring basis. English consols are preferred by some investors before securities that yield a much larger revenue, and which are practically as sound, because the credit of England is believed to be unassailable by any of those influences which are more or less liable to affect other