Monetary Times

Trade Review and Insurance Chronicle of Canada

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DALLYING WITH RISK

A man who sells life insurance said to the writer: "I have a prospect for a $50,000 life insurance policy; but it may take me three weeks to write the policy." Here is the case of a business man half convinced that he should take out a policy for $50,000 on his life. Yet will he dally for three weeks with the risk of death coming, leaving his wife and family with little or no insurance, and an estate of questionable value. Few matters require such a quick decision as the acquirement of life insurance. Often is heard the story of those who die without it while engaged in a series of discussions with a life underwriter as to the need for protection. No man can afford to question whether or not he should carry life insurance. The matters for decision are how much insurance he can afford, what sort of a policy he desires and with which reputable company he will place his business.

As was recently pointed out by a New York insurance man, life insurance cannot always be bought when it is needed most. However much a man may require protection he may find to his dismay that no matter what he is willing to pay as an annual premium, it is impossible to obtain insurance because the company's medical examiners advise against his acceptance as an insurance risk. It is difficult to understand why so many men wait for so many years before giving the question the proper consideration. Every year which passes makes the annual premium higher and the chance of being accepted by the insurance company, more slender.

Here is a striking illustration, familiar to life insurance men. The mortality tables show that nine men out of every thousand die every year. Put a thousand of them side by side in a straight line faced by a like number of soldiers, each with a rifle in his hand; 991 of these rifles are loaded with blank cartridges but nine contain bullets. All these men are thirty-five years of age and they know that nine of their number will fall when the command to fire is given, but they are unaware who these nine will be. At this moment there appears a life assurance agent, offering to each man the opportunity of protecting himself against the certainty of death in the ratio of 9 to 1,000. What happens? Every man of that thousand immediately steps forward and takes out life assurance.

WAR AND ECONOMY

When the Canadian citizen is spending his income in times of peace, he is hiring men to make things for his consumption and to wait upon him. In times of war, it is necessary that a large number of men stop production for private consumption and cease to wait upon one another as private consumers, commencing instead to produce things for the government, wait upon the government and serve it as soldiers. Therefore, private consumers must consume less and wait upon themselves instead of hiring others to do so. If the course of incomes and employment is not changed in time of war, the government has to compete for men and money. Consequently, prices are inflated, no matter where the money is obtained.

Discussing the financing of a great war, Professor T. N. Carver, of Harvard University, in a recent issue of The New York Annalist, says that the first great initial mistake which practically every government has made up to the present time in its war finance, is that it has hesitated to tax its people. "The only sound method of financing a war is to tax the people," he says, "and tax them to the bone. Leaving the people untaxed they continue spending their incomes as before, and that spending of income is a demand for men to produce supplies for private consumption, and to wait upon the consumers. The only way, then, in which the government can get these men is to outbid the private consumers with its new money. This competition between the private consumers and the government for men and supplies cannot by any possibility result in anything else than an inflation of prices."

In short, the people must purchase less as the government purchases more. One way to accomplish this is by means of voluntary war loans, such as Canada has issued, for example. "People who have been spending their money for other things may be induced to spend it for government bonds," says Professor Carver. "They must then cut down their purchases of supplies. This will reduce the demand for men to produce supplies for private individuals. These men who are released from general industry are then available to be hired by the money which is now in the hands of the government. This cannot result in inflation."

Another method of obtaining the desired result is by forced loans, a system which is not likely to be adopted in this country to any great extent. Taxation is a third method, and one which Great Britain has used to a marked degree. Should the war continue for any length of time it is quite possible that the Canadian war debt will amount to $1,000,000,000, with an annual interest charge of $50,000,000. That fact alone should be sufficient to induce economy on the part of governing authorities and individual citizens. As pointed out in a British government poster recently, which urged the sacrifice of luxury for victory, a diamond tiara will buy a field-gun, a bottle of champagne and a box of cigars will buy five hundred cartridges and an automobile will purchase an aeroplane. It is a case of the British Empire first and self second.