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1. Introduction

This paper takes from the draft introduction and conclusion of my PhD thesis to share an outline of my vision for the structure of the South African retirement system, and my vocation in attempting to understand and, where possible, to shape it. My hope is that it might encourage others working, or intending to work, in the pensions and financial services both in South Africa and elsewhere.

The next section briefly outlines that vision in order to set the scene. Section three outlines a view of justice, which I would hold to be the standard against which to judge the institutional structures we support, and which therefore forms the basis for visions of ideal structures, and the need for reform.

The fourth section explores the idea of vocation as an answer to the question as to why one might want to be involved in reform. Vocation, or calling, can be seen as archaic, and based on a different metaphysic to that now dominant in actuarial and economic research and practice, but it provides a way in which energy and courage can be developed and focussed on social reform and other desirable outcomes. While the idea of vocation can be discussed without reference to religion, I find such discourse unsatisfying and inadequate. I therefore include in this section of the chapter some of my own Christian experiences and views. For those who do not share the views, I hope the discussion will help to clarify differences, even if it fails to persuade.

The fifth section turns to the idea of wisdom, which answers the questions of how we can decide on appropriate objectives and how we might achieve them. Wisdom is another term that might be said to be archaic, but it is surely a necessary virtue to avoid unwise reform! It also includes both the knowledge and personal skills to effect change and the ability to commit to action in the face of uncertainty.

The final section describes possibilities and imperatives for those involved in research, practice or regulation.

2. The vision

There are two major elements of the vision.

First is a universal pension for orphans, the disabled and the aged funded from general tax revenue. There is currently no orphans' pension, and the means test, which I characterize in Asher (2006b) as an administrative atrocity, would be abolished.

Second would be employment based funds very much like current retirement funds, except that membership would be compulsory and they would be required to offer a set of minimum pensions, for orphans, the disabled and the aged. They would not be mandated for workers not formally employed or earning below the tax threshold, who are covered by the current social security arrangements. The funds would all be controlled by elected trustees subject to the fiduciary duties of common law and a government regulator. These benefits would also replace those offered by the Road Accident Fund and workers’ compensation arrangements, which could therefore be abolished.

The background and some other ideas, of more specialist interest, can be found in my papers listed

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1 An earlier version of this paper appears in Praxis - Journal for Christian Business Leadership (2006) 4.4: 2-9
in the bibliography. Those published in the last four years make up the chapters of the thesis and were written to evaluate the retirement policy proposals of Taylor et al (2002) on which I served and authored the report of the Retirement Sub-committee. My views do not however entirely coincide with the recommendations of the Committee.

3. Justice

I suggest that justice is the standard against which we measure the exercise of power by individuals, and agreements and laws that exercise power over our lives. It is, therefore, the standard by which we should measure our own actions and their consequences, and also all elements of government action. It is particularly concerned with protecting the powerless against the powerful.

There is an ancient consensus that justice can be defined as giving to each his due. What is due to people subjected to the power of others? If anything, it must be related to their essential dignity: to their ubuntu (an African word meaning humanness), flowing, for some, from our resemblance to the Creator. This dignity seems to provide sufficient basis for the recognition of objectives or what are sometimes called basic human rights: to life, liberty, the provision of basic needs, and recognition of just deserts. The provision of these rights obviously is restricted by resources and the need for efficiency. The approach I have taken is to recognise the absolute value of these objectives: absolute in the sense that they always have value and that an attempt must be made to satisfy them as much as possible, while recognising that compromise may be necessary at times. This differs somewhat from the “rights-based” approach to social objectives, which attempts to set minimum levels in law, and a "needs-based" approach, which underemphasises criteria other than need. Justice is rather seen as more process-based carefully considering the rights, interests and needs of every party.

Looked at another way, justice can be seen as the application of the golden rule to the relationship between rulers and the ruled. Justice is, as Lucas (1980) says, the glue that creates social solidarity, the fraternite of the French revolution or the flowering of ubuntu: umuntu ngubuntu ngabantu – a person is only a person because of others. Its foundation in human dignity gives the lie to claims that such solidarity requires those with authority in a community to be immune from criticism. On the contrary, their position of power means that they are subject to an even higher standard of behaviour.

In seeking justice, many writers point out that our feelings are likely to be critical and negative. As Adam Smith (1759) has it on the topic of indignation: “Resentment seems to have been given us by nature for defence, and for defence only. It is the safeguard of justice and the security of innocence”.

4. Vocation

Even if based in initial resentment, a search for justice provides a powerful motivation especially if it can be seen to be connected to our life’s work. Hall and Chandler (2005) examine vocation as a means of ensuring "psychological success" in a career. They report on other research that correlates objective career success with people's subjective interpretation of their careers, and suggest that it is simplistic to assume that the subjective follows the objective by some type of ex post rationalization. People who set personal goals do achieve some of them and feel better as a

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3 See Thomas Aquinas's Summa Theologiae Part II – II Question 58
consequence. Those who respond to a calling do, as a consequence, create the objective outcome of their own careers. Hall and Chandler find that the basis for vocation can be religious or secular, but the idea clearly has religious roots. Chamberlain (2004) describes how sociology has traced the "Protestant work ethic" to a religious understanding of vocation, and how Catholic thought has arrived at a similar view of vocation as having an application to secular as well as religious careers - during the past century.

Hall and Chandler also provide some discussion of how people develop a sense of vocation. They mention evidence of unique and applicable gifts; a strong sense of involvement or passion; how the vocation is difficult to find and articulate; and how it provides a sense of purpose. In similar vein, Zenger and Folkman (2002) refer to the intersection of personal competencies, passion and organizational or societal needs as the “leadership sweet spot”.

So much can be agreed by secular and religious positions, but animating the concept seems to me to require that people be invited to participate in a particular set of values, or at least be given enough detail to understand the emotional as well as the intellectual attractions. Hall and Chandler certainly give an example in their paper. It may, therefore, be helpful to share my sense of vocation in the hope that it may provide assistance to others in defining their own.

As with many people, my initial choice of an - actuarial - career was related to my understanding of my abilities and the interests that I developed at school. Involvement in the retirement industry was sparked by a sense of outrage at the unjust treatment of withdrawing members from defined benefit funds, and later flamed by the injustice of the means test and its consequences for lower income people. These two structures – or more accurately the indifference of those who derive a healthy living from these same arrangements and have the power to change things - still have the power to get my adrenaline flowing.

My tendency to anger was however rightly admonished by a friend quoting James4:

“So then my beloved brethren, let every man be swift to hear, slow to speak, slow to wrath; for the wrath of man does not produce the righteousness of God.”

While I have often been slow to hear, the bibliographies in my papers show that I have been reasonably diligent in seeking out the voices - from different disciplines and viewpoints - of those who have written on the subject. I have also heard from a wide variety of participants in the retirement industry, not necessarily from diligence, but from responses to two compulsions. For the first my personal propensities, family, school and career choice spoke as one: duty. My father's example was reinforced by the school's motto “Orando et laborando” (by prayer and by work), and the Francis Bacon quote that at one stage appeared on Institute of Actuaries publications:

“I hold every man a debtor to his profession; from the which as men of course do seek to receive countenance and profit, so ought they of duty to endeavour themselves by way of amends to be a help and ornament thereunto.”

This should not suggest that I have not gained sustenance and pleasure from family, school or profession. The latter is particularly relevant here, as participation has been repaid by many warm friendships and congenial interactions. What contribution I have made in this area would have been inconceivable had I not felt I belonged inside the profession.

The other compulsion came from the Old Testament prophets and the South African Churches, who both insist that we should listen to the poor. Interactions here were as often intense as congenial, but often more rewarding for it. In particular, I was exposed to two emotionally and intellectually seminal influences in the middle of 1975. The first was the ten day conference of the

4 1:19 in the New King James version.
Anglican Students Federation, the only student organization of the period that had not split into white and black components. I was often left in tears at the intense pain that was expressed; and more were shed as I worked through the second major influence, the SPROCAS (Study Project on Christianity in an Apartheid Society) reports. These were a careful analysis of racial oppression in South Africa and the possibilities for reform. They were written by some 150 largely white and Christian intellectuals. Perhaps because they were also largely English speakers with no influence on government, the main conclusion seemed to be that blacks would have to win their own liberation. The thinking of the black Anglican students, and the SPROCAS participants, was informed by the dialectic of black consciousness enunciated by Steve Biko:

“The thesis is in fact a strong white racism and therefore, the antithesis to this must, ipso facto, be a strong solidarity amongst the blacks on whom this white racism seeks to prey. Out of these two situations we can therefore hope to reach some kind of balance - a true humanity where power politics will have no place.”

James, SPROCAS and black consciousness converged: one should not presume to speak for God or the poor. My calling seemed: become an actuary, “mind your own business”, and look for opportunities to be useful.

I became an occasional advisor on retirement issues to the Black trade unions, one consequence of which was involvement in socially desirable investment described in Asher (2005). I also undertook some research and involvement with retirement fund policy: in particular six years as member of the Pension Fund Committee of the Actuarial Society of South Africa followed by as many years on the Ministerial Advisory Committee on Pension Funds. Amidst the more pressing issues of the times, my membership of these committees allowed me to suggest a link of the withdrawal benefit issue to the more pressing question of surplus refunds. This may have provided the seed that led to the 2001 reforms which, inter alia, imposed minimum withdrawal benefits on all retirement funds. I do not know how important my role was in this sequence, but it does provide satisfaction to know that I participated actively. I mention it here because it illustrates the long gestation period required for policy reform, and perhaps provides an encouragement to set ambitious long term goals.

In addition to cultivating patience, there is other personal work that may well be necessary in finding and responding to a calling. Luke's beatitudes (6:20-22) all speak to me.

"Blessed are you who are poor, for yours is the kingdom of God.  
Blessed are you who hunger now, for you will be satisfied.  
Blessed are you who weep now, for you will laugh.  
Blessed are you when men hate you, when they exclude you and insult you and reject your name as evil, because of the Son of Man.”

While they have a literal meaning as words of comfort, I have always understood them to set standards of virtue. In order: humility, which includes separating from personal and class interests to listen to others; a hunger for justice; a compassion that weeps at evil; courage in the face of opposition.

5. **Wisdom**

It is perhaps strange that wisdom should need defence, but Sternberg (1990) has edited what seems to be the most cited of modern books on wisdom, and a number of his authors lament the decline of

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5. Published by the Christian Institute and the South African Council of Churches

6. Steve Biko (1971) *Black consciousness and the quest for a true humanity*  

7. As Paul has it in 1 Thessalonians 4:11
the concept. Chandler (1990), for instance, referring to well-known philosophers for support, "argues that our modern conception of the knowing process is a much fragmented and highly restricted version of a once more elaborate conceptual scheme ... of the notion of wisdom and the existence of wise persons."

Chandler is perhaps overly pessimistic. In my experience, wisdom is widely valued outside the social sciences. Many of my teachers clearly sought and valued wisdom, and "sound actuarial judgement" is frequently used by members of the profession. With both teachers and actuarial colleagues, and in my fellowship with other Christians, I have shared together in a search for wisdom.

I agree however that much academic and professional literature seems to fail to attempt the test of wisdom. My calling led to 14 years as Director of Actuarial Studies at the University of the Witwatersrand, Johannesburg. One of the reasons was to give myself time to learn from the academic literature in the fields related to actuarial work. I found it on the one hand surprisingly rich, but on the other disappointingly narrow. The narrowness arises, to my mind, partly from a reluctance to risk controversy even on a technical level, and more especially when linked to practical and moral issues, and partly from a failure to integrate the technical and the moral aspects.

**Passion and controversy**

Michael Polanyi (1962) writes of the necessity of a passionate rather than disinterested approach to finding truth. He “demonstrates that the scientist's personal participation in his knowledge, in both its discovery and its validation, is an indispensable part of science itself. Even in the exact sciences, ‘knowing’ is an art, of which the skill of the knower, guided by his personal commitment and his passionate sense of increasing contact with reality, is a logically necessary part.”

While commitment and emotional attachment do provide the motivation to understand, they are clearly unhelpful if they allow blind spots to develop or lead to stubbornness. We should obviously be open to question our commitments in order to prevent blind spots, and as an antidote to stubbornness; and we should disclose our commitments when there is a danger of otherwise manipulating an audience. I should therefore make it clear that my personal commitment is to what I understand are the essentials of the traditional Christian faith; I believe in a Truth that provides meaning and beauty to our private and working lives: intellect and emotion; social, economic and political.

I make no apologies for acknowledging this commitment, even if the reader disagrees. Differences in opinion, if held with some passion, are likely to lead to controversy, but I would suggest that educational theory suggests that such controversy is necessary. The work of Piaget, summarised for instance in Phillips (1969), provides the basis for most theories of intellectual development. His description of early child development need not concern us here, but what does seem important is the distinction he draws between learning as "assimilation" and "accommodation." Assimilation is the learning of new facts and information that conform with the learner's existing view of the world. Accommodation must occur to adapt our previously held theories or models of reality to new information that otherwise cannot be explained. Accommodation requires learners to construct their own new mental model to accommodate the new information. The motivation to make the accommodation arises from the "cognitive conflict" that occurs when new information does not fit in with previous ideas. Learning is an active, and often uncomfortable, process that I think is stimulated by exposure to controversy. It is no accident that questioning and controversy is central

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8 This pithy summary of the book's theme is taken from the review at Amazon.com.
to the Socratic method, the teaching method most favoured for the teaching of wisdom over two millennia.

While there is an apparent inconsistency between the biblical injunction that "the fear of the Lord is the beginning of wisdom" (repeated throughout the "wisdom books": Job, Psalms, Proverbs and Ecclesiastes)\(^9\) and teaching that involves exposure to alternate views and debate, both include instruction and interaction with a teacher. While not a Socratic dialogue, the raging debates of the book of Job and the volatile intensity of the Psalms do force active consideration of different points of view. Thus, it seems to me that controversy is necessary to create the ability to consider alternative positions and to wrestle with them until there is some reconciliation or integration. As such, it is necessary for the development of wisdom.

**Coherence vs reductionism**

Wisdom must include the higher cognitive functions of synthesis and evaluation: it integrates or recognizes the “co-inherence” of our lives and being. This co-inherence\(^10\) means that separating our knowledge into artificial compartments can produce a distorted, reductionistic, understanding.

I find much economic research and discussion to be reductionistic. As is illustrated in Arnott (2004), the research is frequently narrow and dogmatic. One school of economists has difficulty with explanations of behaviour that are not based on material self-interest, let alone social and ethical considerations. It seems to me that this materialist economics intersects almost entirely with assertions that true science is value free. Rothbard (1976) deals with this question in his discussion of the views of Ludwig von Mises, one of the more influential proponents of value free economics. He acknowledges the validity of Von Mises's point that one must accept the distinction between how things are and how they ought to be, and that experts in the one are not necessarily experts in the other, but then shows that von Mises's attempt to support both *laissez faire* and value free economics simultaneously is not consistent. Free markets ought to be supported because they embody the value of liberty and appear more likely to be more efficient and reward industry. These are clearly value judgements, as are other views that inequality and failure to provide for everyone's needs, which frequently arise from the operation of a free market, are problems.

Similarly Gouldner (1961), in discussing sociologist Max Weber's influential espousal of the value free, suggests that “the myth of a value free sociology was Weber's way of attempting to adjudicate the tensions ... between science and religion...” Gouldner echoes a suggestion in Polanyi (1962) when he says of the value free notion: “it invites men to ignore the vulnerability of reason to bias, leaves it at the mercy of irrationality.” The irrationality arises because neither self-interest nor moral indignation, which often provide emotional drivers for debate, are recognised for what they are.

Conflicts between science, ethics and religion can represent a problem, but seem to me to derive from the relationships of the people concerned rather than the intellectual inconsistencies that emerge from time to time. The solution lies in the rules of engagement rather than insisting on a cessation of debate. “No politics, sex or religion" may be an alternative if participants in a discussion cannot stick to rules of courtesy, but if we want the truth, we have to be prepared to try to understand and interact with reasonable people with whom we disagree.

In applying the distinction between the objective and subjective to actuarial work, Thomson (2004) distinguishes between science, which includes the pursuit of knowledge, and wisdom. He

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9 See especially Proverbs chapters 8 and 9.

10 A term with wider application that derives from early Christian writers, but I first found it in Williams (1939).
suggests that wise criteria are “essentially subjective”, although he is making the case for utility theory to be seen as normative and limits the subjective to the shape of the utility function. It appears to me that, in the absence of a coherent alternative, utility theory more than provides enough criteria to decide whether a particular investment choice is wise or not. Similarly, it is suggested that justice is a universal standard that requires those exercising decisions of power to consider a definable range of criteria. People may trade the criteria off against each other, but they must all be considered. If they fail to consider all the criteria, the decision is procedurally unjust. And academic research is foolish if it identifies knowledge and techniques but fails to situate them in a framework that can lead to wise decisions. Wisdom is integrative; it is not reductionistic.

Co-inherence also means that different intellectual and professional disciplines do, or at least should, hold together. Pension fund design must surely be informed by sociology and gerontology as well as the health and management sciences. Modern disciplines however seem to define themselves quite narrowly. Thomson (2004), for instance, also seems to find it necessary to explicitly justify the inclusion of normal actuarial work in a scientific thesis. This is perhaps partly a consequence of the relatively recent introduction of actuarial studies into the university curriculum. I also interpret it as a defence against reductionistic arguments that research is only legitimate if it conforms to a narrow interpretation of the scientific method.

As with justice, I would argue that the value of research is similarly to be considered in terms of a range of criteria. These include the scientific criteria of logical consistency, objectivity and independence and the need to test theory against other theories and against data. The criteria should also include respect for the interests and opinions of others who may be affected; relevance to real world problems and decision making; aesthetics: in which I would include elegance, enthusiasm and clarity; as well as the ability to communicate and persuade.

To those who would argue that these are not the traditional academic objectives, my response would be that their tradition is too short and too narrow. Universities by their name proclaim their founders' objective of the pursuit of universal truth and, by their contemporary nature, are primarily concerned with the professional development of their students, and not the narrow perspectives within which some researchers appear to confine themselves. Specialization does not mean tunnel-vision.

Wisdom can of course be found in some of the published economic and actuarial research. My problem could alternatively be framed as a disappointment that so many of the researchers appear so poorly read. Wisdom requires a balance of the materialist economists and the World Bank literature with Herbert Simon and the institutional economists, the International Labour Organization and wise writers such as Thompson (1998) and Barr (2001) in the modern pensions literature. Some would also benefit from reading Adam Smith - both “Wealth of Nations” (1776) and his earlier book on ethics (1759).

Perhaps most importantly, theory and practice ought to co-inhere: “good theory is good practice aware of itself” as I was once told. In my experience, Church and duty demand more than listening. It could be of no value unless there was praxis - practical consequences. The next section from James has it: “be doers of the word and not hearers only, deceiving yourselves.”

**Ignorance and sin**

Finally, I would suggest that wisdom requires a theory of sin and forgiveness that incorporates ideas of ignorance and education. This is necessary to connect what is, with what ought to be and what can be. If learning is not merely assimilation of information, we can refuse to make the effort required for accommodation, or alternatively stubbornly refuse to acknowledge the facts we know. Worse still, we can apply what we know unjustly and harm others.
Some failure is inevitable, but no progress is possible unless we are agreed that there was indeed failure, and that we have the capacity to change ourselves and our world. The Christian concept of grace is that we can be forgiven if we repent of our sins. And while our prime responsibility is to look to our own actions, a concept of sin also permits of a prophetic vocation to hold the powerful accountable for the justice of their actions. For those not persuaded of the Christian position, Braithwaite (2002), writes of the importance of both shame and restoration in a range of non-Christian cultures.

What then is wisdom? There is a consensus amongst Sternberg’s (1990) authors that wisdom integrates the cognitive, the emotional and the moral, and makes skilled practical judgements in the face of uncertainty. Its development requires passion, humility and perseverance.

6. Future directions

What then are the implications for those who would make a career in financial services?

For researchers, my main suggestion is that there are enormous possibilities for connecting economic and social research into how people are behaving with actuarial knowledge of what the financial services industry does and how it might be changed. Research should however break with the ideas that people are perfectly rational, or that we will find predictable irrational patterns in their behaviour. Behaviour is always likely to be more complex. While it is worthwhile finding out what people are doing to protect their financial security, it is as important to determine what they should be doing. Contributions to a superannuation or pension fund are usually made in ignorance of the real needs of orphans, the disabled and the elderly. We need to know what makes for the best protection from disruption and poverty. This is an ongoing quest as conditions will change over time. Research has not only to look at the present but attempt to tease out future possibilities and develop strategies. As spelt out at the end of Asher (2006a), such research needs to be based on panel studies.

Practitioners in the pension and life insurance industry are given a range of suggestions in Asher (2007a and c) on how benefits could be better designed to meet the real needs of members. The most common response I am given when I make suggestions of this sort is that there is no demand for the ideas. Most often I believe that this response arises because people are overloaded, and have little time to respond to yet another new demand.

Sometimes the response is informed by the assumption that the purpose of business is to make a profit, and that this is most easily achieved by meeting the obvious demands of the market in the most efficient way. This is reductionistic. Drucker (1977) is I believe closer to the truth and more creative: “the main purpose of business is innovation”. The function of management is to know: what is our business? The business is to meet particular needs of customers and potential customers. The needs are met by creating new products and services, and the profit is made by showing customers that their needs are better met. This is an aspect of business that can be particularly exciting, creative and remunerative.

As I understand the duty of regulators, theirs particularly is the duty to prevent injustice: the abuse of power. By regulators, I mean those in compliance roles within companies, especially statutorily appointed actuaries and auditors, and including outside directors, as well as everyone employed by industry and consumer bodies, and government. As to injustice, I have perhaps been too critical at time, but have at least spread the criticism widely. Injustice is to be found in civil servants who manipulate pension and tax rules for their own benefit, and not just in the third world. It is to be found in the profession and industry groups that lobby for concessions and compulsion that distorts markets and social structures. Executive management manipulate their income to many times their market value. The most apparently proper of trustees and their professional advisors can milk those they are supposed to serve in a fiduciary capacity. Financial advisors charge too much or give poor advice. Academics would prefer to play with mathematical
models rather than address egregious wrongs in the industries they research. This much however is consistent with my understanding of the doctrine of sin, which does not rule out either forgiveness or hope.

Regulators within companies particularly need courage to take what can be an unpopular line, but I should record warnings that it is important not to embark on an adversarial course without adequate personal support. Jos et al (1989), for instance, describe the significant costs paid by those who whistle blow. I do believe that Luke's beatitudes provide the model: listen, weep and hunger before risking oneself, and then private rebuke before open opposition: “the wrath of man does not produce the righteousness of God.”

Also consistent with the nature of sin is the propensity to become more concerned with injustices perpetrated by someone else. Against this, Eliot Spitzer (in his public if not his private life) provides a role model. He does not claim to be doing anything more than his job, yet has made a significant impact on US financial services, clearing out conflicts of interest that had become entrenched in what appeared to be the most reputable of banks and insurers. While I do not have research to confirm this, it appears likely that the integrity of any system depends as much on thousands of smaller decisions to eschew or confront injustice - as on the occasional attorney-general with the insight, the courage and the political motivation, to take on an industry. And I am grateful to have worked with many people who have quietly, and not so quietly, made some of these courageous decisions and so protected us all.

Researchers, practitioners and regulators also have an educational role. Three particular areas covered stand out for me. The first is to explain the need for insurance; the second to reinforce good investment theory - the value of fundamental analysis; and the third for the centrality in matters of governance of the principle that conflicts of interest must be avoided.

Finally, I ask myself whether these financial issues really justify this rather heavy conclusion, and whether the financial sector is that important in a world of devastating poverty, vicious war and global warming. Perhaps not, but it is the area to which I have felt called to offer my gifts. Those of us who labour in this sector can perhaps take some encouragement from the end of the first chapter of James:

“Pure and undefiled religion before God and the Father is this: to visit orphans and widows in their trouble, and to keep oneself unspotted from the world.”

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