The Influence of Legislation on the Development of Life Insurance in Canada

R. LEIGHTON FOSTER*
Toronto

"The widening area of what in effect is law-making authority, exercised by officials whose actions are not subject to ordinary court review, constitutes, perhaps, the most striking contemporary tendency in the Anglo-American legal order" wrote Mr. Justice Frankfurter of the Supreme Court of the United States in 1927, when he was Byrne Professor of Administrative Law at Harvard. Thus he commenced his foreword to the first of a series of Harvard Studies in Administrative Law which, he added, "laid bare the complicated system of administrative control of the stupendous human and financial interests that are employed in the business of insurance".[1] Although the system of administrative control of insurance in Canada has never been as "complicated" as in the United States, nevertheless federal and provincial legislation have exercised a profound influence on the conduct and development of the business of insurance, particularly the business of life insurance, in Canada since before Confederation.

Life insurance is today the major source of family security for most Canadians. Upwards of 9,500,000 individual and group contracts are involved[2] and the ratio of life insurance in force to national income is higher (about 110%) in Canada than in any other country in the world.[3] More than 40% of the total premium income

*R. Leighton Foster, Q.C., was Superintendent of Insurance and Registrar of Loan Corporations and Trust Companies for Ontario from 1924 until 1935, when he resigned to resume private practice in Toronto and act as General Counsel of the Canadian Life Insurance Officers Association.

[1] See foreword to E. W. Patterson, The Insurance Commissioner in the United States: A Study in Administrative Law (Harvard Univ. Press, (1927). See also A. V. Dicey, The Development of Administrative Law in England (1915), 31 L. Q. Rev. 148.

[2] See the annual reports of the Superintendents of Insurance for Canada and for the several provinces.

[3] 1952 Fact Book (Institute of Life Insurance, New York) p. 88.

of Canadian companies comes from policyholders resident in the United States, in Great Britain and in numerous other countries.[4] No policyholder in a Canadian legal reserve life insurance company has ever lost a dollar through non-payment of the amount guaranteed under his policy at death or on maturity since the first Canadian company was established more than a hundred years ago. Few informed people will contend that sound and progressive insurance legislation in Canada, competently administered, has not been a major factor in this tremendous development.

The insurance contract, particularly the life insurance contract, is different from almost any other type of contract because the benefits are usually projected far into the future. In some cases fifty years or longer intervene between the purchase of a policy and the time insurance money is paid. The individual policyholder is seldom in a position to determine the standing of any particular company, the reliability of a particular agent or the fairness of the terms and conditions of different forms of policies. In these circumstances, the public interest demands some insurance legislation and government regulation, and they are usually found in one form or another wherever life insurance is known.

Although insurance legislation and government regulation of the business as we know it in Canada today has developed within the past century, the nature of the insurance contract is such that it demanded statutory recognition at a very early date in all civilized countries. In a strictly legal sense, a contract of insurance between private parties is a wagering contract. More than 350 years ago, however, legislation was passed in Great Britain to recognize the inherent distinction between a wagering contract and a contract of insurance. As early as 1601 the British Parliament passed "An Act Concerning Matters of Assurances Used Among Merchants,[5] and from that time forward a large number of imperial statutes dealing with insurance have been enacted.

It is accordingly not surprising to find that insurance legislation in Canada is at least two-score years older than Confederation. In 1836 an Act was passed[6] to authorize the establishment of mutual fire insurance companies in the several districts of Upper Canada and to regulate their affairs. The first Canadian life insurance company was incorporated in 1847. The first Act respecting friendly societies was passed by the then province of Canada in

---

[4] Life Insurance: A Canadian Handbook (Macmillan, 1945) p. 13.
[5] 43 Eliz., c. 12.
[6] 1835-36, Statutes of Canada, 13-14 Vict., c. 32.

1850.[7] New Brunswick passed an Act dealing with insurance companies not incorporated by the province in 1856.[8] In 1860 an Act was passed requiring fire insurance companies not incorporated by any statute of Upper or Lower Canada to obtain a licence from the Finance Minister;[9] and in 1865 there was enacted legislation to secure for wives and children the benefits of assurances on the lives of their husbands and parents.[10]

These references will serve to indicate that Canadian insurance legislation had its roots in Great Britain in the era of the first Elizabeth and that, when Canada was constituted in 1867, there were already in existence insurance corporations and insurance laws in some of the provinces.

Federal Legislation

The first federal insurance Act was passed in 1868.[11] It prohibited the transaction of insurance business in Canada by any company (except provincially incorporated companies transacting business within the province of incorporation) not licensed by the Minister of Finance. It provided that every company required to be licensed should deposit with the minister a sum of not less than $50,000, which should be increased in proportion to its premium income in Canada until the deposit became equal in each case to $100,000. Certain rudimentary forms of annual statements were required to be filed with the Minister. Many of the provisions of this original Act are traceable in the insurance legislation of the present day.

The Act of 1868 declared it to be the duty of the Minister of Finance to invest the amount of the deposits made with him in securities of the new federal government. It is reported that, in the discussion of the bill in the House of Commons, it was alleged by the opposition that the whole purpose of the Act was to secure money for the conduct of the affairs of the new Dominion and that, in essence, the statute was nothing other than a forced loan from insurance companies. It is further reported that in the first year of operation of the Act the insurance companies put up $1,800,000 out of a total revenue of the infant government of only $14,000,000, and in the next year $2,650,000 out of a total revenue of $15,500,000.[12] Life insurance companies frequently draw the at-

[7] 1849-50, Statutes of Canada, 23 Vict., c. 33.
[8] Acts of Assembly, N.B., 1856-66: 19 Vict., c. XLV.
[9] 1860, Statutes of Canada, 29 Vict. (2nd Session), c. 17.
[10] 1865, Statutes of Canada, 34 Vict., c. 17.
[11] 1868, Statutes of Canada, 31 Vict., c. 48.
[12] Report of Superintendent of Insurance for Ontario 1921 (business of 1920), pp. B267-268.

tention of the public to the way their funds are utilized, particularly in war time, in the national interest; apparently they were privileged, voluntarily or otherwise, to make a very distinct contribution from the outset to the financial welfare of the federal government.

The conflict of jurisdiction between the federal and provincial authorities likewise developed during the debate in the House of Commons on this original federal Act of 1868. The opposition is said to have urged repeatedly that the regulation of insurance is a matter within the exclusive control of the provincial legislatures. It appears that, when the crucial vote in the house was taken, there was moved by the leader of the opposition, Mr. Alexander MacKenzie, and seconded by his chief lieutenant, Mr. Edward Blake, an amendment to the effect that it be resolved that in the opinion of the house the regulation of insurance companies is a subject properly within the jurisdiction of the provincial legislatures. Upon the question being put, the house divided strictly according to party lines and the bill passed into law. The federal government has remained in the field of insurance legislation and regulation, notwithstanding numerous attacks in the courts,[13] during the intervening eighty-five years.

It was not long after Confederation that the Minister of Finance found he required the assistance of a competent deputy in insurance matters and in 1875 the Act of 1868 was amended[14] to authorize the appointment of an official to be known as the Superintendent of Insurance. Fortunately for the future of the insurance business in Canada, Professor J. B. Cherriman, longtime Professor of Mathematics in the University of Toronto, was persuaded to accept the appointment, thereby giving stature and prestige to the office which it has never lost. There have been only five incumbents since 1875. The senior officials in the department, such as Mr. R. W. Warwick (who served as superintendent from 1948 to 1953) and Mr. A. D. Watson, have always been career men of competence and experience. Mr. Kenneth R. MacGregor, the present superintendent, took over the post this year at the age of forty-six, following nearly twenty-four years continuous service in the department, during which he advanced from Actuarial Assistant to Associate Superintendent.

The Superintendent of Insurance at Ottawa for over thirty-

---

[13] See particularly *Citizens Insurance Co.* v. *Parsons* (1881), 7 App. Cas. 96; *The Insurance Reference*, [1916] 1 A.C. 588; *The Reciprocal Insurance Reference*, [1924] A.C. 328; *Re Insurance Act of Canada*, [1932] A.C. 45; and *Re Special War Revenue Act*, [1942] S.C.R. 429.

[14] 1875 Statutes of Canada, 38 Vict., c. 20.

three of the past forty years was Mr. George D. Finlayson, C.M.G., who retired on pension at the end of 1947. A capable and fearless man, Mr. Finlayson's devotion to the public service will never be surpassed and his name will always be indelibly associated with the sound development of the life insurance business in this country.

As Canadian insurance laws have developed through the years, they have shown the influence of both British and United States legislation. On the one hand, life insurance was introduced into Canada by companies from Great Britain as early as 1833, when a British company established an office in the city of Quebec. On the other hand, United States companies followed British companies very closely into Canada and from the outset the general conditions which the insurance business had to meet in Canada were similar to those in the United States—territorially, economically and socially. In Great Britain the insurance legislation involves exceedingly little governmental intervention or supervision of the insurance business. Although the affairs and business of the companies are required to be widely publicized, there is almost complete freedom from legislative interference and restraint. In the United States, on the other hand, there has been a great deal of legislative interference with the business down to the present day.[15] In these circumstances it was probably inevitable that Canadian legislators should have followed a middle course of publicity, supervision, regulation and freedom. The record indicates that this course has been a constructive one.

Probably the most important single federal enactment on insurance during the past sixty years is the Insurance Act of 1910.[16] Following the disclosures of the Armstrong investigation in New York in 1905,[17] a royal commission had been appointed in 1906[18] to inquire into the conduct of the life insurance business in Canada. The recommendations of the commission, introduced in its report in 1907, were in the main the same as those of the Armstrong Committee. Although many of them fell foul of the traditional British view favouring reasonable freedom of business from legislative restraint, and were not adopted, numerous important inno-

[15] *E.g.*, 213 N.Y. Laws of 1939, c. 882 (originally s. 97 of Laws of 1906, c. 326).

[16] 1910 Statutes of Canada, 9-10 Ed. VII, c. 32.

[17] Joint committee to investigate life insurance appointed by the Governor of New York State in 1905 (Senator W. W. Armstrong, Chairman), which employed Charles Evans Hughes as counsel. For a recent review of the investigation see an address by B. M. Anderson before the Association of Life Insurance Counsel, December 1952.

[18] An order in council dated Feb. 28th, 1906, named His Honour Judge D. B. MacTavish of Ottawa as chairman.

vations were approved and passed into law. For example, the investment powers of the companies (which had been prescribed in the Act of 1899) were enlarged and codified and, as detailed in the Act of 1910, stood without substantial change until 1950.[19] Companies were required to keep separate accounts of participating and non-participating business. All Canadian companies having a capital stock were required to have two classes of directors, namely, shareholders' directors and policyholders' directors, the latter to be at least one-third of the total number of directors. The policyholders' directors were required to be policyholders who were not shareholders, and were to be selected by the participating policyholders.[20] The relative and respective rights of shareholders and policyholders in the distribution of profits were defined and fixed. Thus originated those unique features of Canadian insurance law designed for the special protection of policyholders. Broadly speaking the substance of the federal insurance legislation today will be found in the federal Insurance Act of 1910.

The form of the federal insurance legislation in Canada was greatly changed in 1932. The change was occasioned by the Privy Council decision[21] of that year which held that the Insurance Act (as revised in 1917) was not properly framed having regard to the legislative competence of Parliament concerning insurance. The Act was consequently repealed and three new Acts, namely, the Department of Insurance Act, the Canadian and British Insurance Companies Act, 1932, and the Foreign Insurance Companies Act, 1932, were passed.[22] The essence of the legislation of 1932, which has continued down to the present day, is that British and foreign companies may not transact business in Canada unless registered by the Minister of Finance and that, as a condition precedent to first registration, any company, whether Canadian, British or foreign, must satisfy the minister of its soundness, solvency and bona fides. Thereafter a company must make full and complete annual returns of its business and affairs, submit to examination by the Superintendent of Insurance, and otherwise continue to satisfy the minister of its soundness and solvency and its compliance with the statutes.

Today the federal insurance laws of Canada and their enforcement by experienced, competent public officials are an assurance

[19] 1950 (1st Session) Statutes of Canada, c. 28.
[20] Since 1950 (Statutes of Canada, c. 28) participating policyholders have been permitted to vote by proxy.
[21] *Re Insurance Act of Canada*, [1932] A.C. 45.
[22] 1932 Statutes of Canada, c. 45, 46 and 47.

to all policyholders of Canadian life insurance companies, wherever they may reside (and to all policyholders in Canada of British and United States companies), that every company registered under the federal statutes will be in a position to meet its contractual obligations as they mature down through the years.

One of the features of the federal insurance legislation, which is not found elsewhere, merits special mention. I refer to the statutory requirement introduced in 1927[23] that the actuary of the company responsible for policy valuations must certify not only that the reserves are not less than the reserves required by the Act but, in addition, "that in his opinion the reserves make a good and sufficient provision for all unmatured obligations of the company under the terms of its policies". This means that compliance with the more or less technical provisions of the Act is not in itself sufficient to enable an actuary to give the required double-barrelled certificate; the valuation must, in his opinion, in the nature of things make a good and sufficient reserve for all unmatured policy obligations. A fellow of the Society of Actuaries is proud of his profession and does not jeopardize his reputation lightly. This requirement in the federal legislation has had a most salutary influence on a company's affairs on more than one important occasion.

Provincial Legislation

Provincial insurance legislation and regulation have developed alongside federal legislation and regulation in Canada almost from the beginning for three principal reasons: first, the British North America Act, 1867,[24] failed to assign responsibility for "insurance" along with "banking" and other specific subject matter to the federal or to the provincial authorities; secondly, friendly or fraternal benefit societies were exempted from the original federal Act of 1868;[25] and, finally, there existed a large number of small provincial companies (principally fire insurance companies) transacting business only within their province of incorporation, and they were likewise exempt from the federal Act.[26]

Although the uncertainty over jurisdiction has provoked much litigation[27] through the years, it appears that the public interest, as well as the interests of the insurance business as such, have been well served—particularly in recent years when substantially all

[23] 1926-27 Statutes of Canada, c. 59, s. 6.
[24] Imperial Act, 30-31 Vict., c. 3.
[25] 1868 Statutes of Canada, 31 Vict., c. 48.
[26] *E.g.*, Report of Superintendent of Insurance of Ontario for 1879.
[27] See footnote 13 *supra*.

over-lapping and duplication have been eliminated. Provincial legislatures are naturally closer to the people than the parliament at Ottawa and there are many aspects of the insurance business that are essentially of a local nature, such as the terms of contracts of insurance, for example, hail insurance contracts, and the qualifications of agents, brokers and adjusters. The Royal Commission on Dominion-Provincial Relations concluded in 1940 that, "apart altogether from the decisions of the courts, there appears to be no inherent reason for a single, unified administration over all phases of the insurance business—provided the jurisdiction is clearly defined and provided different authorities do not attempt to duplicate each other's functions".[28]

Fraternal benefit societies made their appearance in Canada at a very early date. Although accurate figures are not available, it would seem that, along with the assessment companies of those days, they may have had as much life insurance of its kind in force in Canada sixty years ago as did all the legal reserve life insurance companies.[29]

Reference has been made to the Act passed in 1836[30] authorizing the establishment of mutual fire insurance companies in the several districts of Upper Canada. Several such companies were organized before Confederation. By 1893 two life insurance companies and one joint stock, eight cash-mutual, and sixty purely mutual fire insurance companies had been organized and were operating in the province of Ontario under provincial licence and inspection exclusively. At that time there were only six Canadian fire insurance companies, for example, registered under federal insurance laws. In these circumstances it is not surprising that the first Inspector (later called Superintendent) of Insurance and Registrar of Friendly Societies for Ontario was appointed in 1879[31] — only four years after the appointment of the first federal superintendent.

It is only necessary to contrast conditions in the insurance business before and after the enactment of some of these provincial insurance laws to understand why the public and the business owe so much to them. Two illustrations are offered. In 1895 Mr. J.

[28] House of Commons Sessional Paper No. 95, dated May 16th, 1940. See also: Vincent C. MacDonald, Regulation of Insurance in Canada (1946), 24 Can. Bar Rev. 257; and V. Evan Gray, More on the Regulation of Insurance (1946), 24 Can. Bar Rev. 481, and An Evolutionary Pattern in Insurance Legislation (1950), 28 Can. Bar Rev. 492.

[29] Reports of Superintendents of Insurance for Canada and for Ontario for 1894 (business of 1893).

[30] 1835-36, Statutes of Canada, 13-14 Vict., c. 32.

[31] 1879, Statutes of Ontario, 42 Vict., c. 25.

Howard Hunter, the Inspector and Superintendent of Insurance for Ontario from 1889 until 1910, addressed the annual meeting of the Canadian Fraternal Association. Tracing the history of insurance legislation in Ontario, particularly those provisions relating to friendly societies, down to 1895, he said in part:[32]

> As you are well aware, for a great many years in this country the rule both as to insurance companies and friendly societies was the simple rule of laissez-faire—go as you please. Then, under the compulsion of events, that indifference had to be abandoned. . . . the protection of the societies' funds from misapplication early became a public question. . . . There was no compulsion [in the Act of 1850] on the part of the society to pay anybody in particular, or in general. Under the circumstances you may be sure that the officers of the societies in those days took good care of themselves; they took the ground that it was no matter of public concern what they did with the funds; also that payment to a beneficiary was at their discretion; and that therefore no member of the society could hold them to account. They denied to even the members a right of enquiry. . . . It is only by virtue of recent legislation that the certificates of friendly societies have received from the courts the recognition and protection that the policies of insurance companies have long enjoyed. . . .

Today it is almost impossible to believe that a public official was ever required to talk in such a manner in this country about any aspect of the insurance business.

A second illustration. In 1876[33] Ontario passed the Fire Insurance Policy Act, 1876, on the recommendation of a royal commission[34] appointed the year before "to settle the conditions for a fire insurance policy". The Act required all companies transacting fire insurance in the province to include what we now call "statutory conditions" in their policies. The commission had been appointed following severe criticism of fire insurance policy conditions by the courts. For example, in 1872 Mr. Justice (later Chief Justice) Wilson of the Supreme Court of Ontario, in pronouncing judgment, had said:[35]

> This [a policy provision requiring the insured to produce a wealth of information in support of his claim] is a degree of inquisitorial power, under the penalty of a forfeiture of the insurance money, which it is vexatious and difficult to comply with, and which is about equal to a forfeiture of itself, and almost a perfect immunity to the insurers against their ever paying the money.
>
> They could, if so disposed, probably cut out work enough for the assured for at least a twelvemonth, before he could be done with his

[32] Report of Superintendent of Insurance for Ontario, 1895, p. C179.
[33] 1875-76, Statutes of Ontario, 39 Vict., c. 24.
[34] Authorized by 1875 Statutes of Ontario, c. 65.
[35] *Smith* v. *Commercial Union Insurance Company* (1872), 33 U.C.Q.B. 69.

> further explanations, or servants' testimony or the other multifarious devices provided for him; and if it did take more than three months, time being of the essence of the contract, so much the worse for the assured.
>
> The conduct of companies, when enforcing rigidly such conditions, has often been complained of by the courts by reason of the number and nature and difficulty of the conditions they introduce into their policies; and the time perhaps has come when the legislature should interfere, to stand between them and those they insure or pretend to insure, or, in other words, the public, by limiting them to such conditions which the courts shall determine to be reasonable.
>
> As the companies have not adopted and are not likely to adopt of their own accord, that mode of doing business, the only way is to force it upon them by the legislature enabling the courts to prohibit and restrict their conditions. And when that is done, the companies will be obliged to be more careful of the risks which they take.

The fire insurance business, too, owes much to its contructive regulation by government in Canada during the past seventy-five years.

These two illustrations indicate why insurance legislation and regulation were so firmly established in Ontario and some of the original provinces before 1900, and why today there are comprehensive insurance laws and experienced superintendents of insurance holding office in all ten provinces.

It was inevitable that what the late Eugene Lafleur, K.C., when addressing the Canadian Bar Association in 1915, styled "unnecessary and wasteful discordance" should have developed in the insurance statutes of the several provinces in the early days. Transportation was very slow and communication infrequent. Policyholders suffered when, for example, they moved from one part of the country to another. Moreover, as the insurance business grew with the country, most companies found themselves doing business in several provinces and embarrassed by conflicting legal requirements. Thus it developed that, when the Conference of Commissioners on Uniformity of Legislation in Canada was organized and held its first meeting in Montreal in 1918, one of the first fields of legislation to have its attention was that of insurance. Meanwhile, in 1914, the superintendents of the four western provinces met together for the first time in Calgary to endeavour to promote some uniformity in the insurance legislation of their provinces. The Association of Superintendents of Insurance of the provinces of Canada was organized in Winnipeg three years later and it has never failed to hold at least one conference during each of the intervening thirty-five years.

Thus the Uniformity Commissioners' conference and the Superintendents' Association, independently at first and later jointly,

undertook to promote uniformity in insurance legislation in the several provinces. They were conspicuously successful. In the early 20's, both the so-called Uniform Life Insurance Act, covering among other things the rights of policyholders, and beneficiaries, and the Uniform Fire Insurance Policy Act had their attention. Within half a dozen years, on their joint recommendation, the Uniform Life Act was enacted in all provinces except Quebec and the Uniform Fire Act in all provinces except Quebec and Newfoundland. During these years the custom developed (a custom that still prevails) for the legislative counsel of several of the provinces to attend the annual meetings of the Superintendents' Association as well as of the Uniformity Commissioners' conference. Then, in 1933, the Conference of Commissioners on Uniformity of Legislation formally resolved that it should not thereafter consider legislation on insurance "unless specially requested so to do", because it was deemed "undesirable to duplicate the splendid work already undertaken by a special agency such as the Association of Superintendents of Insurance".[36]

During the past twenty-five years the original Uniform Life Insurance Act has rarely been amended and has been revised on only two occasions—and then uniformly by all provinces on the recommendation of the Superintendents' Association. The Uniform Fire Insurance Policy Act has likewise been rarely changed—and then uniformly. During these years, also, uniform legislation on automobile, accident and sickness insurance contracts and other important subjects, for example, policy reserves and government deposits of provincial companies, had been developed by the Superintendents' Association and enacted by most of the common-law provinces.

In recent years strong leadership has been given to the Superintendents' Association by experienced high-ranking officials like Mr. E. B. MacLatchy, Q.C.,[37] in New Brunswick and Mr. R. B. Whitehead, Q.C., in Ontario. The motto of the association, printed annually in its proceedings, "Uniformity where you can have it; diversity where you must have it; but in all cases certainty", has been generally observed in a way which has made a great contribution to the development of all branches of the insurance business in Canada for more than thirty years. Today the basic licensing requirements for companies, agents, brokers and adjusters, and the forms of annual government returns for all types of insurers, are

[36] See Proceedings, Canadian Bar Association, Vol. 18, p. 267.

[37] See article by E. B. MacLatchy, Insurance Law: 1923-1947 (1948), 26 Can. Bar Rev. 202.

substantially uniform in all provinces and the legislation on the terms and conditions of life and other insurance contracts is likewise substantially uniform in all provinces except Quebec.

Sound insurance laws and their stable, competent administration in Canada through the years have been a blessing to insurance policyholders and have enabled the business to acquire and hold a degree of public confidence enjoyed by few other institutions.

Theory of the Welfare State

Discussion of the social services—especially discussion of the proper limits to their cost—more often befogs than clarifies the issue for lack of clear agreement on what the social services are intended to do. It is confusedly assumed that they are intended to alleviate want, sickness and incapacity, to deal social justice, to raise the unfortunate above the poverty line or to prevent them falling below 'a minimum'. But there is no definition of any of these question-begging phrases, and politicians of different creeds consciously or unconsciously define them differently. Because their assumptions about ends diverge, their arguments about means are otiose. Mr. Walter Hagenbuch, in the current issue of *Lloyds Bank Review*, has made an acute contribution to the theory of the welfare state by dissecting the various purposes which modern social services may be used to promote.

It will not do to assume that social services are intended to abolish poverty, for what was sufficiency when Mr. Rowntree made his first survey of York is rank destitution today. Many nineteenth-century economists believed that poverty would shrivel away as the result of technological progress, so that social services—which they conceived as temporary expedients—would shrivel with it. Only if poverty is defined in absolute terms, as malnutrition, is that so. The poverty line has proved to be something that rises with the standard of living. Indeed, once the conception that the poor are the substandard is introduced, 'substandard' can mean anything below the exact average. Nor is poverty a mere passive failure to achieve the conventional necessities of life. It is something that can be self-inflicted, or worse, can be inflicted on a man's helpless dependants, by wilful choice of luxuries (whether television or works of art) against necessities (which may include anything from approved housing to approved schools). The existence of such 'secondary poverty' has made it possible to argue for the indefinite extension of state control over personal spending.

If this principle is pushed far enough, social services become the instrument of redistribution of income. There is no limit to the amounts that might desirably be spent on education or health, and the actual limit is only reached when the state controls all personal spending and takes from the citizen's purse the appropriate sums as well as all freedom of choice. The Conservative conception of 'need' and of a means test is roughly handled in Mr. Hagenbuch's analysis, and still more complete is his exposure of the Socialist theory of social security as a method of realising 'the principle that everything must be free and equal except the progressive taxation out of which it is all financed.' (From The Economist, July 18th, 1953)