September 24, 1942

918 Forest Avenue
Wilmette, Illinois

Mr. M. S. Eccles
Chairman, Board of Governors of
The Federal Reserve System
Washington, D. C.

Dear Sir:

In an envelope containing a premium notice on one of the policies which I carry with the Mutual Benefit Life Insurance Company there was enclosed a two-page leaflet on one side of which was reproduction of your letter to Senator Danaher dated May 4, 1942.

I agree with you that every step must be taken to prevent a runaway price situation and that a complete and comprehensive attack must be made on all fronts against inflationary forces.

During the past two years I have on various occasions written to United States Treasury officials, congressmen, senators, etc., urging that life insurance premiums, likewise payments on debts contracted before Jan. 1, 1942, unusual medical and hospitalization expenses, and educational expenditures should be allowed as a deduction before arriving at taxable net income. I am all for everyone virtually being on thin ice financially provided their money is being put into life insurance premiums, because my contention is that the insurance companies would probably invest 75% of their net available premium receipts into government bonds, whereas the average individual would probably be subject to only 12, 15 or 20% Federal tax on that much increased taxable net income if life insurance premiums were not allowed as a deductible item.

There is, however, in my opinion, a serious problem involved in forced savings over and above the ever-mounting income taxes which already take more than 100% of an individual's actual and not theoretical income tax. Nothing is allowed for operating expenses (living and other family expenses) and if you pile forced savings on top of that you are going to take much more than the large majority of individuals is receiving. Permit me, therefore, to suggest that when it comes to forced savings some form of security will be issued to the individual either quarterly or semi-annually, which security - government bonds, certificates or stamps - may be transferred to a creditor in payment of debts which were carried prior to January 1, 1942. If this is not done, you will find there are millions of people who have fixed obligations, including FHA and other loans, life insurance premiums, taxes on their homes, interest, etc., some of which must

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be dropped if the forced savings plan has no flexibility in being used for debt payments. Naturally there should be a provision in such bonds, certificates or stamps which would enable the debtor, upon their receipt in payment of a debt contracted prior to Jan. 1, 1942, to dispose of them, preferably to the full extent in payment of Federal income taxes and allow him to dispose of the balance in the open market.

Respectfully yours,

N. P. Zach

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