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ROBERT A. TAFT, OHIO

United States Senate

COMMITTEE ON FINANCE

CHRISTIE B. KENNEDY, CLERK

APR 29 1942

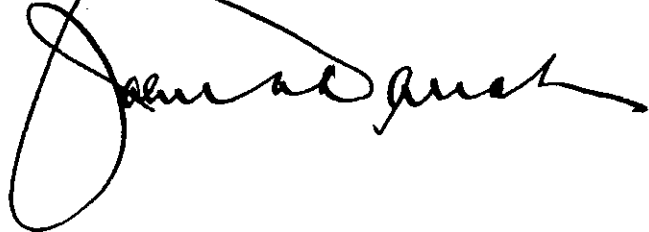
Honorable Marriner S. Eccles
Chairman of the Board of Governors
Federal Reserve System
Washington, D. C.

My dear Mr. Eccles:

Mr. John M. Laird, President of the Actuarial Society of America, has asked me if someone in authority in Washington will permit a quotation to the effect that the purchase of life insurance acts as a curb on inflation in that a substantial part of one's income going to pay life insurance premiums will leave an individual that much less with which to bid up the price of commodities. I know of no official who has, to date, made any such statement although, obviously, it is a truism. If you feel that properly you can make some such statement, Mr. Laird, who is Vice President of a large life insurance company in Connecticut, would incorporate it in his address before the Actuarial Society of America at its annual meeting in New York City, May 14th. I know that Mr. Laird and the public will attach to your views the importance they deserve and I shall greatly appreciate whatever courtesy you may appropriately extend in this particular.

Please believe me with esteem,

Faithfully yours,



JOHN A. DANAHER

JAD:L

May 4, 1942.

Honorable John A. Danaher,
United States Senate,
Washington, D. C.

Dear Senator Danaher:

I am in receipt of your letter of April 29 concerning the communication you received from Mr. John M. Laird, President of the Actuarial Society of America, as to the anti-inflationary effect of the payment by individuals of life insurance premiums. You and I are in full agreement, of course, that all proper steps must be taken to prevent a runaway price situation and that to this end a complete and comprehensive attack must be made on all fronts against inflationary forces.

As I have frequently stated, this is the time to save, not to spend, money. This is the time to get out of, not into, debt. No form of saving is as timely and effective as the purchase by our citizens of Government Savings and War Bonds. Savings out of current income when thus invested help finance the war, are diverted from the market place where they tend to bid up prices of the shrinking supply of civilian goods, and are a store of future purchasing power which will be needed and can be spent without inflationary consequences after the war.

Insurance companies are large investors in Government securities so that the bulk of savings put into the insurance companies in the form of premiums thus help in financing the war. Likewise, investment in life insurance serves to divert funds from consumer markets and thus to reduce inflationary pressures. And, of course, insurance is a store of future protection for the beneficiaries of insurance policies. Accordingly, I feel that next to the purchase of Government Savings and War Bonds and Stamps by the public, investment in life insurance is particularly to be encouraged at this time.

You are at liberty to pass along this letter to Mr. Laird if you wish to do so.

Sincerely yours,

M. S. Eccles,
Chairman.

 ET:b

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United States Senate

COMMITTEE ON FINANCE

May 5, 1942

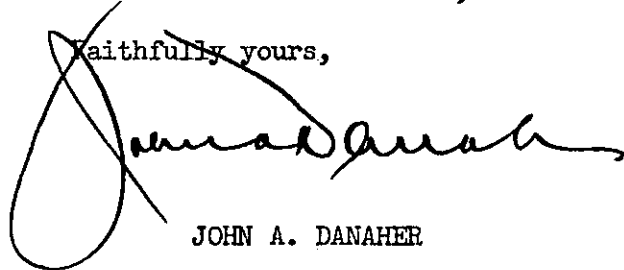
Honorable Marriner S. Eccles
Chairman of the Board of Governors
Federal Reserve System
Washington, D. C.

My dear Mr. Eccles:

I thank you very much for your letter of May 4th acknowledging my communication in behalf of Mr. John M. Laird, President of the Actuarial Society of America. It seems to me your communication meets appropriately and properly whatever thoughts he may have had in mind. I feel certain that he will share my appreciation of your courteous cooperation.

Please believe me with best wishes,

Faithfully yours,



JOHN A. DANAHER

JAD.H.

THE ACTUARIAL SOCIETY OF AMERICA

FOUNDED 1889

OFFICE OF THE PRESIDENT
55 ELM STREET, HARTFORD, CONN.

May 8, 1942

Hon. Marriner S. Eccles,
Chairman of the Board of Governors,
Federal Reserve System,
Washington, D. C.

Dear Mr. Eccles:

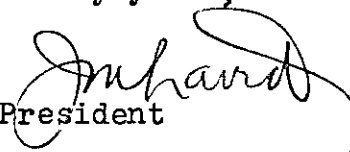
Senator Danaher has forwarded your letter of May 4th in which you comment so clearly on the anti-inflationary effect of the payment of life insurance premiums. Your views will encourage life insurance men and stimulate the sale of war bonds and life insurance.

In coming out in this clear-cut way you are in my opinion rendering a service to the entire nation.

In accordance with the understanding with Senator Danaher, I shall quote extensively from your letter in my address to be presented at the Annual Meeting of our Society in New York on May 14th. I assume that it will then be all right to give the entire contents of the letter to the insurance press as they will be greatly interested in your message.

We greatly appreciate your courtesy in stating your views in such a timely and effective manner.

Sincerely yours,


President

JML:MRF

THE ACTUARIAL SOCIETY OF AMERICA

FOUNDED 1889

OFFICE OF THE PRESIDENT
55 ELM STREET, HARTFORD, CONN.

May 12, 1942

AIR MAIL

Hon. Marriner S. Eccles,
Chairman of the Board of Governors,
Federal Reserve System,
Washington, D. C.

Dear Mr. Eccles:

As indicated in my letter of May 8th, I am planning to quote practically your entire letter of May 4th to Senator Danaher in my Presidential Address on May 14th. Some of the insurance journals will give a report of our meeting, including a summary of my Address, and of the technical papers. Naturally I hope that they will quote the entire extract from your letter as to me that is the most vital part of my message.

The president of my company, the Connecticut General Life Insurance Company, has suggested that a copy of your letter to Senator Danaher be sent to each of our agencies and possibly later to other life insurance companies and to the insurance press.

While this is a natural extension of your understanding with Senator Danaher, I want to be sure that such action meets with your approval. May we publish the letter in the Connecticut General house organ? May we also distribute facsimile copies of the letter to our agents and to other companies and thus aid in the anti-inflationary campaign by encouraging the purchase of bonds and life insurance?

Sincerely yours,


President

*Copys to
Senator D.* *Land*

JML:MRF

May 14, 1942.

Honorable John A. Danaher,
United States Senate,
Washington, D. C.

My dear Senator Danaher:

I appreciate your calling me about Mr. Land's proposal to make use of my letter to you discussing the purchase of War Savings Bonds and life insurance.

I enclose a copy of my reply to Mr. Land's letter of May 12 requesting permission to make use of the letter in several ways that strike me as being proper so long as the letter is used in full and is not used to promote the sale of insurance by any particular company.

Sincerely yours,

(Signed) M. S. Eccles

M. S. Eccles,
Chairman.

Enclosure

 ET:b

May 14, 1942.

Mr. J. M. Land, President,
The Actuarial Society of America,
55 Elm Street,
Hartford, Connecticut.

Dear Mr. Land:

I have your letter of May 12 in regard to my letter to Senator Danaher on the subject of War Savings Bonds and life insurance. He very kindly telephoned relative to your request, and I am writing to confirm Senator Danaher's understanding that the letter would be used in full so that it would not appear that I favored investment in insurance ahead of investment in War Savings Bonds. Likewise, I am sure that you would not make use of the letter in any promotional way for the purpose of inducing individuals to take out life insurance.

Let me add that I appreciate your inquiring specifically of the Senator and of me as to the further use you wish to make of this letter, and I am sure I can rely on your discretion in seeing that my own position in the matter is kept in correct focus.

Sincerely yours,

(Signed) M. S. Eccles

M. S. Eccles,
Chairman.

 ET:b

THE ACTUARIAL SOCIETY OF AMERICA

FOUNDED 1889

OFFICE OF THE PRESIDENT
55 ELM STREET, HARTFORD, CONN.

May 18, 1942

Hon. Marriner S. Eccles,
Chairman of the Board of Governors,
Federal Reserve System,
Washington, D. C.

Dear Mr. Eccles:

Thank you for your fine letter of May 14th referring to your letter of May 4th to Senator Danaher on the subject of war savings bonds and life insurance.

Enclosed is a copy of the portion of my Presidential Address as I actually gave it in New York on May 14th. The complete address will be printed in the "Transactions" of the Actuarial Society, which will be distributed to the members of the Society about July 1st.

The Life Insurance Sales Research Bureau is sending a facsimile copy of your letter to Senator Danaher to each of the principal life insurance companies with a statement that each company may reproduce the letter in its house organ but that the letter must not be used in soliciting any individual.

I greatly appreciate your courtesy in letting me present your views to the Actuarial Society, which usually deals with the mathematical side of life insurance. This time, however, through your cooperation our Society has been able to give an authoritative opinion on a subject of vital interest to all those who are concerned with the problem of winning the war and maintaining sound finance.

Sincerely yours,


J. M. Laird, ex-President

Enc.
JML:MRF

Final Section of Presidential Address
on
Life Insurance Faces Total War

Actuarial Society of America, Annual Meeting
New York, May 14, 1942

Stabilizing the National Economy

This year the national income in the United States will reach an all-time high. Part of this income is absorbed by taxes and the balance is available for the cost of living and for investment. The purchasing-power now available for buying consumer goods exceeds the supply and therefore, to keep prices from soaring, each citizen is urged to spend less and save more. The amount thus invested in war bonds, life insurance or other savings is an indirect curb on inflation.

The Government is adopting direct measures to curb inflation and this should automatically release more income for the purchase of bonds and life insurance. As Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, aptly says,

"All proper steps must be taken to prevent a runaway price situation and to this end a complete and comprehensive attack must be made on all fronts against inflationary forces.

"This is the time to save, not to spend money. This is the time to get out of, not into debt. No form

of saving is as timely and effective as the purchase by our citizens of Government Savings and War Bonds. Savings out of current income when thus invested help finance the war, are diverted from the market place where they tend to bid up prices of the shrinking supply of civilian goods, and are a store of future purchasing-power which will be needed and can be spent without inflationary consequences after the war.

"Insurance companies are large investors in Government securities so that the bulk of savings put into the insurance companies in the form of premiums thus help in financing the war. Likewise, investment in life insurance serves to divert funds from consumer markets and thus to reduce inflationary pressures. And, of course, insurance is a store of future protection for the beneficiaries of insurance policies. Accordingly, I feel that next to the purchase of Government Savings and War Bonds and Stamps by the public, investment in life insurance is particularly to be encouraged at this time."

There is a popular impression that by taxation this generation pays part of the cost of the war and that by the simple device of issuing Government bonds the remaining cost is passed on to the next generation. Economists, however, tell us that this generation must do the fighting and in one way or another must provide the financial sinews of war. In other words, the people as a whole must pay the cost of the war when the loss is incurred.

On the financial side "total war" means to our side even when victorious a net loss of earning-power and property, but there may be some offset in new plants, new inventions, better organization and a more unified national purpose. Perhaps out of this tragedy there will finally emerge a better and more stable social order and a more industrious and thrifty people.

The next generation will inherit whatever is left as a net balance. Future taxpayers will inherit the obligation to pay principal and interest on the war debt, but by the same token future bondholders will inherit the right to receive that principal and interest. If any one fears repudiation he should bear in mind that in the United States and Canada the number of bondholders may then be as great as the number of taxpayers. Every voter who owns a bond will have a financial stake in the Government's promise to pay.

Similarly, every citizen who owns a life insurance policy will have an interest in maintaining the sanctity of contracts.

The great body of solid citizens who own bonds, life insurance or other assets will have a stabilizing influence on public opinion throughout the nation. In war or peace, life insurance is a corner stone in sound national economy.

May 18, 1942

May 21, 1942.

Mr. J. M. Laird,
The Actuarial Society of America,
55 Elm Street,
Hartford, Connecticut.

Dear Mr. Laird:

This is to thank you for your letter of May 18, enclosing the extract from your presidential address quoting my letter to Senator Danaher on the subject of purchase of War Savings Bonds and insurance. I appreciate the way in which you have made use of this letter so that there might be no misunderstanding in regard to it.

I am gratified that you considered this expression of my personal views worth the attention you have given to it.

Sincerely yours,

(Signed) M. S. Eccles

M. S. Eccles,
Chairman.

 ET:b