PROVIDENT MUTUAL LIFE INSURANCE COMPANY
OF PHILADELPHIA

THOMAS B. SILLIMAN
GENERAL AGENT
802 TORREY BUILDING

DULUTH 2, MINN.
February 21, 1951

Marriner Eccles, Governor
Federal Reserve Board
Washington D.C.

Dear Mr. Eccles:

The writer of this letter has completed thirty-six years as a life insurance salesman. During these years he has written a considerable volume of high premium insurance providing for annuities at age 65. Today we are receiving requests from policyholders to give them the surrender value of these policies so that they can invest in common stocks with the hope of hedging against the depreciation in the purchasing power of the dollar.

Recently I talked with the editor of a small-time newspaper, who is one of my policyholders. He said to me, "Ten years ago I paid $75.00 for a Government Bond. Today my $100.00 will purchase considerably less than I could have bought with my $75.00 ten years ago. Is this a good investment? The answer is 'no', and the annuity contract which I have with your company is no better!"

Considerably more people in this country own life insurance policies than have bank accounts. Life insurance represents the major saving of many low income people. This decrease in the purchasing power of the dollar is particularly injuring the little fellow and the thrifty person. Many old people who have built up small estates by considerable sacrifice now find their limited incomes insufficient to give them the necessities of life.

While it is true that a large volume of life insurance is being written, much of this insurance is term insurance to provide immediate protection in case of death. This type of policy builds a very small reserve and gives the insurance company a very limited amount of money to invest in Government Bonds or other securities.

You might be surprised to know how many men have told me that they will not purchase an additional dollar's worth of Government Bonds under present conditions. In spite of the large amounts which the Government is spending to advertise Government Bonds, I cannot see how the public is going to continue their purchase as long as the purchasing power of the dollar is decreasing much more rapidly than the interest on the bond increases its redemption value.

Anything you can do to bring about a change which will stabilize the purchasing power of the dollar will be very much appreciated by everyone in the life insurance business.

Yours very sincerely,

Thomas B. Silliman,
General Agent

TBS:wh

March 8, 1951

Mr. Thomas B. Silliman,
General Agent,
Provident Mutual Life Insurance Company,
802 Torrey Building,
Duluth 2, Minnesota.

Dear Mr. Silliman:

I have read your letter of February 21 with a great
deal of interest and agree wholeheartedly with you that the
decline in the purchasing power of the dollar has created ex-
tremely serious problems for the thousands of life insurance
policy holders. It is this group and those who are generally
dependent upon fixed incomes of one kind or another that have
suffered most from the ravages of inflation.

As I have said on several different occasions recently,
adequate defense against Communist aggression calls for more than
powerful military forces and strong allies. It also calls for
sound domestic economic policies that will assure the preserva-
tion of our free democratic institutions. More specifically it
calls for the prevention of further inflation which erodes the
savings of the people, impoverishes all recipients of fixed in-
comes, destroys incentives to productive effort, corrupts the
moral fibre of the nation, and in the end destroys the very
system which the defense effort is designed to protect. Defense
of the free nations of the world and defense of the dollar are
one and indivisible.

I am enclosing herewith, copies of an article which I
wrote for Fortune magazine and a statement which I gave to the
press in Chicago on March 2, which I think may be of some interest
to you.

Very truly yours,

M. S. Eccles.

Enclosures