

1954 greatly exceeded the rise in the cost of living, with the cost of living at 263 in 1954 (1914=100) and benefits for total disability at 603. These benefits, which affect a small portion of the veterans, have stayed up reasonably well with the cost of living and the per capita income. This holds when comparison is made with the Civil War. But on a World War base, the lag in relation to World War I incomes is large indeed.

Insurance is another matter. In 1955 there were 5,600,000 policies still in force on a waiver status, with a total of \$37 billion in national service life insurance. Here, of course, the veterans have experienced substantial losses.

Private pension funds also raise some interesting problems. The first problem is one already mentioned—the fact that incomes at time of payment of pension life would be much higher than the incomes on which the plans are evolved. The Fund for the Republic estimates that 45 to 55 percent of all the wage and salary force will be subject to these private pensions within 10 years. Currently about 18 million are covered, and the assets are about \$40 billion. Obviously, with the rise of prices and incomes these funds become relatively inadequate. To some extent, the pension funds try to make up for this by investing in common stocks. For 1957 according to one estimate they had 25 percent of their funds in common stocks, and new investments were going into stocks at the rate of 37 percent of net receipts.

The inflationary process, of course, also influence the value of assets. Thus, in 1945 there were \$152 billion of life insurance in force; by 1958, \$494 billion. Obviously, those who obtained payments from life insurance with insurance in force before 1945 have suffered large losses. Those involved in the large increase from \$214 to \$494 billion, from 1949 to 1958, have not as yet experienced large losses, but the continuance of inflation will seriously affect the purchasing power of money received under these policies. It is interesting, however, that despite the large inflation since 1940, life insurance per family has risen roughly in the same ratio as the average family disposable income has increased. This certainly does suggest that the public is still not very much aware or very much interested in the process of inflation; and one of the greatest blocks to inflation is the lag in the general realization of its presence. Insurance companies are not able to protect themselves against inflation through purchases of common stocks in part because of legal restrictions. Of \$108 billion of assets held in 1958, the U.S. insurance companies held only \$4 billion in common stocks.

An examination of the total assets of the Nation suggests that from the early part of the century until 1949 savings accounted for roughly one-half the increase in wealth, the other major factor being, of course, the increase in the price level. Savings accounted for about two-thirds of the rise of net worth. Inflation has made its largest contribution to the rise in asset value in real estate. Between 1900 and 1949 the current value of real estate held by individuals increased by about \$200 billion more than the owners' savings; and this represents well over one-half of the individuals' total unearned increment.

The large rise of liquid assets in relation to total assets from 7.8 percent in 1900 to 19.7 percent in 1949 also suggests the vulnerability of those that hold liquid assets. These assets remain unchanged in dollar value as prices change. The holders suffer losses as prices rise.