

**STATEMENT OF KENNETH M. WRIGHT, VICE PRESIDENT AND
CHIEF ECONOMIST, LIFE INSURANCE ASSOCIATION OF AMERICA,
AND ARTHUR S. FEFFERMAN, DIRECTOR, ECONOMIC ANALYSIS,
AMERICAN LIFE CONVENTION**

Mr. WRIGHT. My name is Kenneth M. Wright and I am vice president and chief economist of the Life Insurance Association of America. I am accompanied by Arthur S. Fefferman, director of economic analysis of the American Life Convention.

Our two associations have an aggregate membership of 349 life insurance companies accounting for approximately 92 percent of the life insurance in force in the United States. These companies also hold over 99 percent of the reserves of insured pension plans in the United States.

The prospect of the projected \$29 billion budget deficit in fiscal year 1968 is a matter of deep concern to the life insurance business and to millions of its policyholders, beneficiaries, and pensioners. Rising Federal expenditures in both the military and nondefense areas, together with lowered estimates of projected tax receipts, point to a budgetary situation that threatens to go out of control.

A Federal budget deficit of the magnitude now projected could produce serious inflationary consequences for the American public, by adding to the already visible trends toward higher prices, wages, and costs in the economy.

Moreover, the amount of Treasury borrowing needed to finance such a massive deficit would accentuate the pressures toward higher interest rates, by placing heavier burdens upon financial markets that are already facing record private demands for funds.

Under these circumstances, the life insurance business believes it is imperative for the Congress to take fiscal action at the earliest possible time to hold back the strong pressures toward higher interest rates and rising price levels that would result from a Federal budget deficit as large as \$29 billion.

The life insurance business agrees with the philosophy expressed in the President's budget message on the inflationary dangers of a \$29 billion budget deficit:

The Nation could face a return of strong inflationary pressures and an intensified wage-price spiral—which could rob the poor, the elderly, the millions with fixed incomes. We would lose our opportunity to make progress this year toward one of our most urgent objectives: price stability.

We have already witnessed strong tendencies toward higher price levels, stemming from the combined impetus of an expanding private economy and rising Federal expenditures, including military spending.

In spite of the severe credit shortage which developed in the summer and fall of last year, which had the effect of slowing economic expansion in the first half of 1967, inflationary pressures toward higher wages, costs, and price levels still persist.

A \$29 billion Federal deficit, in our view, would produce upward pressures on price levels, with wide-ranging consequences, not only in fiscal 1968 but in the years ahead. Because of its uneven impact upon