

**AMERICAN LIFE CONVENTION
and the
LIFE INSURANCE ASSOCIATION OF AMERICA**

This statement is submitted on behalf of the American Life Convention and the Life Insurance Association of America, two trade associations with a combined membership of 351 life insurance companies. These companies account for 92 percent of the legal reserve life insurance in force in the United States. The life insurance business today holds over \$177 billion of assets, which represent the savings that millions of policyholders have entrusted to us. We have a deep concern in the proper functioning of the economy to protect these savings. Accordingly, we appreciate the opportunity to comment on the materials and recommendations contained in the Economic Report of the President together with the annual report of the Council of Economic Advisers and we hope that these comments will prove helpful to the Joint Economic Committee for the Congress.

PROSPECTS AND PROBLEMS FOR THE ECONOMY

The question of appropriate economic policies for 1968 must be analyzed against the background of the prospects for economic activity, and whether these prospects raise problems for the economic health of the Nation. The Council of Economic Advisers has offered the forecast that gross national product in 1968 will total \$846 billion, representing a gain over 1967 of \$61 billion. This forecast is based on the Council's estimate that our productive capacity will permit an increase in real output of somewhat over 4 percent, or about \$32 or \$33 billion in 1968. The remaining increase in estimated GNP would represent merely increased prices of goods and services which are expected to lift the dollar GNP by another \$28 or \$29 billion. The Economic Report forecast makes the assumption that overall price increases in 1968 will be "somewhat in excess of 3 percent."

In our view, unless remedial action is taken, there is a grave danger that price levels will advance significantly more than 3 percent in 1968, in the light of the recent price trends in the economy and the clear signs of excessive demands that are developing. The forces of inflation are gaining dangerous momentum which threatens price inflation at a rate above 4 percent with serious consequences for domestic economic stability and also for our critical balance-of-payments position.

Price increases have shown a rapid acceleration during recent months. As may be seen on page 105 of the Council's annual report, the GNP price deflator covering all goods and services rose at a 4-percent annual rate in the second half of 1967, following a 2.6 rate of advance in the preceding 9 months. Consumer price increases in