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 360 life insurance companies which account for 92 percent of the legal reserve life insurance in force in the United States. The total assets of the life insurance business today aggregate more than $187 billion, which represents the savings that have been entrusted to us by millions of policyholders. The protection of the economic value of these savings is of vital concern to our business. We appreciate the invitation of the Joint Economic Committee to express our views 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 committee.

Prospects for the Economy in 1969

In our view, the No. 1 problem facing our domestic economy in 1969 is the threat of continuing strong inflation and the deepening of the inflationary psychology that has spread widely through the economy in recent months. During 1968, the inflationary forces that were permitted to develop led to a 4.8-percent increase in the consumer price level and a 3.9-percent rise in the GNP price deflator for the entire economy. Inflation was no longer merely a threat—it became a reality.

The inflationary trends of 1968 have already exacted a toll from the American public in terms of higher prices for everyday living expenses, rising costs of housing, and decreased value of their savings and fixed incomes. But another difficulty with a major inflationary surge is the change in public attitudes that it carries with it. Once the public becomes convinced that prices are going up further, there is a natural urge to anticipate price increases by purchasing in advance of needs, even if it means borrowing to do so. In such circumstances, rising interest costs become a minor deterrent to borrowing when compared with the rising prices that are projected in an inflationary climate. Thus an inflationary psychology can seriously distort the spending and borrowing decisions of consumers and businesses alike. As living costs advance, pressures for higher wages also build up and persist in later labor negotiations. Moreover, inflation carries with it a forward momentum that can be checked only by appropriate economic policies applied with determination and persistence.

It is our opinion that the primary objective of economic policy measures in 1969 must be the reduction of the rate of inflation. In its *Annual Report*, the Council of Economic Advisers projects that gross

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