Suppose that a person had "invested" $75 in a share of the federal debt — "a government bond" — in 1939. Upon maturity in 1949, he could have cashed the bond and received $100 — his principal plus $25 in interest. If he happened to be in the 20 per cent income tax bracket, then in reality he collected only $20 of interest, or $95 for the bond. With this $95 in 1949, his buying power in the market place would yield him a quantity of goods and services one-fourth smaller than he could have bought 10 years earlier for $75!

But that is not the whole story. Before one individual could cash his government bond in 1949, it was necessary for another person to buy 1⅓ new bonds. In other words, a second mortgage was given to pay off the holders of the first mortgage, and on each new shuffle of the shells, the security behind these bonds — a simple faith in governmental legerdemain — wears thinner and thinner.

And so long as deficit spending remains the avowed policy of government, there is little hope that the bonds of government ever will be redeemed. The spirit and design of communal "welfare" which underlies the "universal pension" scheme does not contemplate redemption of promises to the kind of people who hold government bonds. At some stage in "sharing the wealth," it is logical to expect complete governmental repudiation, or, at best, token redemption of its bonds.

Life Insurance

Would this individual invest in life insurance for security? At the end of 1948 more than 78 million persons in the United States held equity in the legal policy reserves of privately managed life insurance companies. These companies had total assets valued at $55.6 billion. What kind of an investment was this? What constitutes the assets of life insurance companies?

In 1948, 30.2 per cent of the total assets of life insurance companies was "invested" directly in United States government securities and an additional 4.2 per cent in foreign, state and local government bonds — those little "gilt-edged" mementos of our past public profligacy. Stocks and bonds — predominantly bonds — of railroad and public utility companies accounted for 22 per cent of total assets of life insurance companies. Federal Housing Administration and Veterans Administration guaranteed mortgages made up 6.3 per cent of total assets. The remaining 37.3 per cent of the total assets of life insurance companies was comprised of holdings of corporate bonds, mortgages, real estate, loans to policyholders, stocks, and miscellaneous investments which are not directly "guaranteed" or supervised by government. If ⅝ of the total assets (73 per cent of the total legal policy reserves set aside in behalf of policyholders) is invested directly in governmental debt, or falls under governmental direction to the extent that government sets railroad and public utility rates and guarantees mortgages on homes — then what is life insurance today if not largely a slice of the government's promise to pay? Does anyone believe that the government does not already have effective control of the life insurance companies and their funds? It would be an interesting experiment for anyone possessed of that illusion to attempt the management of a life insurance company.

At the close of 1939, life insurance policy reserves in the United States amounted to $25.8 billion. Policyholders had that much equity in life insurance. In the ten intervening years some policyholders have died, the policies of others