

THE SIGNIFICANCE OF THE INCREASING VOLUME OF LIFE INSURANCE.

(An address delivered by Hon. William A. Day, president of the Equitable Life Assurance Society, at the thirteenth annual meeting of the association of life insurance presidents, in New York, on December 4th, and furnished the "Watchman" by Mr. J. S. McCargar, local agent for the Equitable company).

A year ago we were addressed by a distinguished Senator of the United States. In a masterly and impressive manner Senator Thomas sketched some of the serious problems confronting the nation.

He appealed for a more virile and intense Americanism and the stimulation of public opinion wherewith to check the drift toward radicalism, and the rising tide of disorder and disloyalty which grows out of it. He stressed earnestly our national sin—wastefulness; pointing to the lavish bounty of Congress in public expenditure, and urged that the war against extravagance and waste be pressed with ever-increasing vigor.

In due time the genius of our people will solve these problems; in fact we already have encouraging signs with regard to some of them.

From the Governor of Massachusetts has come the answer to the Senator's appeal for a public awakening, Governor Coolidge, that steadfast and fearless official, in the quiet, unostentatious performance of duty, has set in motion a wave of public sentiment which all the orators of the land could not have done. By this act he has aroused and electrified the dormant forces of law and order in his own State and throughout the Union to an extent that promises most beneficial results.

As to extravagance, this sin is still upon us. While the saving habit, whether already acquired or stimulated by the thrift drives of the war period, still prevails among some people, many have gone far to the opposite extreme.

The war thrust upon us an unnatural and unbalanced prosperity and has left us a legacy of inflation, speculation and excessive improvidence. A large volume of easy money has found its way into the National Treasury, and into the pockets of many people to whom a substantial cash surplus was a new and tempting possession. There has followed, among those of improvident and self-indulgent tendencies, a passion for expenditure in the pursuit of pleasure and costly non-essentials which, undoubtedly, has no parallel in history.

How has life insurance responded in these wasteful days of 1919 to the urge for renewed vigor in spreading the gospel of thrift? A partial answer to this question may be found in the estimates of new business for this year based upon information recently gathered by the Association of Life Insurance Presidents from 176 companies representing 98 per cent. of the new business issued in 1918.

THE GAINS OF 1918.

In round millions, the volume of new insurance which life insurance companies have induced the people to take during the year 1919 promises to reach the enormous total of \$7,712,000,000. This is \$3,010,000,000, or 64 per cent. more than was written last year. It is nearly \$4,613,000,000 more than was written in the year 1914, or an increase of 149 per cent. When did any institution in the public service ever receive such a significant vote of confidence as the public has given life insurance companies in this stupendous volume of new insurance? In amount it exceeds all the insurance outstanding in all the companies twenty years ago, and it equals over one-fourth of the entire insurance in force in all the companies at the beginning of the present year.

It appears that every walk of life contributed to this increase in life insurance protection, and it seems to have included all of the standard plans issued by the companies.

The gain in the popularity of insuring employees, through the employer, on the group plan is indicated by an increase of over 100 per cent. in this new business over last year. It is estimated that the dependents of over one million workmen are now protected with life insurance without cost to themselves as a result of the recent adoption of this progressive idea.

SUPPLY AND DEMAND!

The growth of public appreciation of life insurance and the increase in the volume issued in recent years has been so far beyond the anticipation of insurance men that the lawmakers, who fifteen years ago limited the volume of business we could do annually, may well be pardoned for misjudging the future. Subsequent Legislatures have seen the wisdom of permitting the public to have more insurance by extending the limitation.

It is especially gratifying to know that upon the wise suggestion of the Superintendent of Insurance in New York, the public privilege of taking insurance in companies doing business in New York State was again extended by the Legislature this year. But for this prudent action the great field organizations of many companies would at this moment be idle; in fact, the increase in new insurance was so rapid that some of them would have been obliged to stop doing business in the early fall months.

Whether or not the present rate of increase continues, one thing we know—the public wants the insurance. Therefore the volume issued is bound to increase; if not next year it will later. It is our duty to help it increase until every insurable person in the United States is protected, and the law should aid us in doing so.

To some insurance officers, especially those representing the younger companies, the prospects of an increase over the present enormous volume of new business does not appear as an unbridled blessing. Their minds are apt to turn to the temporary adverse influence such an increase will exercise upon the contingency reserve

or free surplus under the net premium reserve system.

The logical answer is—adjust the reserve laws to meet the new situation. Our laws should operate to help us safely to insure as many people as possible and not to keep us away from them. This they can do without disturbing the present expense limitations or the present rigid State supervision which, notwithstanding its imperfections, has contributed immeasurably to the safety, the stability, and the popularity of American life insurance.

PUBLIC CONFIDENCE.

Back of this extraordinary demonstration of public appreciation of life insurance given this year lie many decades of hard work on the part of life insurance agents in educating the breadwinners of our country to the nature, purpose, and need of life insurance protection.

This permanent educational campaign was greatly accelerated by the adoption of the Governmental life insurance plan for our soldiers and sailors, and by the publicity which was given to it.

A knowledge of life insurance is not enough; the average man, as we know, must be stimulated to want it. This stimulation came in wholesale form as a result of the heavy loss of life from the war and the influenza pandemic. There was scarcely a home in the land that did not mourn the loss either of a relative or a friend. These twin calamities suddenly brought our people face to face with some of the destiny-shaping uncertainties and realities of life, which many had been overlooking. Coincident with this effective stimulus came an abundance of ready cash, as a result of war prosperity.

This undoubtedly is the combination of circumstances which history will record as the immediate cause, under the efficient pressure of the field forces, of the marvelous impetus given the life insurance business this year. But underlying all this is the fundamental reason—public confidence, without which our public usefulness would be impossible.

PROSPERITY AND THRIFT.

With this constantly increasing public trust comes constantly increasing responsibility. In order that we may get a more intimate view of the obligation and opportunity for service immediately before us, it may be well to take a brief glance at some phases of the present unusual economic situation.

The American people were never so fully occupied in commerce and industry as they are today.

This year bank clearings will aggregate about \$392,000,000,000 as against \$155,000,000,000 in 1914—a gain of 152 per cent.

For the first 8 months of this year the value of our exports was 300 per cent. greater than in 1914 (tonnage not available).

Savings banks authorities report that savings deposits have increased from \$7,105,000,000 in 1914 to \$10,574,000,000 at the beginning of this year.

During the period 1914-1918, due chiefly to increased premium deposits, the assets of all the life companies combined have increased by \$1,594,000,000.

To these signs of good times must be added the remarkable fact that about 20,000,000 people were able to spare \$25,000,000,000—much of it from current savings,—for government war loans.

This brief exhibit indicating the apparent prosperity and thrift of our people is pleasant to contemplate, but we must not be misled by these vast figures.

It is true that our national wealth as measured in dollars has greatly increased but this increase is to a large extent due to the fact that our currency has been inflated, and that the evidence of wealth has increased at a greater rate than the wealth it represents. Production alone can create wealth; the means of producing it, the instrument of production, alone is real capital.

Let us now glimpse the other side of the shield, the side which holds the real inspiration for life insurance service in this disturbing period of readjustment.

In the short period of the war over \$20,000,000,000 were raised for war purposes. A large part of this fabulous sum of money was promptly redistributed throughout the country in high wages and high prices paid for materials. Previous to this immense sums had been similarly paid out as a result of foreign war orders. The period which has followed, of reckless personal spending by wage earners and others who suddenly profited by this prosperity, is quite generally accepted as a natural consequence.

Popular extravagance naturally led to Governmental extravagance. It was recently stated from an official source, that the Federal taxes to be collected for the year ending June 30, 1920, will be about \$4,940,000,000, and that this equals about \$235 per family in the United States as against about \$36.75 in 1914,—an indicated increase of 539 per cent. in this particular factor of the cost of living.

We may also expect a large revenue deficit at the end of the present fiscal year. Chairman Good, of the House Appropriations committee, announced recently that certificates of indebtedness at that time would amount to \$3,591,273,845, and he did not know how it was going to be paid. This means that governmental outlays will have exceeded revenues at the rate of nearly \$10,000,000 per day.

In 147 cities last year the excess of governmental cost payments over revenue receipts aggregated \$71,000,000. The net indebtedness of cities of over 20,000 inhabitants has increased from \$67.57 per capita in 1913 to \$77.53 in 1918.

INDIVIDUAL EXTRAVAGANCE.

As a result of the labor shortage and other war conditions our products have been consumed faster than we could produce them. Stocks on hand were reduced or exhausted. The high prices which inevitably followed but served to whet the appetite of the spendthrift. He protests as vigorously as the provident man against the high cost of the necessities of life, but he eagerly pays high prices for luxuries and other non-essentials, and for early or he is very often willing

to pay a premium above the market price.

There has, for instance, as everyone knows, been an extraordinary increase in the price of musical instruments, automobiles, precious stones, furs, silks, and other costly articles of adornment, and in the cost of travel and amusement, and of fancy foods, candy, etc. There are, however, so many people with surplus cash who are buying these and other expensive luxuries that the figures of the aggregate sales since the armistice would, if they were available,—stagger belief. Dealers report that manufacturers are far behind in filling their orders for these things, but that the demand continues unabated, much of it coming from the wage earning element.

The war almost stopped the construction of homes, and prosperity has caused many people to seek more expensive quarters. Thus we find rents reaching exorbitant figures, but many people who cannot afford it prefer to pay them rather than to live in more modest quarters.

Many thousands of good men who have been hoping for years for a chance to lay by a snug sum each month now have that chance, but they have been seized with the spending mania. They have the illusion that this golden flow will continue permanently and that they will live forever to enjoy it.

Our wasteful spending is not coming alone from current earnings. Many who, under ordinary circumstances would not think of indulging in extravagance, are joining in this craze to spend. Signs that such people are tapping into their savings are not lacking. An evidence of this is found in the extraordinary number of people who are reported to be redeeming their war savings stamps, and by the many who have sold their Liberty bonds.

A recent published report (of a committee of the American Legion) stated that our veterans of the world war had lapsed 87 per cent. of their government life insurance. While this unfortunate occurrence is, to an extent, due to neglect, or to the fact that the men were short of funds, yet it is obviously true that a large number who were financially able to continue lapsed their government insurance because the lure of the times had weakened their "will to save."

With so many people in this spendthrift mood, so many outbidding each other for some of the necessities and most of the luxuries of life, any material reduction in the high cost of living seems a remote possibility. Moreover the shortage in the principal factor in the cost of production, that is, labor, is reaching serious proportions.

It was thought by many that when peace came, war wages would go back to something approaching the normal pre-war level, but the chief leader of union labor announced at the close of the war that this would not occur, that under no circumstances would any of the advances secured during the war be surrendered. In fact, the post-war strikes, which have been so prevalent, are not to maintain the war wage level, but to increase it, with a tendency to decrease the average production per man.

Five years of increasing prosperity have automatically moved large numbers of laborers and industrial workers generally into mercantile and other fields. The war and epidemic have deprived us of several hundred thousand of able-bodied men.

During the past five years immigration has been virtually stopped, although for many decades we have only been able to supply the demand for labor by immigration. As a result of this stoppage, we are short nearly two million adult male immigrants. This estimate is based upon the average of the arrivals for five years previous to 1914, with due allowance for aliens returning home.

Another important factor is the present threatened exodus of foreign labor back to Europe. The American Bankers Association states that 1,500,000 will go and will take with them nearly \$4,000,000,000. In one enterprise employing 12,000 foreign workers, 45 per cent. have announced their intention of returning to Europe.

In the face of this serious situation it being urged in different quarters that immigration should be prohibited, or at least materially checked for the next few years. There may be pressing reasons why this should be done, but, if it is done, how are we going to overcome the constantly increasing shortage of labor?

This labor problem vitally affects American business interests and the prosperity of every citizen.

Our battle with improvidence, at least for the immediate future, must be planned with due regard for all these extraordinary conditions. With so many people abandoning the saving habit and spending what they have for pleasure and luxury, with production far behind the heavily increasing demand, with a labor shortage and no sign of alleviating it,—with these and other factors still operating to maintain the high cost of living, the imperative need of the hour is an extraordinary effort to spread the gospel of thrift and saving among the people.

The gigantic task of readjusting our national life to normal peace time conditions is under way. The leaders in every field have taken up their burden and are carrying on with varying degrees of success. In the domains of politics, finance, industry, mercantile pursuits, agriculture, investment, transportation, public health, religion, science, education—everywhere the genius of the nation is struggling with the problems of readjustment, that is, with the exception of the problem of getting our people to return to sanity in the matter of expenditures.

The institutions of life insurance and banking are in the business of encouraging thrift, and they are accomplishing much in this direction at this time. I believe that they could and should do much more in carrying general thrift education into the homes of the land. But why should this especially important task of reconstruction be virtually left to these two factors?

They are highly important units in the constructive power of the nation, but so are others operating in the fields mentioned above. Why should not business, social, religious and other organizations make a special effort to assist in this crisis in bringing our spendthrifts and wasters back to their senses? They should recognize in the prevailing extravagance a public issue of the very first magnitude. It cannot be eliminated but it can be greatly reduced if those having facilities for thrift education will use them. Such facilities exist in abundance in almost every community.

Why wait for adversity to teach us this lesson as we did after our great Civil war? A period of inflation, of speculation and of high prices followed that war. The extraordinary demand for labor had increased wages abnormally. A frenzy of extravagance seized people in all walks of life. Nearly every one seemed willing to spend and but a few were willing to save their surplus earnings.

Our people were finally brought to their senses by the great panic of 1873 which resulted in immense losses, the prostration of business, and an enormous army of unemployed people, all of which finally led to the great railroad strike and the acts of pillage and destruction of 1877.

If the danger of repeating this experience is to be avoided every individual and every organization of individuals must assist in bringing our people back to the practice of rational economy,—that is, sensible thrift as distinguished from that of the penurious, miserly expanding field of public service and the steady and significant gain in public confidence and good will have given the institution of life insurance an exalted and honored place in our national life. To successfully hold this position it must show an active and intelligent concern in public problems affecting the popular interests over which it stands guard. One of these is extravagance, governmental and individual, one causing needless taxes and the other needless poverty.

Will it not profit us to regard the pleasing and impressive message life insurance has received from the public this year as a call to expand and intensify our efforts to aid and to lead in the battle with improvidence and waste?

Nine Thousand Miles in a Ford Truck.

Imagine it! Nine thousand miles for \$127.37, that's the record of a Ford one-ton truck loaded with touring and camping equipment and carrying Dr. and Mrs. McIntosh and children (our informant doesn't say how many children), also their married daughter, Mrs. Armstrong, and her husband.

On July 7th last they loaded a Ford truck—not a touring car—with a tent, frying pans, fishing tackle and sundry camping equipment, climbed to their seats, and soon left behind the city of Ames, Iowa. Their trip led through Sioux City, Rapid City, Wind Cave, Hot Springs, Yellowstone National park and 296 towns or cities, and consumed approximately three months. A record of the expenditures for the entire 9000 mile trip showed that the amount spent for gas, oil and repairs totaled just exactly \$127.37. Can you beat it?

Dubious Explanation.

On going his rounds about midnight a policeman noticed an individual moving from house to house and trying to open the doors. He seized him by the collar and said: "What are you doing here?" "Oh, nothing particular. You see I found a latchkey and I'm merely trying it on the doors in order to restore it to the owner."

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MEDICAL.

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