

# How MetLife Won WWII

## Inventing History

History is more or less bunk," said Henry Ford in 1916. "We want to live in the present, and the only history that is worth a damn is the history we make today."

When you're really rich you can afford to *make up* history, much as Ford did through his newspaper, *The Dearborn Independent*, which published the anti-Semitic *Protocols of the Elders of Zion*.

The Metropolitan Life Insurance Company, whose roots go back to 1863—the year of Ford's birth—is, as evidenced by its new advertising campaign, also of the belief that history is bunk.

(Although we'll soon discuss MetLife's new propaganda, we'd be remiss if we didn't say something about the company's execrable behavior in recent years. In 1997 and 1998 it launched a massive assault against its policyholders, the goal of which was to enact mutual-insurance-holding-company legislation in New York, and elsewhere. At hearings held by Assemblyman Pete Grannis, MetLife's chairman Harry Kamen gave such misleading testimony—see "The Big Fix," *Schiff's*, February 1998—that it's sure to be omitted from the next installment of the company's corporate history. (For more, see *Dirty Harry Misses His Target* on page 12.)

For years, MetLife's advertising has relied on the warm feelings engendered by the "Peanuts" characters. Using the Peanuts gang made sense; after all, people *like* Charlie Brown and they don't like insurance companies. Although Snoopy is only a dog, he put a more human face on a faceless insurance giant than Harry Kamen ever could.

But times have changed, and Snoopy, who once battled the Red Baron, is passé. MetLife's new ad campaign, initiated several months ago, suits this year's "greatest generation" zeitgeist well. The two-page inaugural spread that appeared in *The Wall Street Journal* on March 15, tells how the company helped immigrants at the turn of the century, how it helped farmers during the Depression, and how it helped win World War II. Although MetLife does not claim that it helped save Private

Ryan, it comes close.

History isn't bunk, but MetLife's ad is. Let's start from the top. "The best investment will always be in the human spirit," reads MetLife's ad. "For 130 years, MetLife has believed that social responsibility" is "good business" and is a "cornerstone" of the company's philosophy, the ad continues. "To us, one of the wisest investments a company can make is in the well being of its customers, as well as in the ideas, causes, and dreams they champion."

MetLife says that almost a century ago, out of concern for the newly arrived immigrants, it founded its Immigrant Service and Citizen Bureau, which helped tens of thousands of newly arrived people become citizens. Whatever the truth of this claim, it remained unmentioned by the company's authorized biographer, Pulitzer Prize-winning historian Marquis James (*The Metropolitan Life: A Study in Business Growth*, Viking Press, 1947). James had this to say about the political climate of the early 20th Century and about MetLife's concern for the huddled masses: "Working people remembered the long-standing opposition to organized labor; to the eight-hour day; to workmen's compensation; to the abolition of child labor and contract labor; to inspection of mines, factories, and workshops; to the use of public funds for the relief of private distress in hard times. Certainly the Metropolitan Life Insurance Company was the avowed champion of none of those measures"—even though the majority of its 5,000,000 clients were working-class people who owned industrial life policies.

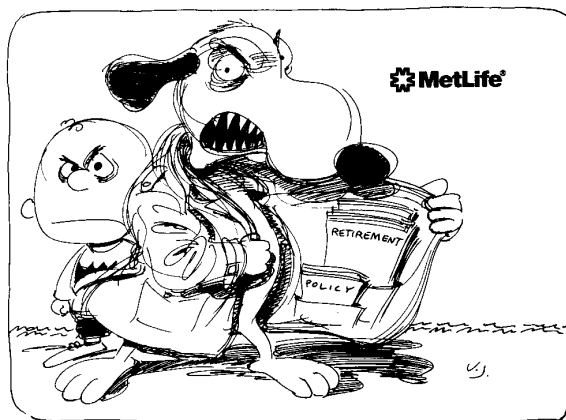
MetLife's ad stretches the truth elsewhere: "When the Great Depression

caused thousands of farms to fail, MetLife, through our Farm Management Program, stepped in to help individual farmers get back on their feet." That's one way of looking at it. James, who was paid by MetLife to write its history, had a different take: "Probably 50%" of the farmers who owed MetLife money "lost their land, at least temporarily, through forced sales." MetLife foreclosed on so much property that it became, with 2,000,000 acres, the largest owner of farmland in the country. There is, of course, nothing wrong with foreclosing on farmland when farmers are in default of their obligations. "Metropolitan could not lose sight of the fact that it was handling the money of its policyholders," noted James. Contrast this with Harry Kamen's statement that "borrowers" comprise one of MetLife's constituencies (See *Dirty Harry Misses His Target* on page 12.)

The largest part of MetLife's ad is an attempt to parlay the current interest in World War II for its own benefit: "History again beckoned during World War II, when MetLife helped the Allied cause by devoting a remarkable 51% of our assets to war bonds, a sum that was the equivalent of paying the salaries of 1.5 million soldiers for nearly four years. This support made MetLife the single-largest private contributor [emphasis added] to the Allied cause." Embellishing this statement are a dozen images from World War II: dogs tags, propeller planes, medals of honor, soldiers posing with the comrades, troops landing in amphibious carriers, Rosie the Riveter, soldiers on V-E day, and so on.

While it's true that MetLife was a large owner of government bonds—between 1941 and 1945, government bonds grew from 21.5% to 48.4% of the company's assets—a bond is not the same as "paying the salaries" of soldiers. A bond is a loan, and it must be repaid.

As for MetLife being the "single-largest private contributor to the Allied cause," James' authorized corporate history didn't see it that way: "Though eventually the company sent 6,702 men and women into the military services, its personnel difficulties were never comparable to those of the war industries." According to James, "the war did not turn the life insurance business upside



down—as it did the automotive business, for example...In time of war...the life insurance firms preserved something of the normal way of life.” In fact, the amount of life insurance in force rose about 20% during America’s involvement in the war.

Furthermore, the opportunity cost of MetLife’s \$3.65 billion investment in Treasuries was borne by the *policyholders*: “The company’s heavy investment in government bonds was the principal factor in the decline of its investment yield,” wrote James. This caused “an increase in premiums and the reduction of dividends.”

Finally, MetLife did not invest in government bonds solely out of patriotism. Chastened by its unwitting speculative investments (mortgages and railroad bonds) in the 1920’s, chairman Frederick H. Ecker, became, like many others, risk averse to such an extreme that he was unable to differentiate risk from safety, speculation from investment. In 1941, for example, he helped defeat a bill that would have allowed New York life insurance companies to invest in common stocks. “If the stock is sound,” testified Ecker, who was then 74, “the obligation [bond] of that company is more sound; and our belief is that we are wiser in adhering to the practice of buying the obligations rather than the equities in corporate enterprise.”

In a letter of November 25, 1941—two weeks before America’s involvement in the war—Ecker supplemented his testimony: “I say again, there is no place for common stocks in the life-insurance companies’ portfolio.” At that time the Dow Jones Industrial Average yielded 6%, while Treasuries yielded a meager 2½%. About six months later the Dow Jones would bottom out at 93 (that’s not a misprint), while fixed-income securities were approaching a bear market that wouldn’t end until 1984.

Although Harry Kamen wasn’t willing to talk to us about MetLife’s ad, John Calagna, of the company’s public affairs office, was. “Our ads focused on certain events in our history that we’re proud of,” said Calagna, who didn’t write the ads and shouldn’t be held accountable for their wretched content. “We feel good about our history.”

We forgot to ask Calagna whether anyone at MetLife had *read* the company’s history. ■

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